



Chorus Limited
Level 10, 1 Willis Street
P O Box 632
Wellington 6140
New Zealand

Email: company.secretary@chorus.co.nz

STOCK EXCHANGE ANNOUNCEMENT

19 February 2016

Chorus interim FY16 result: dividend to resume

- Net profit after tax \$33m (HY15: \$64m)
- EBITDA \$275m (HY15: \$321m)
- Total fixed lines decreased by 33,000; broadband connections increased by 16,000
- Interim dividend of 8cps
- FY16 gross capex guidance unchanged
- FY16 EBITDA tracking to top half of guidance range

Chorus today reported net profit after tax (NPAT) for the six months ended 31 December 2015 of \$33 million compared to \$64 million for the same period in the prior year. Earnings before interest, tax, depreciation and amortisation (EBITDA) were \$275 million.

Operating revenues were \$479 million and operating expenses were \$204 million.

Chorus chief executive Mark Ratcliffe said the financial result was, as expected, down sharply on the prior period because of lower regulated copper prices set by international benchmarking and charged from 1 December 2014.

"The final monthly aggregate copper pricing determined by the Commerce Commission, while an improvement on the initial benchmark pricing, only became effective on 16 December 2015. When combined with a reduction of about 25% on transaction charges we incur for service company activity, our EBITDA is currently around \$50 million per annum below the equivalent level at demerger.

"We look forward to working with industry and government to develop a regulatory framework that builds on recent experiences to better align and deliver on the interests of consumers and investors," he said.

Dividend

The conclusion of the copper pricing review process means Chorus can begin paying dividends to shareholders for the first time since late 2013. For FY16, Chorus expects to pay a dividend of 20 cents per share, subject to no material adverse changes in circumstance or outlook. An interim dividend of 8 cents per share will be paid on 5 April 2016 to all shareholders registered at 5pm on Tuesday 22 March 2016. A Dividend Reinvestment Plan will apply for the interim dividend at a discount rate of 3 per cent. Applications to participate must be received by 5pm on Wednesday 23 March 2016.

Operating update

Mr Ratcliffe said Chorus' number one operational priority remains the improvement of the fibre connection process and experience for consumers.

Chorus connected 38,000 consumers to fibre in the six month period to December 2015. With the growing demand Chorus has increased its full year forecast from 80,000 connections to between 85,000 and 95,000 connections.

Chorus currently averages 450 connections on weekdays with an aim to increase that to at least 600 connections by July. Additional field crews are being added and processes streamlined to reduce late rescheduling and improve the field utilisation rate. Chorus has also proposed taking the leading role in managing the interaction with consumers during the fibre connection process, funding this support for retailers through to the end of December 2016.

At 31 December 2015, Chorus was 48 percent of the way through its ultra-fast broadband rollout. Build work was completed for 400,000 premises and there are 539,000 consumers within reach of its fibre network. Fibre uptake across all Chorus areas is 19 percent or 105,000 connections. Seven of its 24 rollout areas are complete, with Greymouth and Masterton finished in the current period.

The Rural Broadband Initiative will be completed by mid-year, with Chorus exceeding its contractual target and enabling about 107,000 consumers to benefit from upgraded fixed line broadband coverage.

Investments in the broadband network, combined with consumer uptake of better services, have seen the average broadband connection speed across the Chorus network increase from 10Mbps at demerger to 23Mbps. Approximately 41 percent of consumer and business fibre connections are on speeds of 100Mbps or greater, compared with about 30 percent at the end of June. Average VDSL peak speeds on the copper network have increased from 35Mbps to 50Mbps following changes to the frequencies used for transmission.

Mr Ratcliffe said the ongoing growth in broadband demand and associated increases in bandwidth consumption continue to provide confidence in the outlook for fixed line networks.

Operating results

Total fixed line connections decreased by 33,000 to 1,761,000 while broadband connections increased by 16,000 to 1,223,000. The decline in fixed lines was attributed to some copper lines being removed by a service provider where they had been previously retained alongside fibre connections, lines in non-Chorus UFB areas beginning to shift to alternative networks, and the seasonal variation that typically occurs over the summer holiday period.

Gross capital expenditure for the six months was \$254 million. Total gross capex guidance of \$580 to \$630 million for FY16 remains unchanged. Chorus is tracking to the top half of its FY16 EBITDA guidance range of \$580 to \$600 million.

Further information

A copy of Chorus' Half Year Report can be found at:

- <https://www.chorus.co.nz/investor-news>
- <https://www.nzx.com/companies/CNU/announcements/277939>

ENDS

For further information:

Andrew Hopkinson

Treasurer

Mobile: +64 (27) 249 5678

Email: Andrew.hopkinson@chorus.co.nz