

STOCK EXCHANGE ANNOUNCEMENT

14 November 2018

Chorus launches re-setting fixed rate retail bond offer

Chorus announced today that it is offering up to NZ\$300,000,000 (with the ability to accept oversubscriptions at Chorus' discretion) ten year unsecured, unsubordinated, re-setting fixed rate bonds (**Bonds**) to institutional investors and New Zealand retail investors.

The Bonds will mature on 6 December 2028. The Interest Rate for the Bonds will be fixed for five years and then re-set for a further period of five years.

The Interest Rate for the initial five year period will be the sum of the Issue Margin plus the five year Base Rate on the Rate Set Date, but in any case will be no less than the minimum Interest Rate of 4.35% per annum. The Issue Margin will be set following a book-build process on 23 November 2018 and will be announced by Chorus via NZX shortly thereafter, together with the Interest Rate for the first five year period.

The indicative Issue Margin range for the Bonds is 1.80% to 1.90% per annum.

The Interest Rate for the second five year period will be determined as the Issue Margin plus the Base Rate on the Reset Date (6 December 2023) and that Interest Rate will be announced by Chorus via the NZX on or shortly after the Reset Date.

Chorus has applied for the Bonds to be quoted on the NZX Debt Market. The Bonds are expected to be assigned a long-term credit rating of BBB and Baa2 by S&P Global Ratings and Moody's, respectively.

The offer will close on 23 November 2018 following the book-build process, with the Bonds expected to be issued on 6 December 2018.

There is no public pool for the Bonds, which will be reserved for the Joint Lead Managers, institutional investors and other primary market participants invited to participate in the book-build.

Unless the context requires otherwise, capitalised terms used in this announcement have the meaning given to them in the Indicative Terms Sheet.

Full details of the Bond offer are contained in the Indicative Terms Sheet attached.

Indicative Terms Sheet

14 November 2018

C H ● R U S

Joint Lead Managers:



Deutsche
CRAIGS



H O B S O N
W E A L T H
P A R T N E R S

Indicative Terms Sheet

This Indicative Terms Sheet sets out the key terms of the offer (“Offer”) by Chorus Limited (“Chorus”) of up to NZ\$300,000,000 (with the ability to accept oversubscriptions at Chorus’ discretion) unsecured, unsubordinated fixed rate bonds maturing on 6 December 2028, with the interest rate re-setting on 6 December 2023 (“Bonds”) under its master trust deed dated 30 March 2016 (as amended from time to time) (“Trust Deed”) as modified and supplemented by the supplemental trust deed dated 14 November 2018 (together, “Trust Documents”) entered into between Chorus and The New Zealand Guardian Trust Company Limited (“Supervisor”). Unless the context otherwise requires, capitalised terms used in this Indicative Terms Sheet have the same meaning given to them in the Trust Documents.

Important Notice

The offer of debt securities by Chorus is made in reliance upon the exclusion in clause 19 of schedule 1 of the Financial Markets Conduct Act 2013 (“FMCA”).

The offer contained in this Indicative Terms Sheet is an offer of bonds that have identical rights, privileges, limitations and conditions (except for the interest rate and maturity date) as Chorus’ bonds maturing on 6 May 2021, which have a fixed interest rate of 4.12% per annum and are currently quoted on the NZX Debt Market under the ticker code CNU010 (the “Existing Bonds”).

Accordingly, the Bonds are the same class as the Existing Bonds for the purposes of the FMCA and the Financial Markets Conduct Regulations 2014.

Chorus is subject to a disclosure obligation that requires it to notify certain material information to NZX Limited (“NZX”) for the purpose of that information being made available to participants in the market and that information can be found by visiting www.nzx.com/companies/CNU.

The Existing Bonds are the only debt securities of Chorus that are currently quoted and in the same class as the Bonds.

Investors should look to the market price of the Existing Bonds referred to above to find out how the market assesses the returns and risk premium for those bonds.

Key terms of the Bonds

Issuer	Chorus Limited.		
Description	Unsecured, unsubordinated, re-setting fixed rate bonds (" Bonds ").		
Status	The Bonds are to be issued pursuant to the Trust Documents. The principal amounts of, and interest on, the Bonds will be unsubordinated, unsecured, obligations of the Issuer and rank at least equally with all present and future unsecured and unsubordinated indebtedness of the Issuer (except indebtedness preferred by law and subject to laws affecting creditors' rights generally and equitable principles of general application).		
Guarantee	The Bonds are guaranteed by the Guarantors under the Trust Deed. The Guarantee is an unsecured, unsubordinated obligation of each Guarantor. Currently Chorus New Zealand Limited is the only Guarantor.		
Negative Pledge	The Trust Deed contains a negative pledge which provides that neither the Issuer nor any Guarantor will create or permit to subsist any Security Interest over its assets except under certain limited exceptions set out in the Trust Deed.		
Purpose	The proceeds of the Offer will be used for general corporate purposes.		
Credit Rating	Issuer Credit Rating	Expected Issue Credit Rating	
	S&P Global Ratings	BBB (Stable)	BBB
	Moody's	Baa2 (Stable)	Baa2
	A rating is not a recommendation by any rating organisation to buy, sell or hold Bonds. The above issuer credit ratings are current as at the date of this Indicative Terms Sheet and any rating may be subject to suspension, revision or withdrawal at any time by the assigning rating organisation.		
Issue Amount	Chorus is offering up to NZ\$300,000,000 of Bonds with the ability to accept oversubscriptions at Chorus' discretion. The offer is not underwritten.		
Opening Date	Wednesday, 14 November 2018		
Closing Date	Bids due by 12pm, Friday, 23 November 2018		
Rate Set Date	Friday, 23 November 2018		

Issue Date and Allotment Date

Thursday, 6 December 2018

Reset Date

Wednesday, 6 December 2023

Maturity Date

Wednesday, 6 December 2028

Interest Rate

The rate of interest payable on the Bonds will be:

- the Initial Interest Rate for the first five year period; and
- the Reset Interest Rate for the second five year period,

subject to any step-up following a Downgrade Event. See "Interest Rate Structure" and "Interest Rate Step-up" below for further details.

Initial Interest Rate

The initial interest rate ("**Initial Interest Rate**") will be the sum of:

- the Issue Margin; and
- the Base Rate on the Rate Set Date,

but in any case will be no less than the minimum interest rate of 4.35% per annum.

The Initial Interest Rate will apply for the first five year period from (and including) the Issue Date to (but excluding) the Reset Date, and will be announced by Chorus via NZX on or shortly after the Rate Set Date.

Indicative Issue Margin

The indicative range of the Issue Margin is 1.80% – 1.90% per annum.

Issue Margin

The Issue Margin will be determined by Chorus in consultation with the Joint Lead Managers following completion of the book-build process and announced via NZX on or shortly after the Rate Set Date at the same time as the announcement of the Initial Interest Rate.

Reset Interest Rate

The Interest Rate will be reset on the Reset Date to be the reset interest rate ("**Reset Interest Rate**"). The Reset Interest Rate will be the sum of:

- the Issue Margin (as determined on the Rate Set Date); and
- the Base Rate on the Reset Date.

The Reset Interest Rate will apply for the second five year period from (and including) the Reset Date to (but excluding) the Maturity Date, and will be announced by Chorus via NZX on or shortly after the Reset Date.

The minimum Interest Rate is only applicable to the Initial Interest Rate and is not relevant to the calculation of the Reset Interest Rate.

Interest Rate Step-up

If a Downgrade Event exists on the first day of an Interest Period, the interest payable on the Interest Payment Date applicable to that Interest Period will be the aggregate of the applicable Interest Rate and the Step-up Margin.

Downgrade Event means:

- (a) The credit rating of the Bonds is BB+ or below on S&P Global Ratings' credit rating scale (or the equivalent of another internationally recognised rating agency); or
- (b) If the Bonds are not rated by at least one internationally recognised rating agency, either:
 - (i) the long term corporate credit rating of Chorus is BB+ or below from S&P (or the equivalent from another internationally recognised rating agency); or
 - (ii) Chorus does not hold at least one long term corporate credit rating.

Step-up Margin means 1.00 per cent per annum.

Brokerage

Chorus will pay brokerage of 0.50% of the aggregate principal amount of the amount issued plus 0.50% on firm allocations. Such amounts will be paid to the Arranger who will distribute as appropriate to primary market participants and approved financial intermediaries.

Record Date

5.00pm on the tenth calendar day before the due date for that payment or, if that day is not a Business Day, the preceding Business Day.

Business Days

A day (other than a Saturday or Sunday) on which registered banks are generally open for business in Wellington and Auckland except that in the context of the NZX Listing Rules it means a day on which the NZX Debt Market is open for trading.

Issue Price

NZ\$1.00 per Bond.

Minimum Application

The minimum application is NZ\$5,000, with multiples of NZ\$1,000 thereafter.

Approved Issuer Levy

The Issuer proposes to register the Bonds for approved issuer levy ("AIL") and, where it is eligible to do so in respect of interest paid to a non-resident Holder that is subject to the non-resident withholding tax rules (and unless otherwise elected by the Holder) to pay AIL in lieu of deducting non-resident withholding tax. If the Bonds qualify for the 0% rate of AIL, the Issuer intends to apply the 0% rate, otherwise it will apply AIL at the applicable rate. The amount of any AIL paid will be deducted from payments to you.

Registrar and Paying Agent

Computershare Investor Services Limited.

The Bonds will be accepted for settlement within the NZClear system.

How to apply

All of the Bonds, including oversubscriptions, are reserved for clients of the Joint Lead Managers, institutional investors and other primary market participants invited to participate in the book-build. There will be no public pool for the offer. Accordingly, retail investors should contact a Joint Lead Manager, their financial adviser or any primary market participant for details on how they may acquire Bonds. You can find a primary market participant by visiting www.nzx.com/investing/find-a-participant.

In respect of oversubscriptions or generally, any allotment of Bonds will be at Chorus' discretion, in consultation with the Joint Lead Managers. Chorus reserves the right to refuse all or any part of an application without giving any reason.

Each investor's financial adviser will be able to advise them as to what arrangements will need to be put in place for investors to trade the Bonds including obtaining a common shareholder number (CSN), an authorisation code (FIN) and opening an account with a primary market participant as well as the costs and timeframes for putting such arrangements in place.

ISIN

NZCNUDT003C6

Transfers

Holders are entitled to sell or transfer their Bonds at any time subject to the terms of the Trust Documents, the Selling Restrictions set out below and applicable securities laws and regulations. Chorus may decline to register a transfer of Bonds for the reasons set out in the Trust Documents.

The minimum amount of Bonds a Holder can transfer is NZ\$1,000, and integral multiples of NZ\$1,000 thereafter. No transfer of Bonds or any part of a Holder's interest in a Bond will be registered if the transfer would result in the transferor or the transferee holding or continuing to hold Bonds with an aggregate principal amount of less than the minimum holding of NZ\$5,000 (other than zero).

NZX has approved these transfer restrictions in accordance with NZX Debt Market Listing Rule 11.1.5 on the condition that Chorus will only allot the Bonds in multiples of NZ\$1,000.

NZX Quotation

Chorus will take any necessary steps to ensure that the Bonds are, immediately after issue, quoted on the NZX Debt Market. Application has been made to NZX for permission to quote the Bonds on the NZX Debt Market and all the requirements of NZX relating thereto that can be complied with on or before the distribution of this Indicative Terms Sheet have been duly complied with. However, NZX accepts no responsibility for any statement in this Indicative Terms Sheet. NZX is a licensed market operator and the NZX Debt Market is a licensed market under the FMCA.

Quotation Date

Expected to be 7 December 2018.

