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## **STOCK EXCHANGE ANNOUNCEMENT**

22 February 2016

### **Moody's upgrades Chorus to Baa2**

Moody's Investors Service has today upgraded Chorus' issuer and senior unsecured ratings to Baa2 from Baa3 (including Chorus' credit facility), and upgraded the senior unsecured MTN programme rating to (P)Baa2 from (P)Baa3. The outlook is stable.

A copy of Moody's announcement is attached.

**ENDS**

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**Rating Action: Moody's upgrades Chorus to Baa2 from Baa3; outlook stable**

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Global Credit Research - 22 Feb 2016

**Approximately USD1.4 billion in debt affected**

Sydney, February 22, 2016 -- Moody's Investors Service has today upgraded to Baa2 from Baa3 the issuer and senior unsecured ratings, including the Credit Facility, and upgraded the senior unsecured MTN programme rating to (P)Baa2 from (P)Baa3 of Chorus Limited. The outlook is stable.

The rating action concludes the review for upgrade announced on 17 December 2015.

**RATINGS RATIONALE**

"The rating upgrade reflects the positive impact of the regulatory decision in December 2015 on Chorus' financial profile," says Ian Chitterer, a Moody's Vice President and Senior Analyst.

"The upgrade also takes into account Chorus' capital management update announcement on 19 February 2016, in which its Board stated that it intends to maintain capital management policies and financial policies that Moody's would view to be generally consistent with a rating of Baa2" adds Chitterer.

The stable outlook reflects Moody's view that with the conclusion of the regulatory decision in December 2015, and the company's updated financial policies, its credit metrics will remain broadly stable over the course of the current regulatory pricing period, namely until 2019, and within the parameters expected for a Baa2 rating. Thereafter, a revised telecommunication regulatory framework is expected to be in place and this could have ratings implications for Chorus after 2020.

The rating could be upgraded if there is a sustained improvement in Chorus' financial profile as exhibited by Adjusted debt/EBITDA dropping below 3x times or FFO /Interest staying above 5 times on a sustained basis.

On the other hand, downward rating pressure could evolve if Adjusted debt/EBITDA exceeds 4 times and/or FFO/Interest drops below 3 times on a sustained basis. This could occur in the case of significant overruns or delays on the ultra-fast broadband rollout; or there are issues complying with the requirements of key legal agreements with CFH. The rating could also be downgraded if there were indications that there is a reduction in CFH's support for Chorus. We see this as a low likelihood.

The principal methodology used in these ratings was Global Communications Infrastructure Rating Methodology published in June 2011. Please see the Ratings Methodologies page on [www.moody's.com](http://www.moody's.com) for a copy of this methodology.

Chorus Group is a New Zealand-based telecommunications utility group. It owns copper and fibre optic fixed-line telecommunications networks in New Zealand, together with exchanges, roadside cabinets, and associated infrastructure. It is a wholesaler of access to these networks. Chorus Limited is the parent company, and the issuer. Chorus New Zealand Limited, guarantees Chorus Limited, and is the main operational entity in the Chorus Group.

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