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STOCK EXCHANGE ANNOUNCEMENT

20 February 2023

Chorus 2023 half year result

The following are attached in relation to Chorus' half year result for the period to 31 December 2022:

1. Media Release
2. Investor Presentation
3. Letter to investors
4. Management Commentary and Financial Statements (including auditor review report)
5. NZX Results Announcement
6. NZX Distribution Notice.

Chief Executive Officer JB Rousselot and acting Chief Financial Officer Andrew Carroll will discuss the half year result by webcast at 10.00am New Zealand time today. The webcast will be available at www.chorus.co.nz/webcast.

Authorised by:

Andrew Carroll
Chief Financial Officer (acting)

ENDS

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CHORUS

20 February 2023

Steady financial performance despite workforce challenges

Key results

- Fibre connections increased by 38,000 to 997,000
- Fibre uptake 71% in completed UFB areas
- 24% of mass-market fibre connections on gigabit or higher plans
- Operating revenue $487m (HY22: $483m)
- EBITDA $342m (HY22: $347m)
- FY23 EBITDA guidance increased to $675m to $690m
- Net profit after tax $9m (HY22: $42m)
- Unimputed interim dividend of 17 cents per share

Chorus has released its financial results for the six months ended 31 December 2022, showing a steady financial performance despite the operational challenges posed by workforce constraints.

EBITDA was $342 million for the six months ended 31 December 2022 (HY23). This was a $10 million increase on underlying HY22 EBITDA of $332 million.[1] As a result, Chorus has increased its FY23 EBITDA guidance to $675 million to $690 million from a prior range of $655 million to $675 million. This guidance update does not include potential flood and cyclone-related impacts.

Net profit after tax (NPAT) decreased by $33 million to $9 million compared to HY22 at $42m. This was primarily due to increasing interest rates and some one-off costs associated with the refinancing of a large tranche of debt. The accelerated depreciation of copper in areas where fibre is available also contributed to this reduction in net earnings.

Extreme weather brings added operational challenges

The company reached a significant milestone in December when it connected the last community, Opononi in Northland, to fibre under its 11-year public-private partnership with the government. It achieved its goal of one million fibre connections in January.

Fibre uptake reached 71 per cent in completed UFB rollout areas, with growth of 38,000 fibre connections nationwide in the six-month period.

[1] Reported HY22 EBITDA of $347 million included $15 million of one-off operating revenue and expense gains. Refer to page 31 of the HY23 investor presentation for the detailed accounting adjustments. Half year results are unaudited.

Chorus CEO JB Rousselot said a workforce gap of about 380 technicians had limited the number of fibre installations it could complete in the period.

“Like other industries we’ve experienced workforce challenges in the wake of COVID and we’ve made significant efforts to reduce the gap to some 220 technicians today. We expect to recruit another 150 technicians within a few months. In the meantime, the widespread community devastation caused by the recent cyclones means we’re having to reprioritise some work so we can focus on restoration efforts.”

The company’s initial focus has been fixing regional fibre routes so mobile networks can be used by other essential services to help with their restoration efforts. This work will also begin restoring other telecommunications services including broadband. The number of local network faults will remain unknown until most homes and businesses have power restored across the affected regions.

“We’re fortunate that fibre networks are less susceptible to water damage than copper cables. Our experience from the recent Auckland city floods, for example, is that we experience fewer faults and faster restoration for customers on fibre.

“Our thoughts are with all those impacted, including our employees; our teams are committed to restoring services as quickly as they can.”

Looking to the future of fibre in New Zealand

With the UFB rollout complete and fibre available to 87 per cent of New Zealand’s population, Chorus has begun evaluating long-term opportunities for investment.

“As we look to the future of broadband in New Zealand, it's clear that fibre is the best long-term solution. We already have a plan that could extend fibre to 90 per cent of the population with the right regulatory and policy settings, and we see opportunities to invest in the ongoing enhancement and sustainability of the network.

“The recent cyclones will also help inform our ongoing investment programme for network resilience.”

Interim dividend and capital management

Chorus confirmed an unimputed interim dividend of 17 cents per share will be paid on 11 April 2023. A final unimputed dividend of 25.5 cents per share is expected to be declared in August 2023, consistent with the FY23 dividend guidance of 42.5 cents per share and subject to no material adverse changes in circumstance or outlook.

With the fibre rollout now complete and capital expenditure demands tracking as expected, Chorus has suspended its dividend reinvestment plan for this interim dividend payment. This will be reviewed at each financial result.

$72 million of the $150 million share buyback has been completed. The programme will continue unless more value-enhancing opportunities are identified.

FY23 guidance

- EBITDA: Increased to $675m to $690m, previously $655m to $675m
- Capital expenditure: no change from previous guidance of $410m to $450m
- Dividend: 42.5 cents per share, with 17 cents to be paid on 11 April 2023

This EBITDA and capital expenditure guidance does not include potential flood and cyclone-related impacts.

ENDS

Chorus Chief Executive JB Rousselot, and Acting Chief Financial Officer, Andrew Carroll will discuss the half-year results at a briefing in Wellington from **10.00 am** on **Monday 20 February 2023** (NZDT). The webcast will be available at www.chorus.co.nz/webcast.

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HY23 RESULT

20 February 2023

CHORUS

Disclaimer

This presentation:

- Is provided for general information purposes and does not constitute investment advice or an offer of or invitation to purchase Chorus securities.
- 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 2022 and NZX and ASX market releases.
- Includes non-GAAP financial measures such as "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. We monitor EBITDA as a key performance indicator and we believe it assists investors in assessing the performance of the core operations of our business.
- 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.