NZX Debt Market Ticker Code

CNU020

Selling restrictions

This is an offer of Bonds to institutional investors and members of the public who are resident in New Zealand and certain overseas institutional investors only.

Chorus has not taken and will not take any action which would permit a public offering of Bonds, or possession or distribution of any offering material in respect of the Bonds, in any country or jurisdiction where action for that purpose is required (other than New Zealand).

The Bonds may only be offered for sale or sold in a jurisdiction other than New Zealand in compliance with all applicable laws and regulations in any jurisdiction in which they are offered, sold or delivered.

The selling restrictions contained in the schedule apply. By purchasing any Bonds, each Holder agrees to indemnify the Issuer, the Arranger, the Joint Lead Managers, the Supervisor and each of their respective directors, officers and employees (as applicable) for any loss, cost, liability or expenses sustained or incurred by the Issuer, the Arranger, the Joint Lead Managers and the Supervisor, as the case may be, as a result of the breach by that Holder of the selling restrictions set out in the schedule.

Singapore Securities and Futures Act Product Classification

Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the "SFA"), Chorus has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Bonds are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Governing Law

New Zealand.

NZX Waivers

NZX has granted Chorus a waiver from NZX Debt Market Listing Rule 7.11.1 to allow allotment of the Bonds to occur within nine business days after the Closing Date.

The dates set out in this Indicative Terms Sheet are indicative only and are subject to change. Chorus has the right in its absolute discretion and without notice to close the Offer early, to accept late applications, to extend the Closing Date or to choose not to proceed with the Offer. If the Closing Date is extended, subsequent dates may be extended accordingly.

Other Information

Copies of the Trust Documents are available at Chorus' website at www.chorus.co.nz/bonds

Any internet site addresses provided in this Indicative Terms Sheet are for reference only and, except as expressly stated otherwise, the content of any such internet site is not incorporated by reference into, and does not form part of, this Indicative Terms Sheet.

Investors should seek qualified independent financial and taxation advice before deciding to invest. In particular, you should consult your tax adviser in relation to your specific circumstances. Investors will also be personally responsible for ensuring compliance with relevant laws and regulations applicable to them (including any required registrations).

For further information regarding Chorus, visit www.nzx.com/companies/CNU.

Contact Details

Issuer

Chorus Limited
Level 10, 1 Willis Street
Wellington 6011
PO Box 632
Wellington 6140

Registrar

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna
Auckland 0622
Private Bag 92119
Auckland 1142

Supervisor

The New Zealand Guardian Trust Company Limited
Level 2, 99 Customhouse Quay
Wellington 6011

Legal advisers to Chorus

Chapman Tripp
Level 14, 10 Customhouse Quay
Wellington 6011

Arranger, Organising Participant and Joint Lead Manager

ANZ Bank New Zealand Limited
Level 10, ANZ Centre
171 Featherston Street
Wellington 6011
0800 269 476

Joint Lead Managers:

Bank of New Zealand

Level 6, Deloitte Centre
80 Queen Street
Auckland 1010
0800 284 017

Deutsche Craigs Limited

Level 36, Vero Centre
48 Shortland Street
Auckland 1010
0800 226 263

Forsyth Barr Limited

Level 9, Forsyth Barr House
The Octagon
Dunedin 9016
0800 367 227

Hobson Wealth Partners Limited

Level 17, Lumley Centre
88 Shortland Street
Auckland 1010
0800 742 737

Schedule – selling restrictions

Set out below are specific selling restrictions that apply to an offer of the Bonds in the European Economic Area, Switzerland, the United Kingdom, Australia, Hong Kong, Japan and Singapore.

These selling restrictions do not apply to an offer of the Bonds in New Zealand.

These selling restrictions may be modified by Chorus and the Joint Lead Managers, including following a change in a relevant law, regulation or directive. Persons into whose hands the Indicative Terms Sheet comes are, and each Holder is, required by Chorus and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Bonds or have in their possession or distribute such offering material, in all cases at their own expense.

No person may purchase, offer, sell, distribute or deliver Bonds, or have in their possession, publish, deliver or distribute to any person, any offering material or any documents in connection with the Bonds, in New Zealand and the jurisdictions set out below other than in compliance with all applicable laws and regulations and the selling restrictions set out below relating to those jurisdictions.

A. Relevant Member States of the European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”), no Bonds have been offered and no Bonds will be offered that are the subject of the offering contemplated by this Terms Sheet in relation thereto to the public in that Relevant Member State except that an offer of Bonds to the public in the Relevant Member State may be made with effect from the Relevant Implementation Date:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Joint Lead Manager; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the Bonds shall require the Issuer or any Joint Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of the Bonds to the public” in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

B. Switzerland

This document is not intended to constitute an offer or solicitation to purchase or invest in the Bonds described herein. The Bonds may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Bonds constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland and neither this document nor any other offering or marketing material relating to the Bonds may be publicly distributed or otherwise made publicly available in Switzerland.

C. United Kingdom

No communication, invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("FSMA")) has been or may be made or caused to be made or will be made in connection with the issue or sale of the Bonds in circumstances in which section 21(1) of the FSMA applies to the Issuer or the Guarantor(s).

All applicable provisions of the FSMA with respect to anything done in relation to the Bonds in, from or otherwise involving the United Kingdom must be complied with.

D. Australia

No prospectus or other disclosure document (as defined in the Corporations Act 2001) in relation to the Bonds has been or will be lodged with or registered by the Australian Securities and Investments Commission or the ASX Limited.

No person may:

- make or invite (directly or indirectly) an offer of the Bonds for issue, sale or purchase in, to or from Australia (including an offer or invitation which is received by a person in Australia); and
- distribute or publish, any draft, preliminary or final form offering circular or memorandum, advertisement or other offering material relating to the Bonds in Australia,

unless:

- the offer or invitation is made to sophisticated or professional investors as respectively defined within sections 708(8) or 708(11) of the Corporations Act;
- the offer or invitation is not made to a person who is a "retail client" within the meaning of section 761G of the Corporations Act 2001; and
- such action complies with all applicable laws and regulations in Australia.

E. Hong Kong

No Bonds have been offered or sold or will be offered or sold in Hong Kong, by means of any document other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32) of Hong Kong (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O.

No advertisement, invitation or document relating to the Bonds may be issued or in the possession of any person or will be issued or be in the possession of any person in each case for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

F. Japan

The Bonds have not been and will not be registered in Japan pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "FIEA") in reliance upon the exemption from the registration requirements since the offering constitutes the small number private placement as provided for in "ha" of Article 2, Paragraph 3, Item 2 of the FIEA. A Japanese Person who transfers the Bonds shall not transfer or resell the Bonds except where the transferor transfers or resells all the Bonds en bloc to one transferee. For the purposes of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

G. Singapore

This Terms Sheet has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Bonds may not be offered or sold or made the subject of an invitation for subscription or purchase, and neither this Terms Sheet nor any other document or material may be circulated or distributed in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law; or
- (4) as specified in Section 276(7) of the SFA.

RETAIL BOND PRESENTATION

14 November 2018

C H ● R U S

JOINT LEAD MANAGERS



Deutsche
CRAIGS



FORSYTH BARR

HOBSON
WEALTH
PARTNERS

Disclaimer

This presentation has been prepared by Chorus Limited (**Chorus** or the **Issuer**) in relation to the offer of bonds described in this presentation (**Bonds**). The offer of the Bonds is made in reliance upon the exclusion in Clause 19 of schedule 1 of the Financial Markets Conduct Act 2013 (**FMCA**). The Bonds have identical rights, privileges, limitations and conditions (except for the interest rate and maturity date) as Chorus' bonds maturing on 6 May 2021, which have a fixed interest rate of 4.12% per annum and are currently quoted on the NZX Debt Market under the ticker code CNU010 (the **Existing Bonds**).

Chorus is subject to a disclosure obligation that requires it to notify certain material information to NZX Limited (**NZX**) for the purpose of that information being made available to participants in the market and that information can be found by visiting www.nzx.com/companies/CNU. The Existing Bonds are the only debt securities of Chorus that are currently quoted in the same class as the Bonds. Investors should look to the market price of the Existing Bonds to find out how the market assesses the returns and risk premium for those bonds.

The information in this presentation is of general nature and does not constitute financial product advice, investment advice or any recommendation by the Issuer, the Supervisor, the Arranger, the Joint Lead Managers or any of their respective directors, officers, employees, affiliates, agents or advisers to subscribe for, or purchase, any of the Bonds. Nothing in this presentation constitutes legal, financial, tax or other advice.

The information in this presentation does not take into account the particular investment objectives, financial situation, tax position or needs of any person. You should make your own assessment of an investment in the Issuer and should not rely on this presentation. In all cases, you should conduct your own research on the Issuer and analysis of any offer, the financial condition, assets and liabilities, financial position and performance, profits and losses, prospects and business affairs of the Issuer, and the contents of this presentation.

None of the Arranger, the Joint Lead Managers or Supervisor or any of their respective directors, officers, employees and agents: (a) accept any responsibility or liability whatsoever for any loss arising from this presentation or its contents or otherwise arising in connection with the offer of Bonds; (b) have authorised or caused the issue of, or made any statement in, any part of this presentation; and (c) make any representation, recommendation or warranty, expressed or implied regarding the origin, validity, accuracy, adequacy, reasonableness or completeness of, or any errors or omissions in, any information, statement or opinion contained in this presentation and accept no liability (except to the extent such liability is found by a court to arise under the Financial Markets Conduct Act 2013 or cannot be disclaimed as a matter of law).

The distribution of this presentation, and the offer or sale of the Bonds, may be restricted by law in certain jurisdictions. Persons who receive this presentation outside New Zealand must inform themselves about and observe all such restrictions. Nothing in this presentation is to be construed as authorising its distribution, or the offer or sale of the Bonds, in any jurisdiction other than New Zealand and the Issuer accepts no liability in that regard. The Bonds may not be offered or sold directly or indirectly, and neither this presentation nor any other offering material may be distributed or published, in any jurisdiction except under circumstances that will result in compliance with any applicable law or regulation.

Application has been made to NZX for permission to quote the Bonds on the NZX Debt Market and all the requirements of NZX relating thereto that can be complied with on or before the distribution of the Terms Sheet have been duly complied with. However, NZX accepts no responsibility for any statement in this document. NZX is a licensed market operator, and the NZX Debt Market is a licensed market under the FMCA.

Disclaimer (contd.)

This presentation:

- Includes forward-looking statements. These statements are not guarantees or predictions of future performance. They involve known and unknown risks, uncertainties and other factors, many of which are beyond Chorus' control, and which may cause actual results to differ materially from those contained in this presentation.
- Includes statements relating to past performance which should not be regarded as reliable indicators of future performance.
- Is current at the date of this presentation, unless otherwise stated. Except as required by law or the NZX Main Board and ASX listing rules, Chorus is not under any obligation to update this presentation, whether as a result of new information, future events or otherwise.
- Should be read in conjunction with Chorus' audited consolidated financial statements for the year to 30 June 2018 and NZX and ASX market releases.
- Includes non-GAAP financial measures including "EBITDA" and "adjusted EBITDA". These measures do not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities. They should not be used in substitution for, or isolation of, Chorus' audited consolidated financial statements. Chorus monitors EBITDA as a key performance indicator and believes it assists investors in assessing the performance of the core operations of Chorus' business. Refer to the appendices of this presentation and Chorus' FY18 results investor presentation for further detail relating to EBITDA measures.
- Has been prepared with due care and attention. However, Chorus and its directors and employees accept no liability for any errors or omissions.
- Contains information from third parties Chorus believes reliable. However, no representations or warranties (express or implied) are made as to the accuracy or completeness of such information.