Agenda

HY23 overview

	HY23	
Fibre connections[1]	997,000	FY22: 959,000
Broadband connections[1]	1,188,000	FY22: 1,189,000
Fixed line connections[1]	1,285,000	FY22: 1,304,000
EBITDA[2]	$342m	HY22: $347m
Net profit after tax	$9m	HY22: $42m
Dividend	17cps	HY22: 14cps

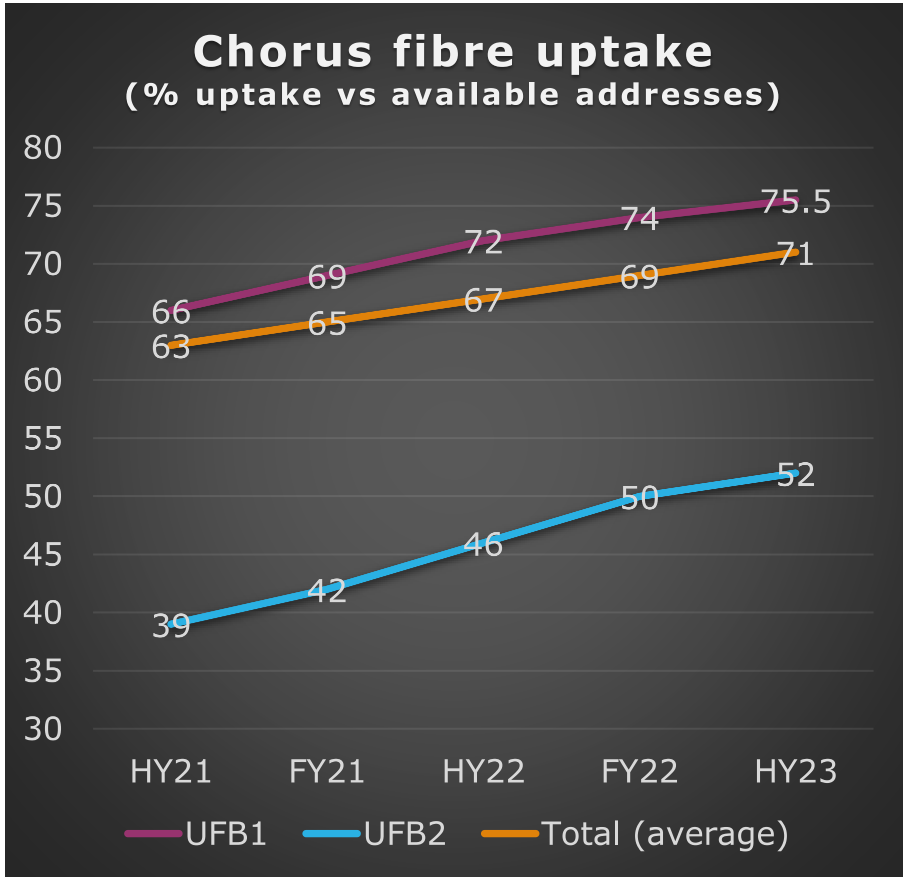
1. Excludes partly subsidised broadband connections provided to student homes as part of Chorus' COVID response.
2. Earnings before interest, income tax, depreciation and amortisation (EBITDA) is a non-GAAP profit measure without a standardised meaning for comparison between companies. We monitor EBITDA as a key performance indicator and we believe it assists investors in assessing the performance of the core operations of our business.

UFB complete; achieved 1 million fibre connections

> **UFB rollout completed in December within capex guidance**

> **Total UFB uptake of 71% (rounded)**
- uptake in UFB1 areas grew from 74% to **75.5%**
- uptake in UFB2 areas grew from 50% to **52%**
- **954,000** connections within completed UFB footprint (includes business premium and partly subsidised education connections)

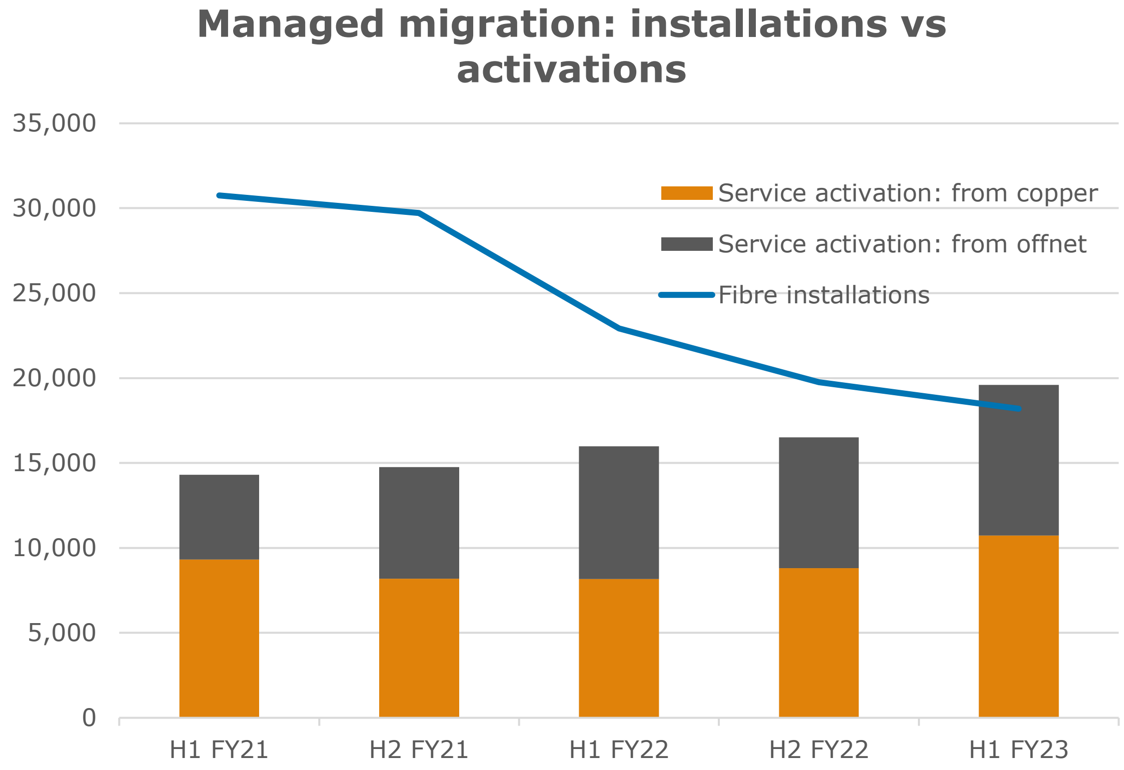
In December, the Hokianga Harbour community of Opononi was the last centre to be connected to fibre under our 11-year public-private partnership.



Workforce challenges reduced fibre installations

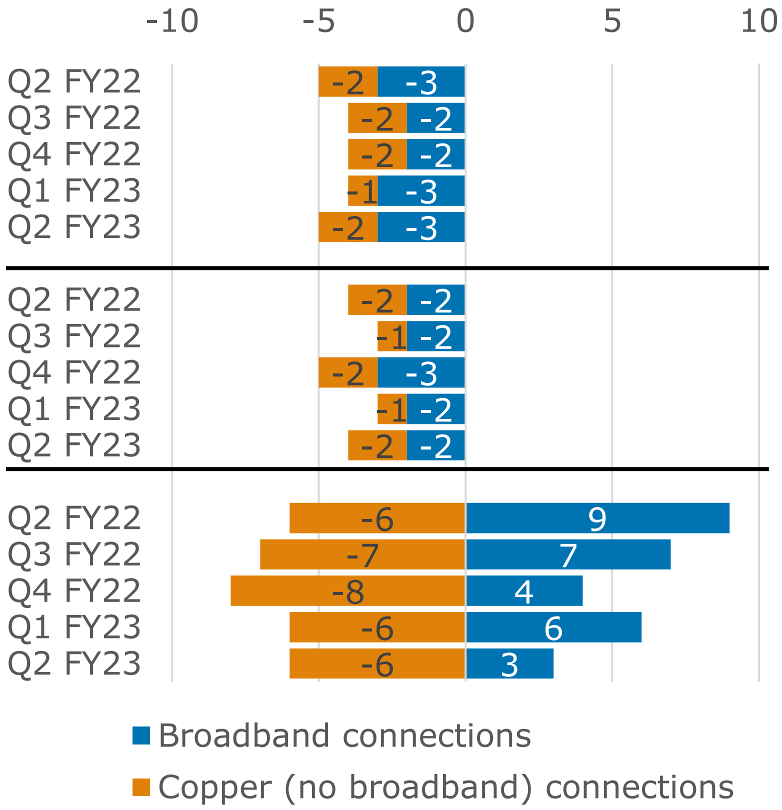
- **Post-COVID workforce dynamics (NZ and overseas) led to a shortage of ~380 technicians**
  - fibre installation volumes fell from 53,000 (H2 FY22) to 48,000 (H1 FY23)
  - managed migration installation resource was re-focused to regular fibre demand
  - marketing focus shifted to activation of pre-installed fibre sockets to support ongoing fibre connection growth
- **Initiatives have reduced the gap to ~220 technicians at current demand levels**
  - line of sight to recruiting 150 technicians by May
  - Chorus providing funding and direct assistance for service company recruitment initiatives
  - Government added technicians to immigration green list in December

Shift in marketing focus helped maintain fibre connection growth



Connection changes by Zone (indicative as at 31 Dec)