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Offer highlights

Bond issue objectives

- General corporate purposes
 - Further diversify funding sources – NZ\$ inaugural issue \$400m May 2016, EUR 500m October 2016
 - Increase Chorus' debt maturity profile – current weighted average debt maturity 3.1 years

Issuer	Chorus Limited
Instrument	Unsecured, unsubordinated, re-setting fixed rate bonds
Volume	Up to NZ\$300 million, with oversubscriptions at Chorus' discretion
Maturity	6 December 2028 – 10 year bond. Interest rate reset after 5 years
Joint Lead Managers	ANZ, BNZ, Deutsche Craigs, Forsyth Barr, Hobson Wealth

Introducing Chorus

New Zealand's largest fixed line communications infrastructure business

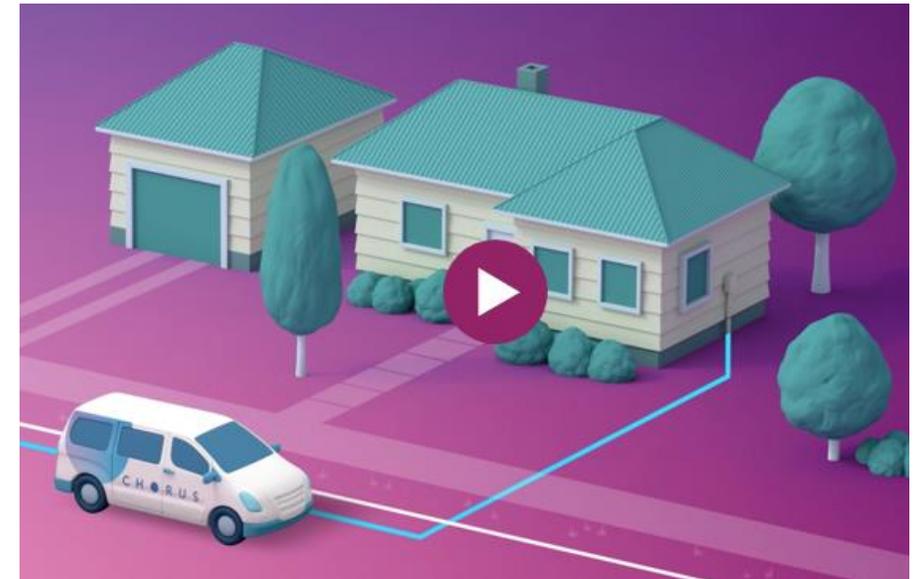
An overview of Chorus

> New Zealand's largest fixed line communications infrastructure business

- established in Dec 2011 following demerger from Telecom NZ
- listed on NZX and ASX: CNU; ADR ticker:CHRY
- ~NZ\$2.1 billion market capitalisation (at 2 November 2018)
- S&P "BBB" stable; Moody's "Baa2" stable

> A nationwide copper and growing fibre network

- ~1.5m connections, including ~1.2m broadband
- 2/3 of way through 11-year fibre to the premises rollout
- ~930 employees supported by ~4,000 contractors/subcontractors
- fibre uptake well ahead of expectations
- streaming video services driving significant data consumption



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Sustainability Indices

In Collaboration with RobecoSAM

The Chorus network: nationwide wholesale access

Common network assets

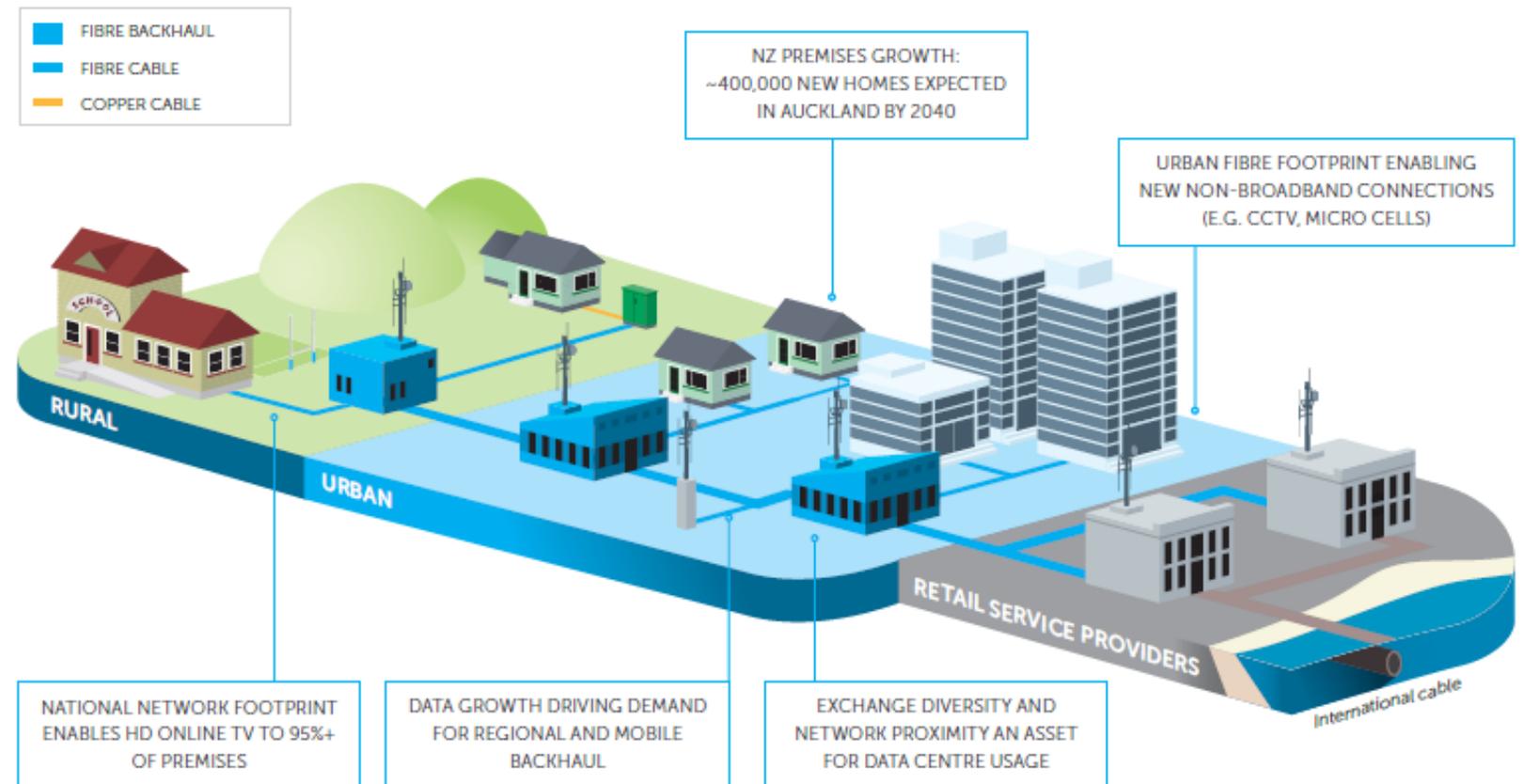
- ~600 local exchanges
- ~11,000 cabinets
- ~280,000 poles
- ~30,000km duct network

Our copper network

- ~130,000km copper
- FTTN broadband to ~90% of lines
- VDSL broadband to ~80% of lines

Our fibre network

- ~47,000km fibre
- FTTP to ~1.36m customers by 2023
- point-to-point fibre in CBD areas
- connects multiple cell sites



New Zealand is taking fibre further

> Ultra-fast broadband (UFB): a Government objective

- original objective (UFB1): fibre to premises covering **75%** of population by 2020
- subsequent agreements (UFB2 and UFB2+) have extended coverage goal to **87% of population by the end of 2022**

> Chorus is a cornerstone partner in the fibre rollout

- requirement that Chorus split from Telecom NZ to participate: demerger in December 2011
- Crown partnerships with four fibre companies: Chorus, Enable, Northpower, Ultrafast Fibre (WEL Networks)
- **Chorus was awarded ~75% of the overall UFB rollout**



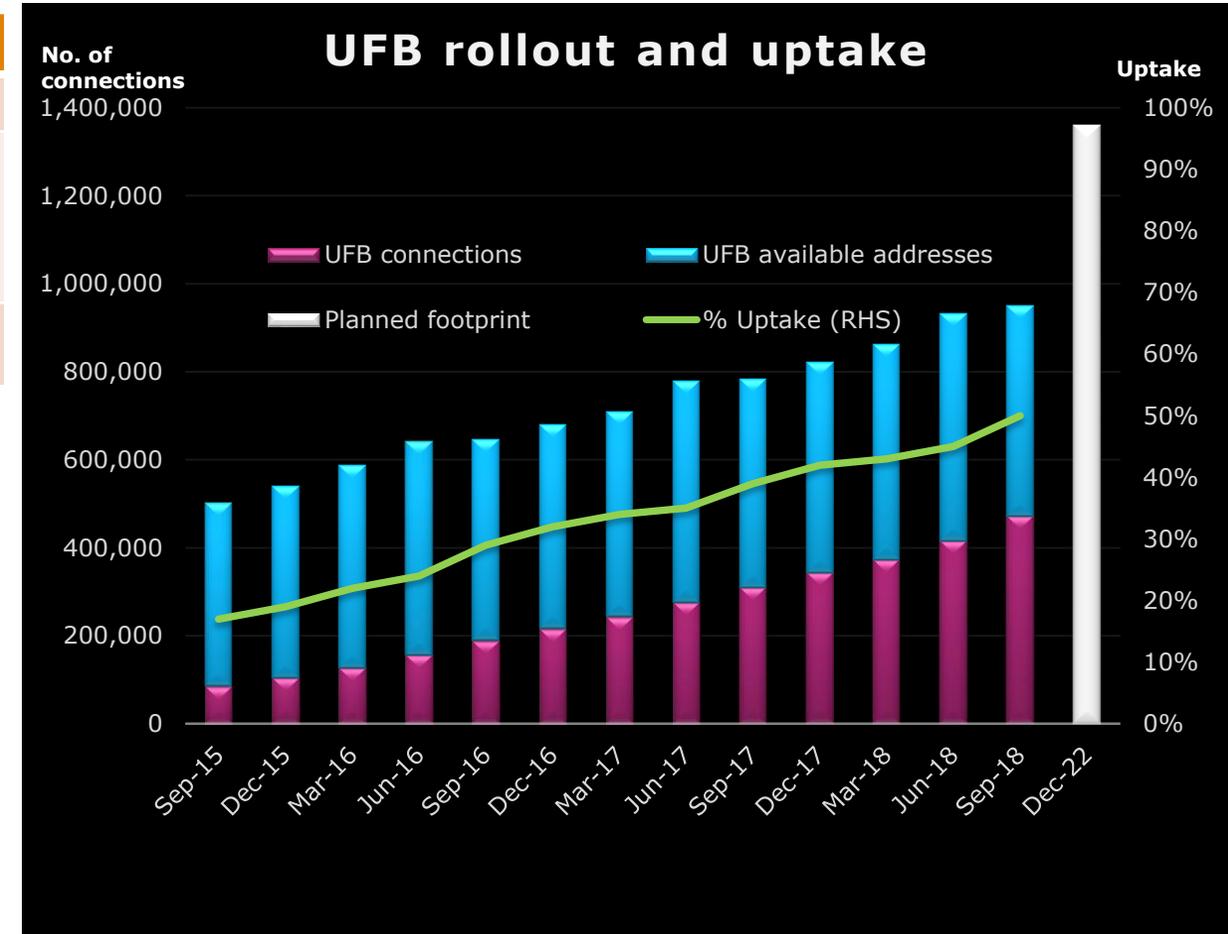
Surging fibre demand

Premises to pass by Dec 2022	~1,054,000*
Customers able to connect	~1.36 million
Estimated communal capex to pass premises (excludes capex to connect premises)	\$2.26 to \$2.37 billion
Crown funding (57:43 equity/debt)	up to \$1.33 billion