Quarterly change ('000s) by zone*

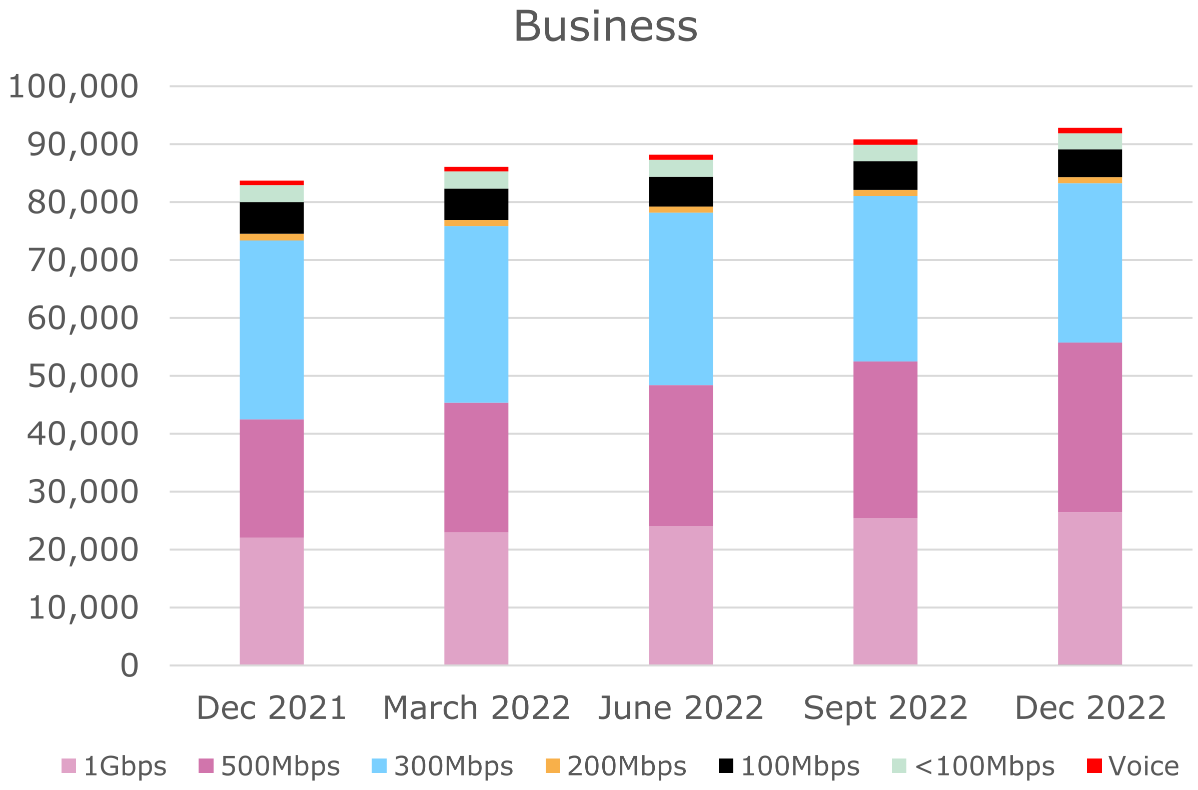


Other fibre company (LFC) zone	Broadband connections	29,000	Local Fibre Company and fixed wireless provider activity is driving a gradual decline in copper connections.
	Copper line (no broadband)	16,000	
	TOTAL	**45,000**	
Non-UFB zone	Broadband connections	138,000	Gradual decline in copper connections due to mobile/fixed wireless/satellite footprint expansion. Partly offset by fibre connections growth for greenfield developments.
	Copper line (no broadband)	26,000	
	TOTAL	**164,000**	
Chorus UFB zone	Broadband connections	1,021,000	Lower broadband growth in Q2 reflecting field resource constraints. Continued reduction in copper connections due to Chorus fibre migration activity and fixed wireless/mobile competition.
	Copper line (no broadband)	43,000	
	TOTAL	**1,064,000**	

* Excludes 8k partly subsidised education connections and 12k fibre premium and data services (copper) connections

Mass market fibre connections grew 37k (HY22:47k)

- 300Mbps plans account for 68% of residential connections
- 1Gbps and *Hyperfibre* (2-8Gbps) were 24% of residential connections (HY22:23%) and made up 1/3 of residential fibre adds in H1
- residential and business Hyperfibre connections grew ~60% in H1 with monthly volumes lifting steadily



Financial performance

Andrew Carroll, Acting Chief Financial Officer

Income statement

	H1 FY23 unaudited $m	H2 FY22 unaudited $m	H1 FY22 unaudited $m
Operating revenue	487	482	483
Operating expenses	(145)	(154)	(136)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**342**	**328**	**347**
Depreciation and amortisation	(222)	(212)	(215)
Earnings before interest and income tax	120	116	132
Net interest expense	(103)	(71)	(71)
Net earnings before income tax	17	45	61
Income tax expense	(8)	(23)	(19)
Net earnings	**9**	**22**	**42**

- H1 FY23 EBITDA of $342m vs underlying H1 FY22 EBITDA of $332m (see slide 31)
- $8m increase from accelerated copper cable depreciation in fibre areas
- $11m one-off net repurchasing cost for Oct 2023 EMTN and $15m interest expense for new Sept 2029 EMTN; weighted average interest rate on debt increased from 3.7% to 4.4% vs H1 FY22

Revenue

	H1 FY23 unaudited $m	H2 FY22 unaudited $m	H1 FY22 unaudited $m
Fibre broadband (GPON)	302	281	267
Fibre premium (P2P)	34	33	33
Copper based broadband	62	73	80
Copper based voice	21	25	27
Data services copper	2	3	3
Field services	37	36	35
Value added network services	13	14	13
Infrastructure	15	15	15
Other	1	2	10
Total	**487**	**482**	**483**

> growing fibre uptake and ARPU: $53.38 end of HY23 vs $50.67 end of FY22

- copper revenues declining as customers migrate to Chorus fibre or competing fibre/wireless networks
- CPI increase of 7.2% applied to some services from mid-December

> greenfields revenue $20m vs $13m in HY22; partly offset by reduced roadworks revenue

> H1 FY22 included $6m property optimisation and $3m legal settlement

see p32 for regulated fibre revenue in H1 FY23

Expenses

	H1 FY23 unaudited $m	H2 FY22 unaudited $m	H1 FY22 unaudited $m
Labour	38	36	28
Network maintenance	28	31	28
IT	20	27	23
Other network costs	16	14	15
Rent, rates and property maintenance	11	14	14
Electricity	9	9	8
Provisioning	1	-	1
Insurance	2	2	2
Consultants	4	5	3
Regulatory levies	6	5	4
Other	10	11	10
Total	**145**	**154**	**136**

- CPI impact and increased employee numbers; H1 FY22 included $9m holiday pay benefit and $2m COVID impact
- reducing fault volumes but higher average cost per fault
- release of $2m software provision in H1 FY23
- H1 FY22 included one-off costs for office relocation and rationalisation

see p33 for regulated fibre expenses in H1 FY23

Gross capex: $222 million (HY22 $263m)

Sustaining capex of $90m (see p34 for summary)

Fibre capex	H1 FY23 $m	H2 FY22 $m	H1 FY22 $m	
UFB communal	5	30	47	
Fibre installations & layer 2	100	92	103	> 48,000 installations (HY22: 64,000)
Fibre products & systems	5	5	7	
Other fibre & growth	53	36	43	> greenfields $38m; Milford Sound fibre backhaul $2m
Fibre sustain	4	8	5	
Customer retention costs	15	8	19	> fibre incentive spend varies subject to connection volumes and retailer activity
Subtotal	**182**	**179**	**224**	

- **Average cost per UFB premises connected: $1,066** vs $1,000 - $1,115 guidance (excludes layer 2 and includes standard installations, some non-standard single dwellings and service desk costs)

Capex: Copper and Common

Copper capex	H1 FY23 $m	H2 FY22 $m	H1 FY22 $m
Network sustain	9	14	13
Copper connections	-	-	1
Copper layer 2	1	2	1
Customer retention costs	3	4	3
Subtotal	**13**	**20**	**18**

> reduced roadworks and pole replacement activity, partly offset by government-funded $2m rural broadband project

Common capex	H1 FY23 $m	H2 FY22 $m	H1 FY22 $m
Information technology	20	15	16
Building & engineering services	7	15	5
Subtotal	**27**	**30**	**21**

> IT lifecycle projects commenced in HY23

> building projects resumed after COVID delays; H2 FY22 included office relocation costs

FY23 guidance - updated

EBITDA: $675m to $690m

(previously $655m to $675m)

- guidance lifted to reflect favourable trends including connections and ARPU mix, strong greenfields demand and network maintenance
- subject to no material changes in circumstances or outlook

GROSS CAPEX: $410m to $450m

- no change – tracking to upper end of range

NOTE: this guidance does not include potential flood and cyclone-related impacts

Net debt/EBITDA

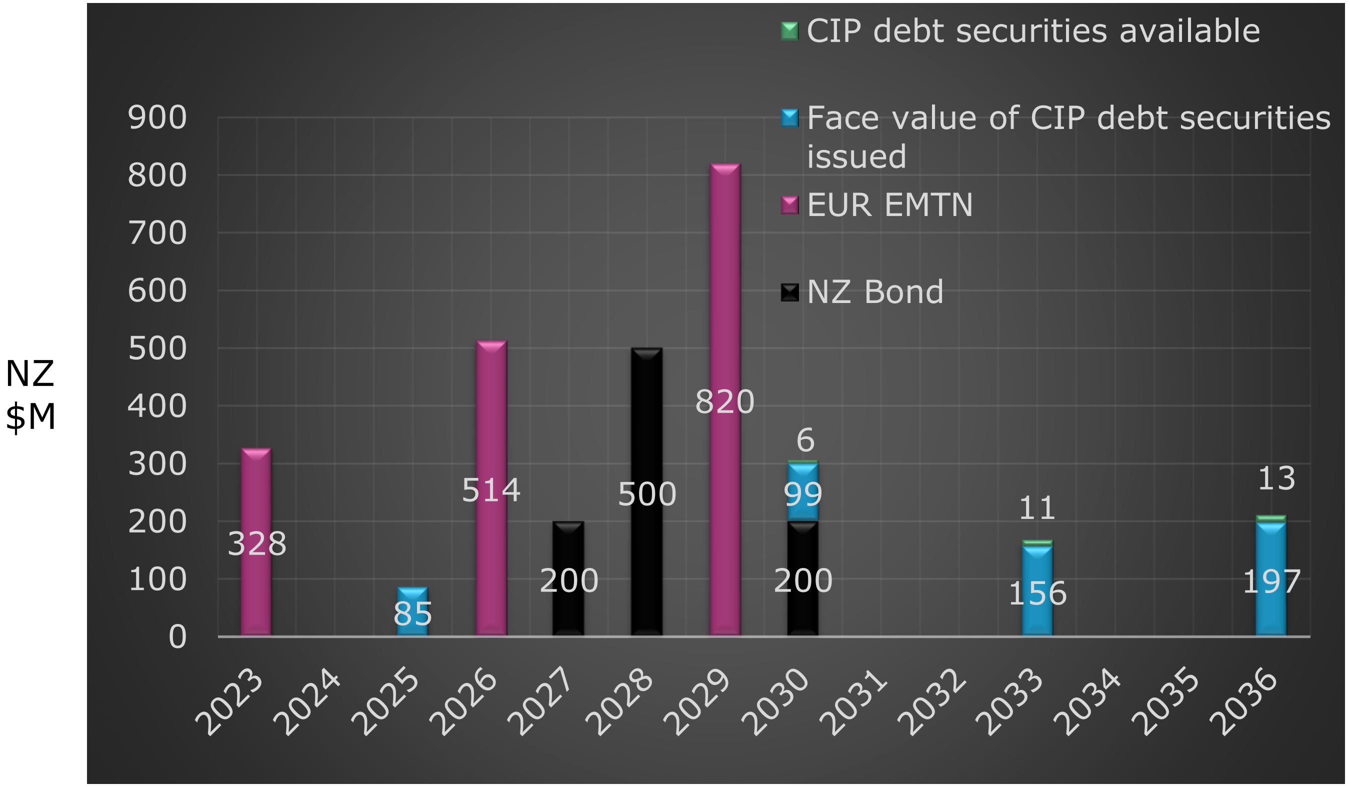
	As at 31 Dec 2022 $m
Borrowings	2,561
+ PV of CIP debt securities (senior)	256
+ Net leases payable	182
Sub total	2,999
- Cash	172
Total net debt	**2,827**
Net debt/EBITDA*	4.22x

*Based on S&P and bank covenant methodologies

- ND/EBITDA increased from 4.03x (HY22) to 4.22x
  - borrowings increased from $2,369 million (HY22)
  - cash balance higher due to early refinancing of Oct 2023 EMTN
  - ~65% of CNU interest rate exposure was fixed at 31 December
- ratings agency thresholds
  - Moody's 5.25x
  - S&P 5.0x
- the Board considers that a 'BBB' credit rating or equivalent is appropriate for a company such as Chorus
  - intention that in normal circumstances the ratio of net debt to EBITDA will not materially exceed 4.75x
  - financial covenants require senior debt ratio to be no greater than 5.5x

Crown financing and debt profile

> At 31 December, debt of $2,561m comprised:
  - Long term bank facilities of $350m (Undrawn)
  - NZ bonds: $900m
  - Euro Medium Term Notes $1,662m (NZ$ equivalent at hedged rates)