*Includes estimated 43k greenfields premises for UFB1

> 50% UFB uptake at 30 Sept 2018 (30 June 2018: 45%)

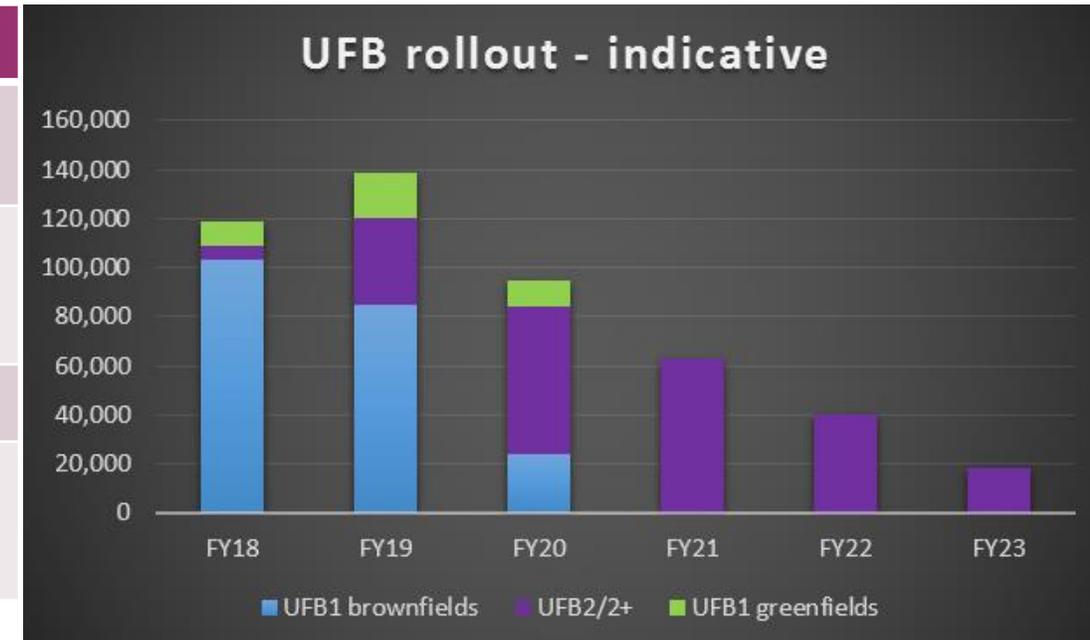
- **472,000** connections
- **950,000** customers able to connect
- **714,000** premises passed



FY19 is peak communal build year

- ~120,000 brownfields premises to be passed across UFB1 and UFB2
- expect to claim another ~18k UFB1 greenfields premises already passed in prior years

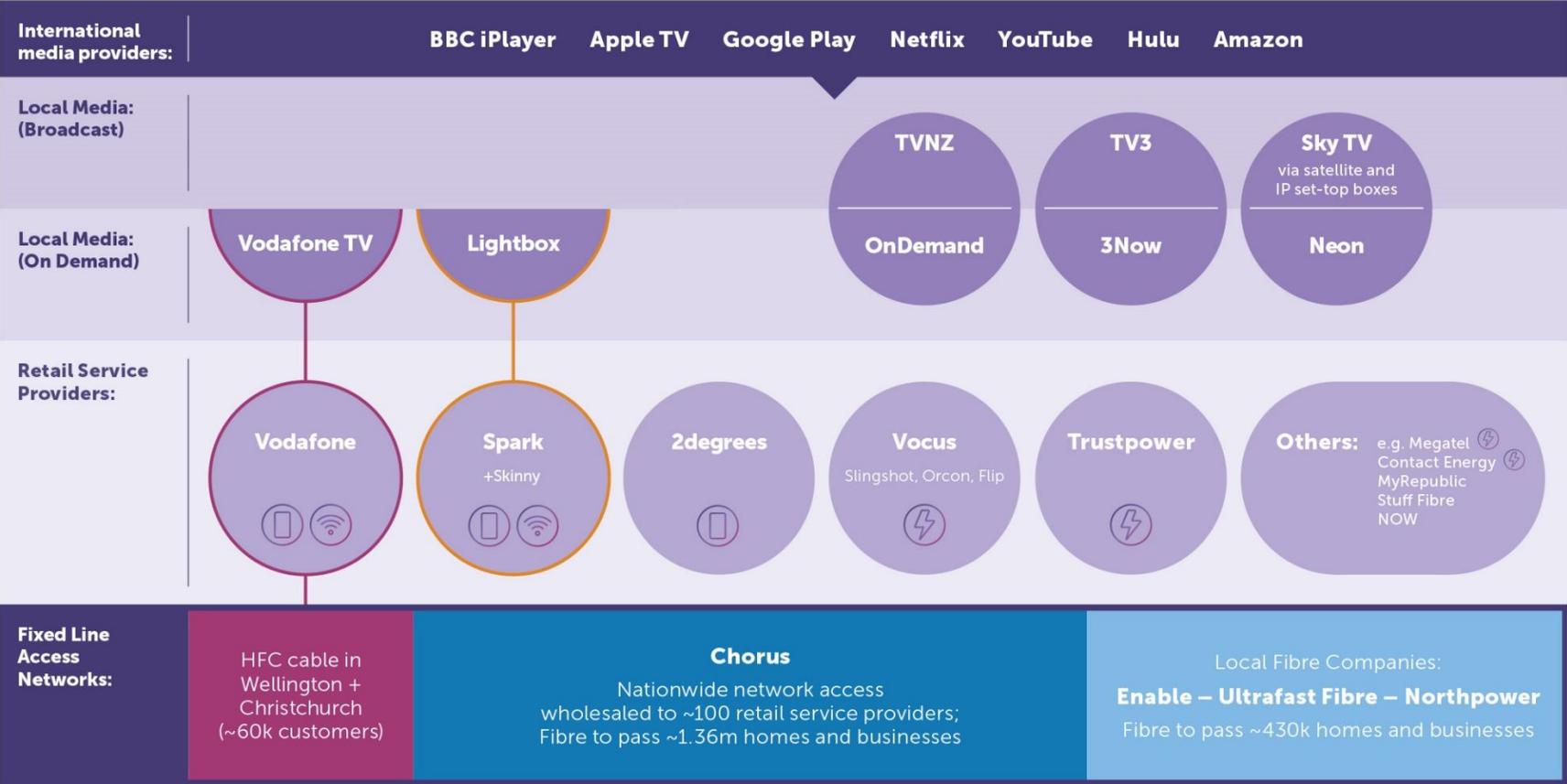
Programme guidance		Notes
UFB1 communal	\$1.75 - \$1.8 billion	<u>Tracking towards the top end of guidance and excludes growth (e.g. additional splitter investment)</u>
UFB1 cost to connect (CPPC)	\$1,050 - \$1,250	For a standard residential connection, including layer 2 and service desk costs, and in 2011 dollars. <u>Tracking towards the top half of the range.</u>
UFB2* communal	\$505 - \$565 million	Combined guidance range for UFB2 and 2+
UFB2* cost to connect	\$1,650 - \$1,850	In 2017 dollars and including layer 2, backbone costs for MDUs and rights of way with 10 or fewer premises and service desk costs



* combined UFB2 and 2+ rollout plans

NZ broadband market

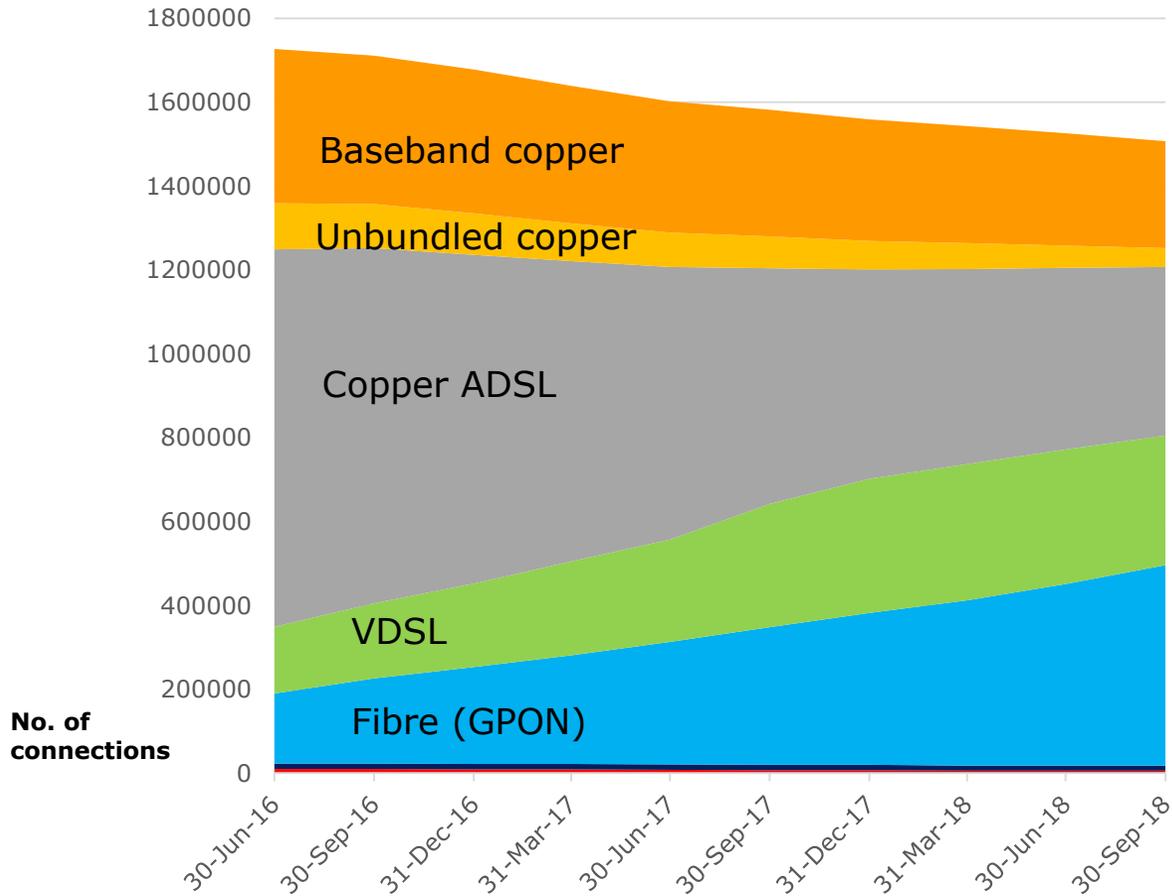
The NZ fixed line market



Mobile network
 Wireless Broadband
 Power + Broadband

Note: Fibre to the premises will cover ~87% of NZ population by the end of 2022

Chorus connection trends



Q1 FY19: 1,507,000 connections

Voice only connections: 300,000

Broadband connections: 1,190,000
 ■ 66% of connections on fibre or VDSL

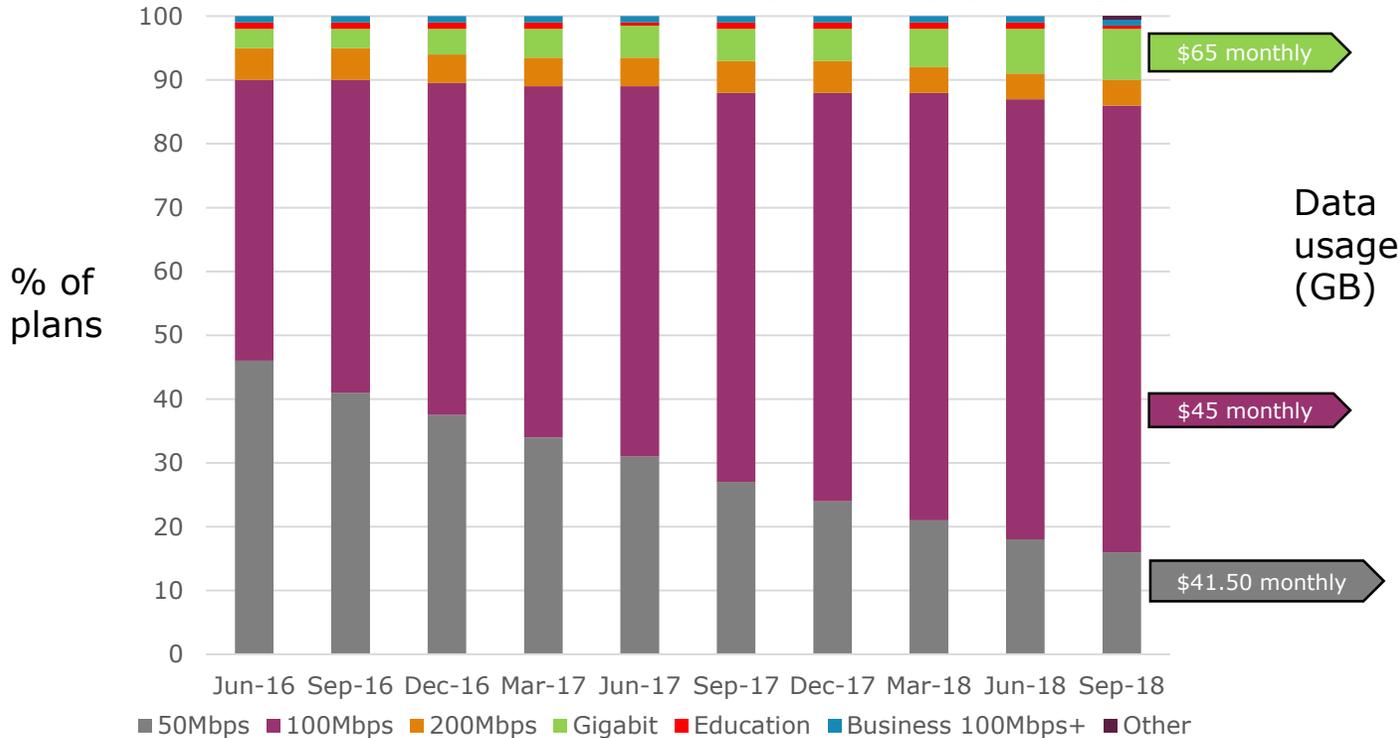
Premium business connections: 17,000

Fibre uptake and data demand

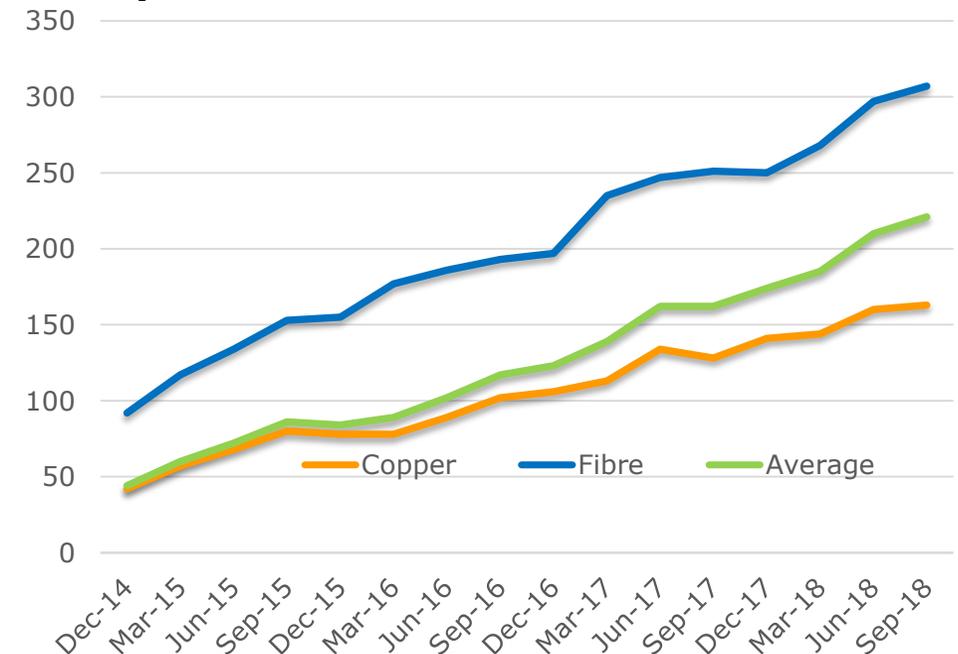
- > **46,000** mass market fibre connections added in Q1
 - 36,000 connections now on gigabit plans (Q4: 30,000)
 - 70% of mass market fibre connections on 100Mbps

- > Monthly average data usage per household connection on our network grew to **221GB** (Sept 2018) from **210GB** (June 2018)
 - **307GB** on fibre (June: 297GB)
 - **163GB** on copper (June:160GB)

Total mass market fibre uptake by plan type



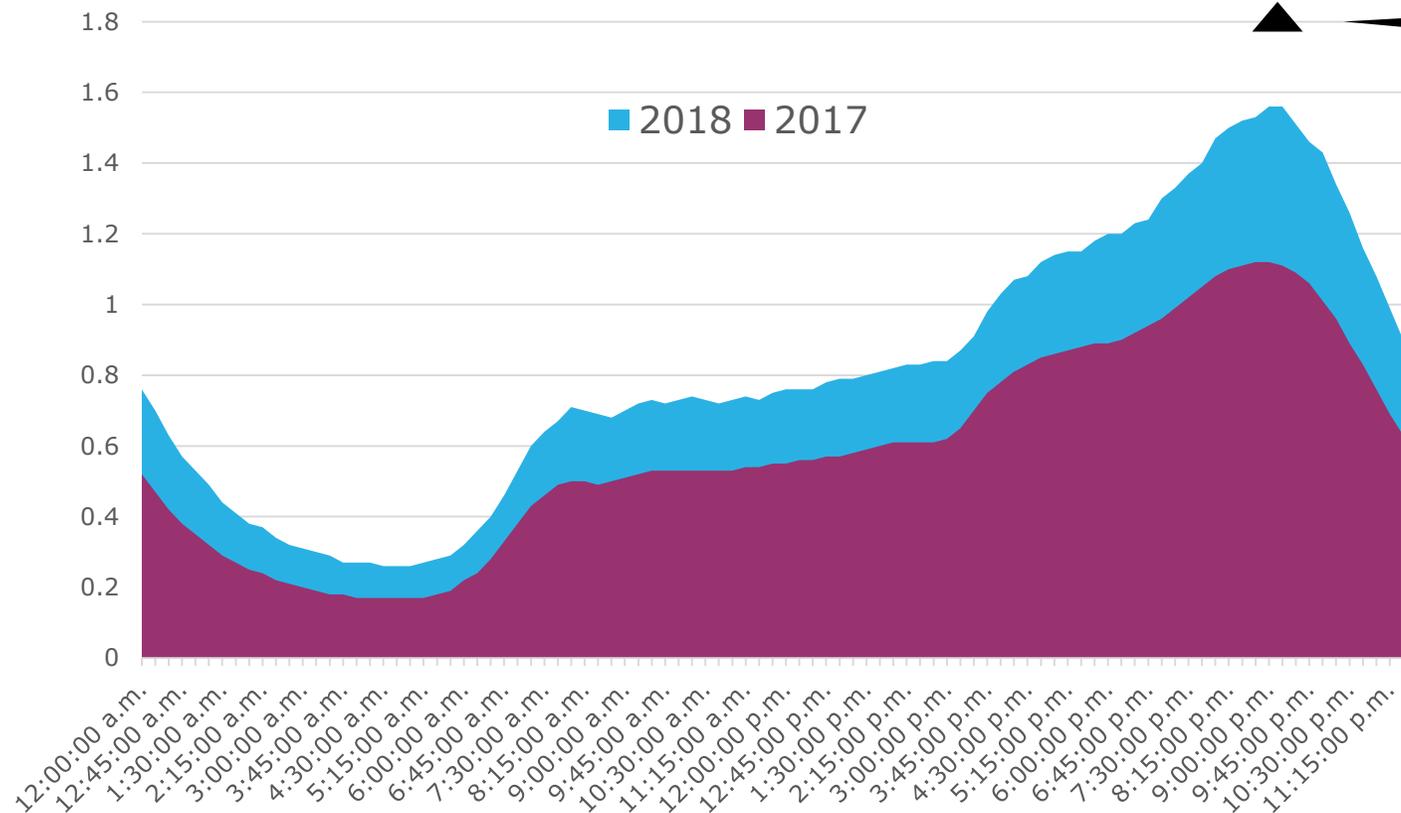
Monthly average data usage per connection on our network



40% growth in traffic peak: Sept 2017-2018

Average Peak Throughput - September

Network throughput (Tbps)

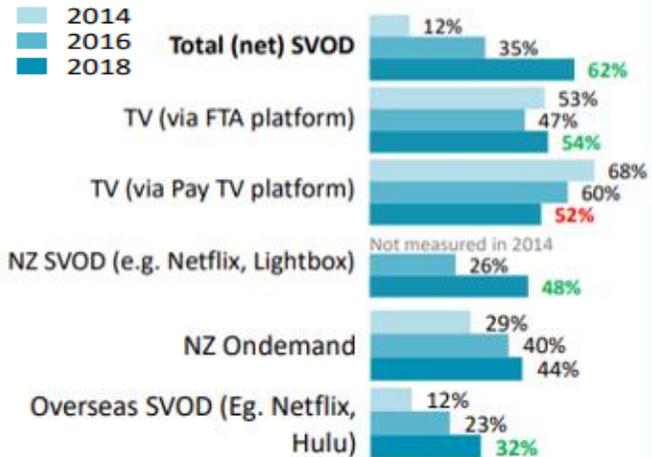


Fortnite effect: record peak traffic 1,792Gbps on 12 July 2018

Time of day

Live sports to drive streaming uptake

62% of NZers watching SVOD, vs 12% in 2014



Source: NZ On Air, Weekly reach of media - % of all NZers

Stream big New Zealand!

Are you on the best available broadband? Check here

Enter your address here

- Tip 1:** A faster connection equals better streaming. We recommend a fibre plan of 100Mbps or above. If fibre isn't available upgrade to VDSL.
- Tip 2:** Choose an unlimited data plan so you don't have to worry about going over your data cap.
- Tip 3:** Streaming works best when you connect your modem directly into your TV rather than going over WIFI.