> **up to $1.33 billion CIP financing available (57:43 equity/debt)**

> **$1,305m drawn at 31 December 2022**

Crown securities $m	**30 June 2025**	**30 June 2030**	**30 June 2033**	**30 June 2036**	**TOTAL**
Equity securities (cumulative total)	85.3	197.1	377.7	766.4	766.4
Debt securities (maturity profile)	85.3	104.7	166.7	210.2	566.9

Crown equity securities
- unique class of security with no voting rights but a repayment preference on liquidation
- an increasing portion attract dividend payments from 30 June 2025 onwards based on180 day NZ bank bill rate, plus 6% p.a. margin
- redeemable by cash payment of total issue price or the issue of Chorus shares (at a 5% discount to the 20-day VWAP for Chorus shares)

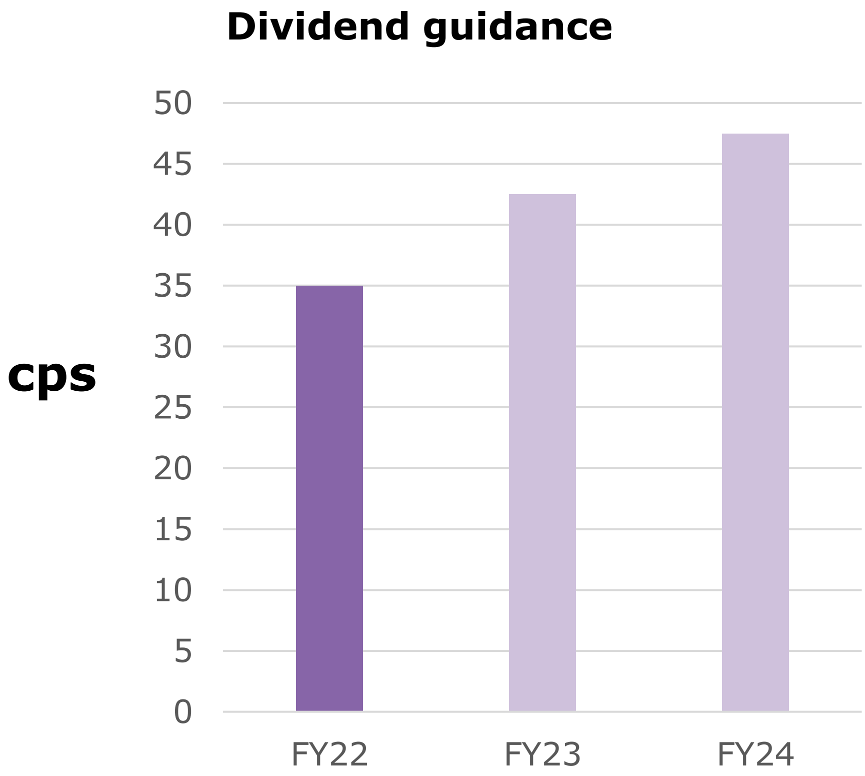
Crown debt securities
- unsecured, non-interest bearing and carry no voting rights
- to be redeemed in tranches from 30 June 2025 to 2036 by repaying the issue price to the holder

Dividend and share buyback

> **FY23 interim dividend**
- 17cps, unimputed
  - **record date**: 14 March 2023
  - **payment date**: 11 April 2023
  - no Dividend Reinvestment Plan available

> **FY23 and FY24 dividend guidance* (unchanged)**
- 42.5cps in FY23
- a minimum of 47.5cps in FY24
- dividends unimputed in medium term

> **$72m of $150m share buyback complete**
- 443 million shares on issue at 31 December
- Board reserves option to suspend the buyback if more accretive opportunities for shareholder value are identified



* subject to no material adverse changes in circumstances or outlook

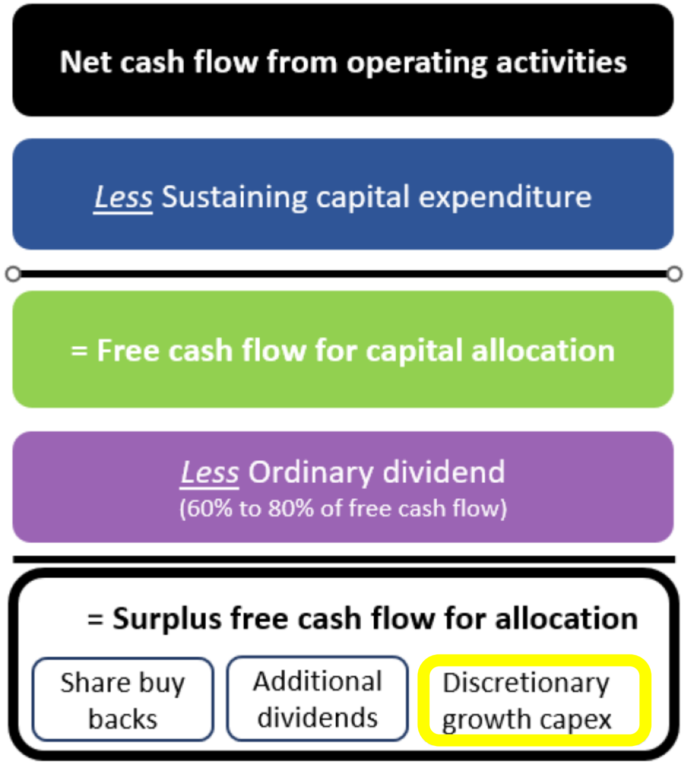
Looking ahead: long-term growth capex

Confirming our core principles and priorities

> **As noted previously, key principles and components of our capital management framework include:**
- growing shareholder value and delivering a sustainable, growing dividend through time
- operating within our investment grade, BBB, 5x net debt/EBITDA ceiling (internal limit 4.75x)
- *sustaining network capex* (i.e. investment to maintain, replace or improve an existing copper or fibre asset) is expected to be ~$200m per annum (midpoint within a range)