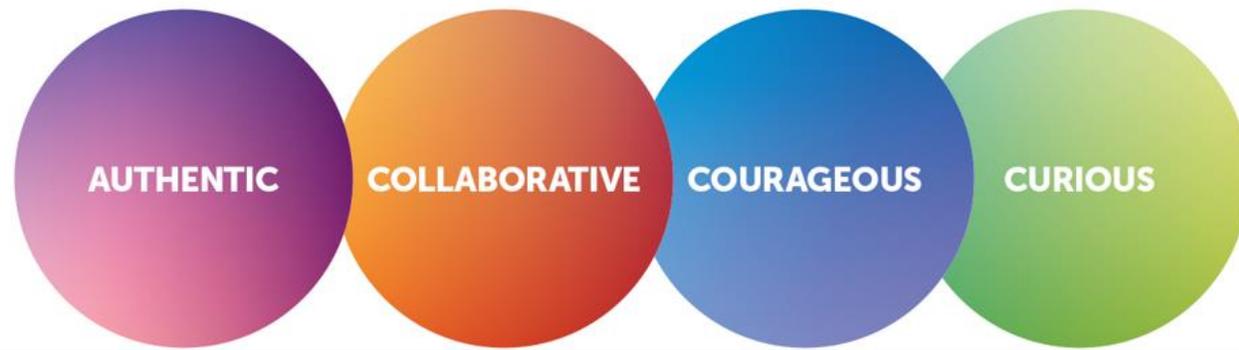
www.chorus.co.nz/streambig

Shaping our future

Shaping our future

Our aspiration is to return to modest EBITDA growth in FY20, subject to no material changes in expected regulatory environment or competitive outlook

- implementation of utility style regulatory framework
- copper>fibre migration
- refining our product portfolio
- review of service company model
- evolving company culture
- the rise of wholesale only networks



Growing our broadband base

Strong premises growth

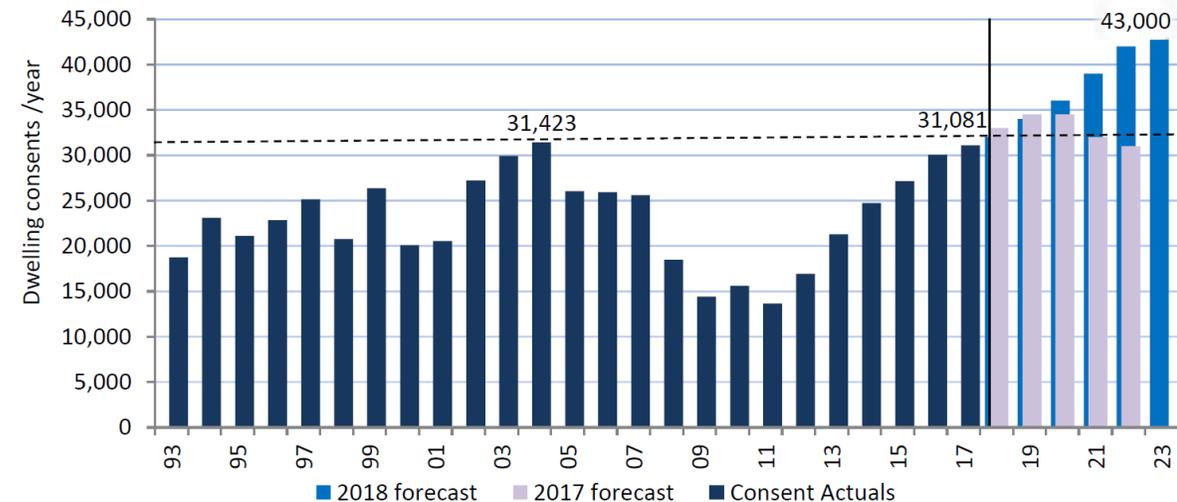
- government forecasts suggest 39% growth in consents
- we've redesigned processes for property developers
- ~3,000 premises pre-connected with fibre in FY18

Competitive network effects ebbing

- Other LFC UFB1 rollouts complete
- wireless customers returning as fibre rollout expands, data demands grow
- Wellington rollout entering significant off-net Hybrid Fibre-coaxial suburbs
- leveraging our vectoring VDSL rollout in Local Fibre Company and rural areas

MBIE National Construction Pipeline Report forecasts 39% growth in consents

Figure 5-3 Dwelling units consented nationally, 2017 and 2018 comparison



Source: BRANZ/Statistics New Zealand

Innovation focus

Pipeline of opportunities identified

- infrastructure re-use trialled for **IoT** delivery and moving to commercialisation
- school trials proving **wi-fi** potential to bridge digital divide
- **network edge computing**: clear global trend favouring exchange co-location; Wellington and Christchurch sites under development for Q3 FY19
- **4K TV** trial: clear medium term potential for broadcasting role; pathway to other opportunities as streaming accelerates data demands



Transition to a regulated utility framework

- > Legislation passed to implement a utility-style building block methodology, similar to the New Zealand electricity sector for fibre networks from 2020
 - fibre RAB will include unrecovered losses incurred before 2020
 - pre 2011 assets to be valued at depreciated historical cost; post 2011 assets at depreciated actual cost
 - price cap for 100/20Mbps anchor product to start at 2019 level with annual CPI adjustment for the first regulatory period – currently 2023
 - unbundling of the fibre network to be made available on a commercial basis from 2020

87% of population where fibre will be available by end of 2022

Fibre – proposed utility framework

- Regulated asset base (RAB) with revenue cap, to be set by Commerce Commission within two years
- Two anchor products (voice only + entry level broadband – 100/20Mbps fibre) at 2019 prices + CPI and a price cap for direct fibre access
- Three years after the new regime commences, the Commission can review the revenue cap model, as well as the anchor products, subject to specified conditions and statutory criteria

Copper – proposed legacy framework

Where fibre is available:

- Copper network to be deregulated and Telecommunications Service Obligation (TSO) removed
- Chorus can withdraw copper service, subject to minimum consumer protection requirements

Remaining 13% of population

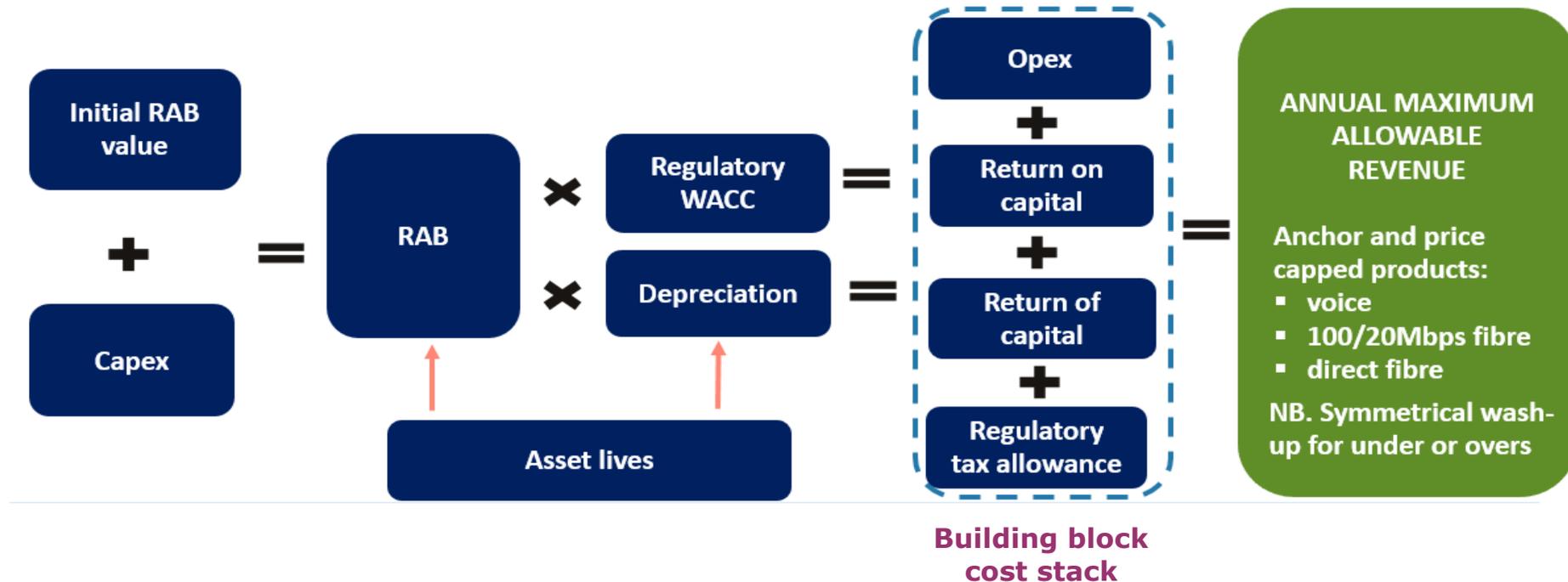
Where fibre is not available:

- Copper remains regulated and TSO applies
- Copper pricing capped at 2019 levels with CPI adjustments
- Commission required to review pricing framework no later than 2025

Note: existing copper regulatory framework uses benchmarking and Total Service Long Run Incremental Cost, with pricing last set in late 2015 for a 5-year period

Regulated Asset Base implementation

- > Commerce Commission will determine the starting value for the RAB, regulatory WACC, cost allocations, expenditure allowances and maximum allowable revenue
 - If this process extends beyond 1 January 2020, key fibre and copper prices will be frozen, adjusted for inflation, for up to 24 months



Financial performance and capital management

Income statement

	FY18 \$m	FY17 (adjusted) \$m
Operating revenue	990	1,048
Operating expenses	(337)	(338)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	653	710
Depreciation and amortisation	(387)	(379)
Earnings before interest and income tax	266	331
Net interest expense	(144)	(147)
Net earnings before income tax	122	184
Income tax expense	(37)	(39)
Net earnings for the year	85	145

- FY17 adjusted to show the illustrative impact if NZ IFRS 9, 15 and 16 had applied

FY19 EBITDA guidance of \$625m to \$645m reflects:

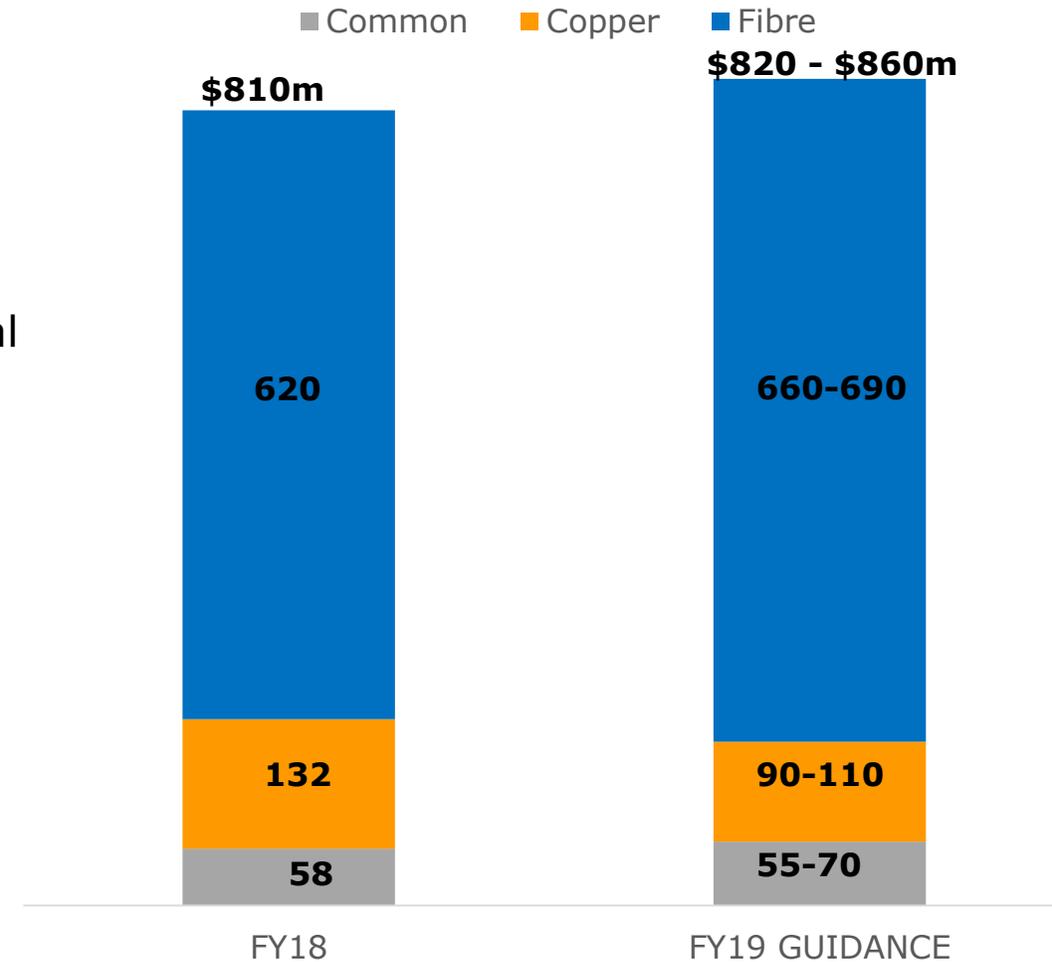
- expectations of market growth in broadband, plus continued slowing in overall fixed line loss
- incremental spend (above FY18 levels) of \$10 - \$15 million on innovation activity, regulatory processes, branding and other transformation-related one-off costs. Excluding this, we expect total costs to be broadly consistent with FY18