> **Investment in discretionary growth capex:**
- can be phased to fit the parameters of the dividend policy and debt limits
- will be subject to business casing, market conditions and regulatory settings/approvals
- includes *RAB investment* (e.g. new fibre installations, greenfields growth and footprint expansion) and *non-RAB investment*

> **Chorus expects the core RAB value (i.e. excluding the Financial Loss Asset) to be at least maintained in the longer term**



Indicative long-term investment opportunities

> **Below are examples of RAB and non-RAB investment being evaluated for 10-year planning:**

- dollar ranges are indicative only and reflect a 10-year total in 2023 dollars
- opportunities to invest in discretionary long-term growth capex could range up to ~$300 million per annum, subject to consumer demand (e.g. installations and greenfields), business casing and regulatory settings/approvals

KEY: S Small: <$100m M Medium: $100m to $400m L Large: $400m+

Non-RAB investment

(assessed on a risk-adjusted return basis vs other capital allocation/investment options)

S — M

- New products
- Edge Centre
- Regional backhaul
- Other

RAB investment opportunities

SUSTAINING CAPEX – NEW PROJECTS

- **XGS-PON electronics (1):** L migration to multi-gigabit capability
- **Rural fibre electronics:** S lifecycle update for RBI* network
- **Sustainability:** S (e.g. solar power options)

DISCRETIONARY GROWTH CAPEX

- **Fibre installations:** L connect fibre to premises
- **Greenfields (2):** L communal fibre to new premises
- **Smart locations:** M non-building installations (e.g.CCTV)
- **Network resilience:** M enhance network robustness
- **Rural fibre(3):** L fibre up to 90% population

*RBI is Rural Broadband Initiative

1. Limited XGS-PON investment in RP1. Broader rollout as technology matures.
2. Greenfields investment is gross amount including customer contributions.
3. Communal rollout cost only.

Regulated Asset Base (RAB) and CPI

> **Starting fibre RAB finalised in Oct 2022**
- starting RAB (1 Jan 2022) of $5.413 billion comprises:
  - core RAB $3.997bn
  - Financial Loss Asset $1.416bn
- the RAB is indexed annually for actual inflation in the December quarter: the forecast CPI used for revaluations in the 2022 MAR was 1.8% vs 7.22% actual.
- we expect another ~$250m (current value) of existing shared assets to be eligible to enter the RAB over time

> **The 2023 and 2024 MAR will be updated for forecast CPI changes as part of in-period smoothing**
- 2023 MAR used 2.17% forecast CPI and will be updated for June 2022 forecast of 3.37%, with actual CPI applied in the RP1 wash-up process for RP2
- Note: the regulations omitted a 2022 wash-up for actual CPI and Chorus has requested a correction

Commerce Commission WACC calculation for Chorus

WACC parameter	RP1[1] WACC (1 July 2021)	ID[2] WACC (1 Jan 2023)
Risk-free rate	0.51%	4.54%
Average debt premium	1.70%	1.50%
Cost of debt	2.54%	6.37%
Cost of equity	5.62%	8.52%
Mid-point vanilla WACC	4.72%	7.9%
Mid-point post-tax WACC	**4.52%**	**7.38%**

Source: Commerce Commission
1. RP1: Regulatory Period 1 from 2022-2024
2. ID: Information Disclosure. Latest calculated WACC is used for reporting purposes only.

From build to operate

JB Rousselot, Chief Executive Officer

A challenging period for weather events

> **Widespread customer impact from Cyclone Gabrielle due to power outages and some damaged regional cable routes**

- restoration focus in Gisborne and Hawke's Bay regions included temporary fibre lays of up to 3km on damaged highway routes
- experience from Auckland city floods (27 January) is fewer faults and faster restoration for customers on fibre, as compared to volume and work required for powered copper cabinets and cables

Road washout near Tutira.

Damage to the regional fibre route on the bridge crossing the Hikuwai River, north of Gisborne, required 800 metres of overlaid fibre.

WIN IN CORE FIBRE

Regulatory landscape

Recent developments

> **Market incentive payments**: final Commerce Commission decision in December approved $12.5m of $16.8m proposed spend for 2023 incentives.

[Note: this will increase allowable revenues for RP1 via the RP2 wash-up process]

> **Future regulatory periods**: the Commerce Commission has proposed a 4-year period (i.e. January 2025 to December 2028) for the next regulatory period.

> **Anchor services**: Chorus was successful in challenging detailed product specifications in the legislative framework. The High Court (December) asked parties to consider alternatives.

Upcoming milestones

> **31 May 2023**: information disclosure submission and wash-up report for 2022 submitted to Commission

> **30 June 2023**: annual quality compliance statement for 2022 submitted to Commission

> **31 August 2023**: annual price compliance statement for 2024 submitted to Commission

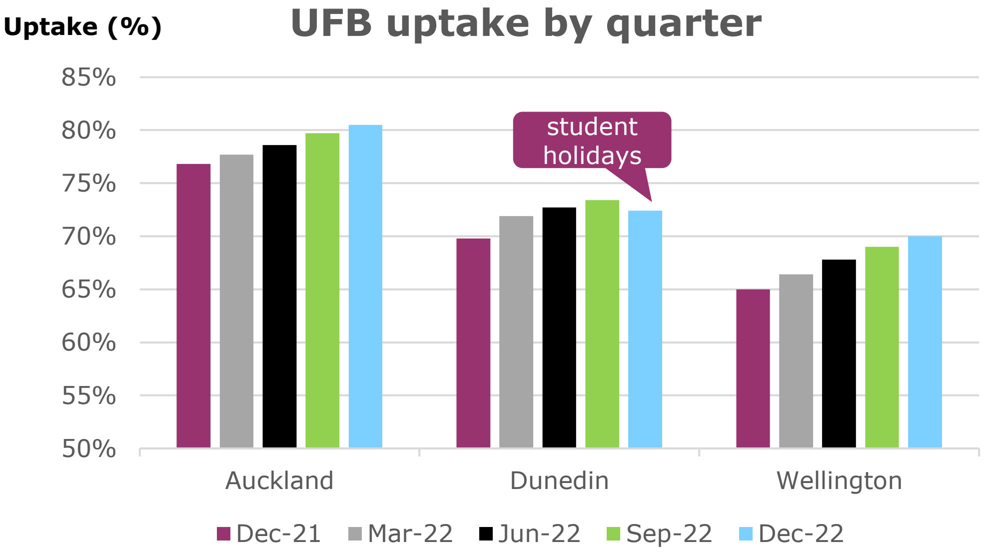
> **31 October 2023**: Chorus RP2 submission due to Commission