FY19 gross capex guidance

> **\$820m - \$860m** gross capex reflects:

- **Fibre \$660m-\$690m**
 - \$280-\$310m fibre connections & layer 2
 - \$90-\$110m spend forecast for UFB2/2+ communal
 - continued greenfields and transport (UFB2) spend
 - ~\$10m pole programme continues
 - customer retention mix weighted more to fibre
- **Copper \$90m-\$110m**
 - vectoring rollout complete
 - ~\$10m pole programme continues
- **Common: \$55m-\$70m**
 - includes potential innovation spend

FY18 vs FY19 illustrative capex profile



Capital management

Chorus dividend profile



FY12*: prorated for the post demerger period of seven months

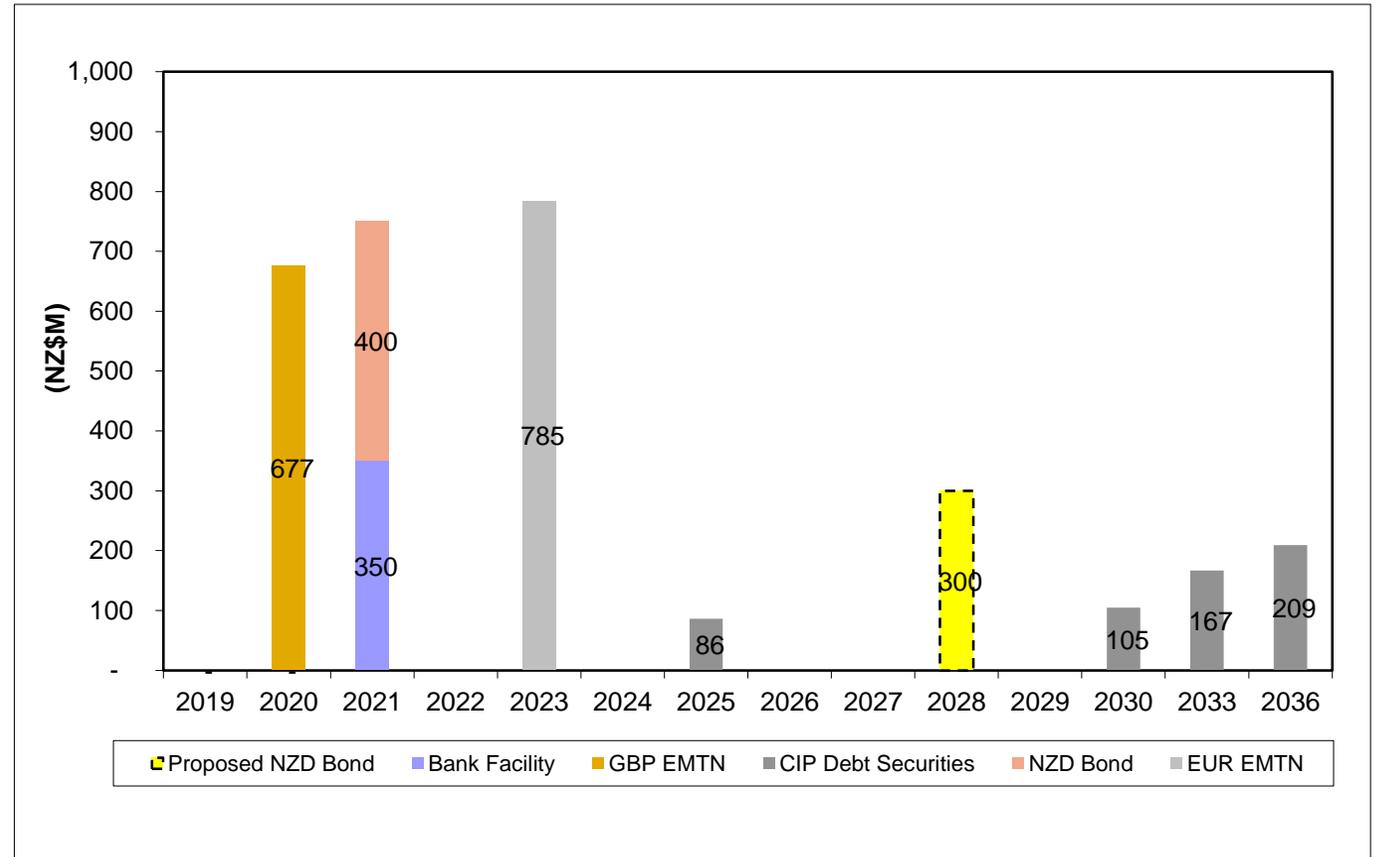
During the UFB build programme to 2020, the Board expects to be able to provide shareholders with modest dividend growth from a base of 20cps per annum, subject to no material adverse changes in circumstances or outlook.

- > The Chorus Board considers that a 'BBB' credit rating or equivalent credit rating is appropriate for a company such as Chorus. It intends to maintain capital management and financial policies consistent with these credit ratings.
- > **FY19 dividend guidance of 23 cps**, subject to no material adverse changes in circumstances or outlook.
- > A **Dividend Reinvestment Plan** has been available to NZ and Australian resident shareholders with a 3% discount to prevailing market price

Debt Profile

	As at 30 June 2018 \$m
Borrowings	1,922
+ PV of CFH debt securities (senior)	129
+ Net leases payable	<u>238</u>
Sub total	2,289
Cash	(50)
Total net debt	2,239
Net debt/EBITDA	3.43 times

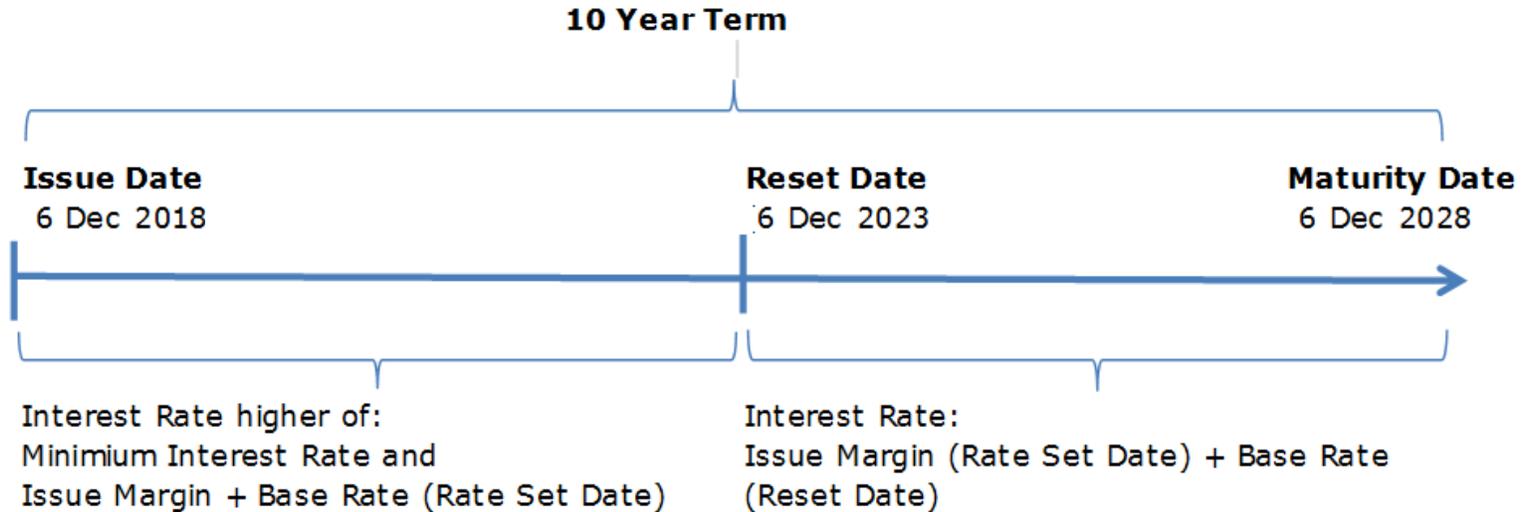
- Financial covenants require senior debt/EBITDA ratio to be no greater than **4.75 times**
- S&P rating down driver debt/EBITDA greater than 4x for a sustained period



Key Bond Terms

Issuer	Chorus Limited		
Description	Unsecured, unsubordinated, re-setting fixed rate bonds. The Trust Deed contains a negative pledge which ensures no security interest can be given, except in limited circumstances (refer to the Trust Deed for further detail)		
Rating	Rating Agency	Issuer Credit Rating	Expected Issue Credit Rating
	S&P Global Ratings	BBB (Stable)	BBB
	Moody's	Baa2 (Stable)	Baa2
Volume	Up to NZ\$300 million, oversubscriptions at Chorus' discretion		
Maturity	10 years (6 December 2028)		
Two fixed interest rate periods	<u>Initial 5 Year Period (Initial Interest Rate)</u> Applies from the Issue Date to the Reset Date	<u>Reset 5 Year Period (Reset Interest Rate)</u> Applies from the Reset Date to the Maturity Date	
Indicative issue margin and minimum Interest Rate	To be announced via the NZX on the Opening Date. The minimum Interest Rate applies to the Initial 5 year period only		
Base rate	5 year swap rate (adjusted to quarterly basis)		
Interest Rate Step-Up	<p>If a Downgrade Event exists on the first day of an Interest Period, the interest payable on the Interest Payment Date will be the applicable Interest Rate plus the Step-up Margin.</p> <p>Downgrade Event means:</p> <ul style="list-style-type: none"> • The credit rating of the bonds is BB+ or below on S&P's credit rating scale (or the equivalent) • Chorus does not hold at least one long term corporate credit rating • Step-up Margin is 1.00 per cent per annum 		

5 + 5 bond issue structure



- The issue has a 10 year term – the Issue Margin will reflect a 10 year risk premium
- The minimum Interest Rate only applies for the first 5 year period

Investors are not exposed to a fixed interest rate for the full 10 year term

- 5 year period – from and including the Issue Date to, but excluding, the Reset Date
- 5 year period – from and including the Reset Date to, but excluding, the Maturity Date
- The Issue Margin will be fixed over the full 10 year term of the bond

Interest rate risk

- The Issue Margin will remain unchanged (following the Bookbuild) for the term of the bond
- The 5 year swap rate is used to determine the Initial Interest Rate and Reset Interest Rate provided that the Initial Interest Rate will be no less than the minimum Interest Rate
- The interest rate for the period from the Reset Date (6 December 2023) to the Maturity Date (6 December 2028) will be unknown until the Reset Date. Investors should consider this risk as part of their initial investment decision
- The 5 year swap rate on the Reset Date could (i) go up (ii) remain the same or (iii) go down, relative to the 5 year swap rate used to determine the Initial Interest Rate
- The minimum Interest Rate applies to the Initial Interest Rate only

* The past is not an indicator of the future

5 Year NZ\$ Interest Rate Swap Graph



Source: Bloomberg - 11/11/2008 - 11/11/2018

Other information and key dates

Other Information	
Interest payments	Quarterly in arrear on 6 March, 6 June, 6 September and 6 December
Listing	Expected to be listed on the NZX Debt Market (ticker code CNU020)
Brokerage	Brokerage 0.50%, firm fee 0.50%
Denominations	The minimum application is \$5,000, with multiples of \$1,000 thereafter

Key Dates	
Offer opens	Wednesday, 14 November 2018
Offer closes	Bids due by 12pm, Friday, 23 November 2018
Rate Set Date (Initial Interest Rate)	Friday, 23 November 2018
Issue Date and Allotment Date	Thursday, 6 December 2018
Expected Quotation Date	Friday, 7 December 2018
Reset Date (Reset Interest rate)	Wednesday, 6 December 2023
Maturity Date	Wednesday, 6 December 2028

Key Credit Highlights

New Zealand's largest fixed line communications company

Growing demand for fibre broadband and population/premises growth

Building and operating 75% of NZ's planned fibre to the premises footprint

Fibre partnership with NZ Government: pre-committed long-term funding

Regulated utility framework expected to underpin financial profile from 2020

Strong operating cash flows and financial performance

Financial flexibility via \$350m bank facility (7 bank syndicate), multi-currency EMTN and NZ dollar retail bond programmes

Proven commitment to maintaining a BBB credit rating (S&P or equivalent)

Appendices

Appendix A: Pro forma FY17 net earnings

For information purposes only. This appendix provides an approximate translation of FY17 to show the illustrative impact if NZ IFRS 9, 15 and 16 had applied in FY17.

Income statement	FY17 results \$m	NZ IFRS impact \$m	FY17 (adjusted) \$m	Notes
Operating revenue	1,040	8	1,048	Broadband modem upgrade costs incurred in FY17, in FY18 these are now capitalised and amortised in accordance with NZ IFRS 15
Operating expenses	(388)	50	(338)	\$42m costs incurred in acquiring and retaining customers (provisioning \$32m, Labour \$5m and IT \$5m). These costs are now capitalised and amortised in accordance with NZ IFRS 15 and disclosed as separate items in fibre and copper capex. \$8m rent and rates are now recognised as a right of use asset with the value capitalised and depreciated over the life of the lease.
EBITDA	652	58	710	
Depreciation and amortisation	(339)	(40)	(379)	Increase in depreciation and amortisation in line with NZIFRS 15 and 16.
Net interest expense	(154)	7	(147)	NZ IFRS 9 and 16 impact to account for change in accounting treatment for ineffectiveness and capitalisation of leases.
Income tax expense	(46)	7	(39)	Net tax impacts associated with NZ IFRS changes.
Net earnings for the year	113	32	145	

Appendix B: Chorus connections drivers

Growing connections	Reducing connections
Broadband penetration at an estimated 85% and continues to grow. Fibre established as the premium product and our expanding fibre footprint is expected to help win customers from wireless and HFC networks. Vectoring VDSL upgrade completed in areas outside our fibre footprint.	Growing network competition as local fibre companies (LFCs) expand their fibre footprint: ~190k connections FY18 (~140k FY17).
Intense retail competition is helping broaden the market by providing customers with attractive plans and pricing (e.g. free smart TV; free Netflix; bundled with electricity). Unlimited data plans becoming the norm as streaming video on demand grows.	Fixed wireless (mobile) retailers are encouraging their existing low data customers onto their own networks. Government funded Rural Broadband Initiative will extend wireless coverage to a further ~70k rural addresses.
Population and premises growth is providing underlying market growth: Auckland city is projected to account for over half of NZ's expected population growth to 2040 with 400,000 new homes.	Continued migration of voice only lines to mobile/wireless and consolidation of multiple voice lines as technology options become more mainstream and population ages.

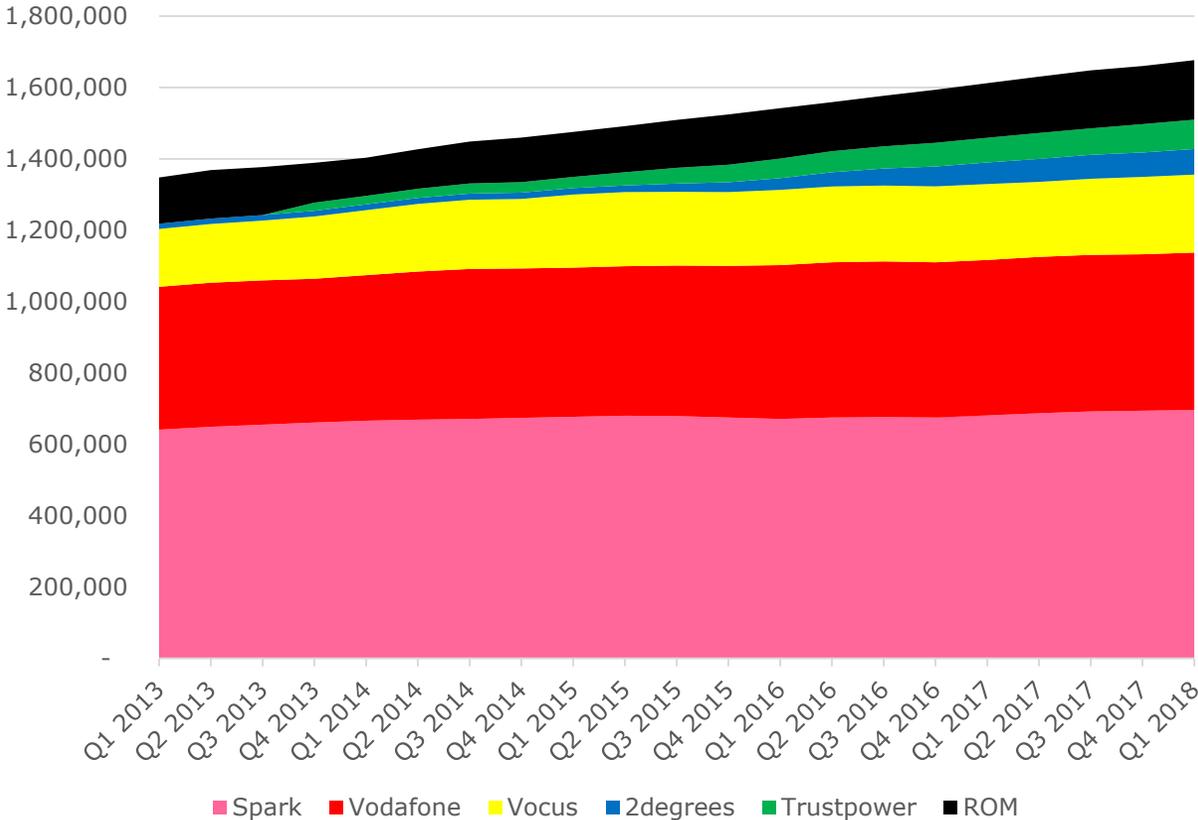
CONNECTIONS BY ZONE	Chorus UFB zone*	Rural (non-UFB) zone	Local Fibre Company UFB zone	TOTAL
At 30 June 2018	1,108,000	206,000	194,000	1,508,000**
At 30 Sept 2018	1,106,000	203,000	181,000	1,490,000**
Copper connections: no broadband	189,000	50,000	61,000	300,000
Broadband: copper + fibre	917,000	153,000	120,000	1,190,000

* Includes planned UFB1, 2 and 2+ coverage

**Excludes fibre premium and data services (copper) connections

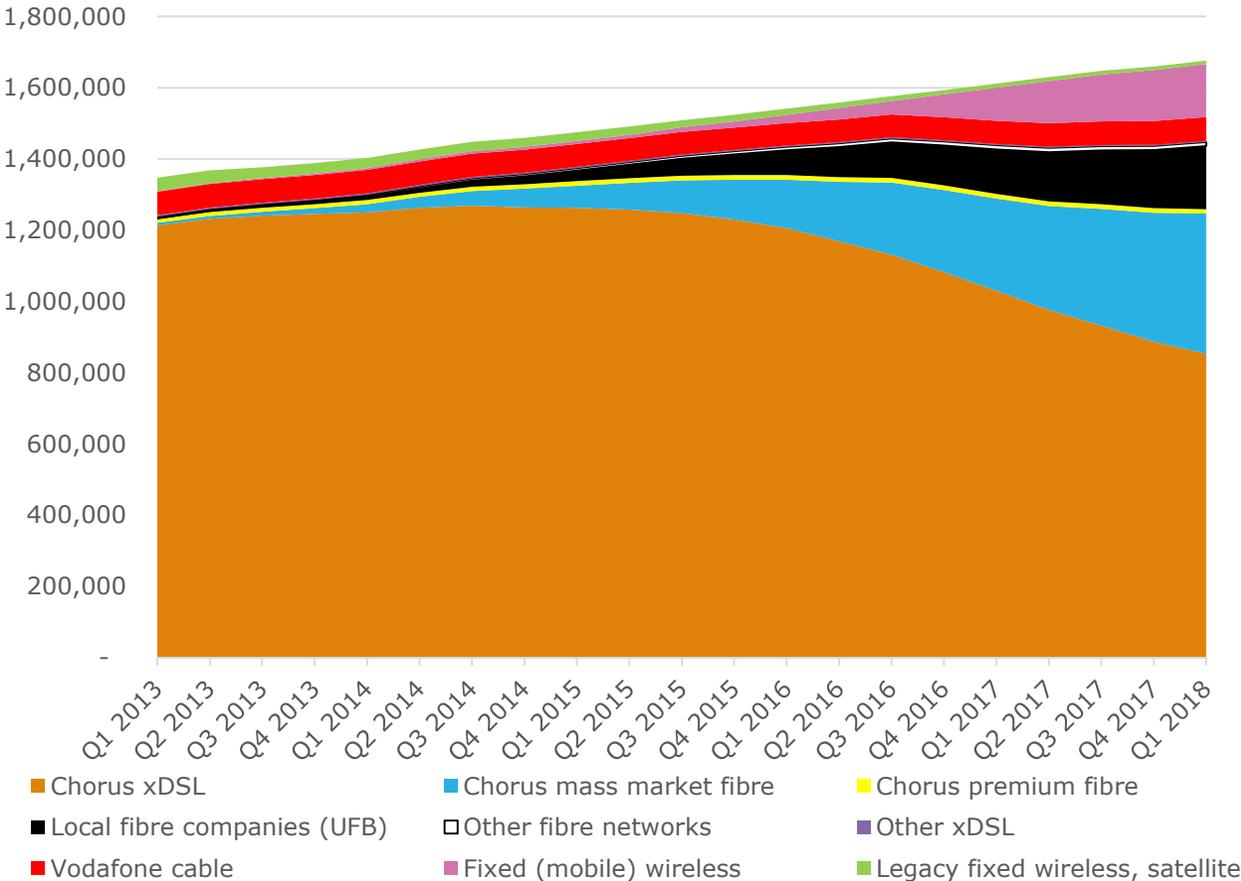
Appendix C: NZ Broadband market by retailer + technology

Broadband uptake by retailer (all technology)



Source: IDC

NZ broadband market – by technology



Source: IDC