WIN IN CORE FIBRE

Continuing to drive fibre uptake

> **Positive market trends**
- copper withdrawal programme ramping up
- offnet winback trend continues in Wellington cable areas
- diverse range of retailers promoting fibre and offers (e.g. Wi-Fi devices) improving the consumer experience
- steady greenfields pipeline

> **H2 product activity focused on:**
- *Home Fibre Starter* (50Mbps) – reduced monthly price from $38 to $35 (where retail price is $60 or less) from 1 Feb 2023; ~10% of residential net adds
- growing the number of retailers promoting *Hyperfibre* services (2-8Gbps)
- targeted marketing to ~170,000 intact fibre sockets (i.e. fibre already installed) that are currently inactive



- Auckland, Wellington and Dunedin cover >70% of UFB1 homes and businesses able to connect
- 93% of Chorus' broadband connections in our completed UFB zone are on fibre

GROW NEW REVENUES

Steady progress

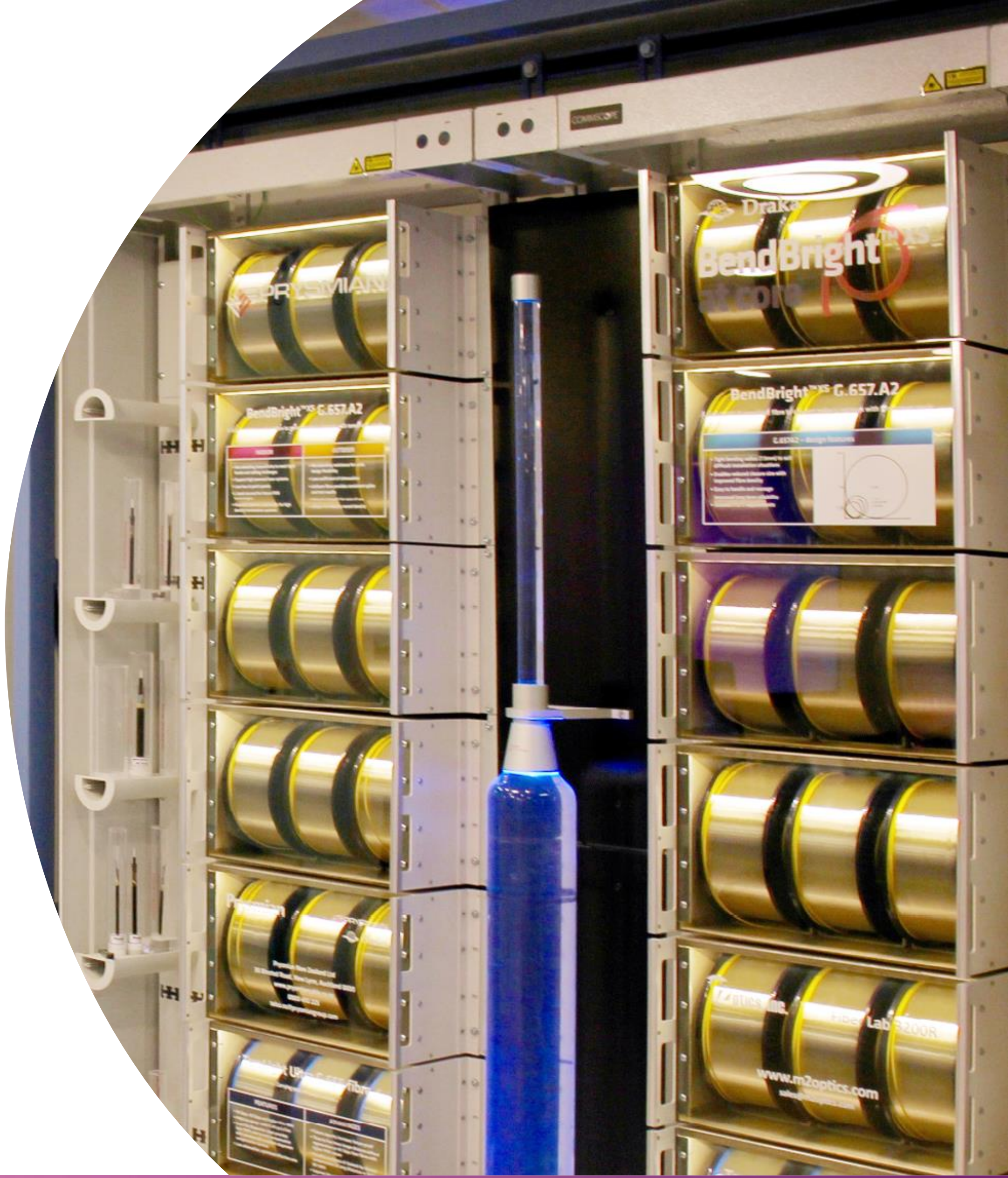
> **Business fibre** (GPON)
- 40%+ of new business connections taking 1Gbps

> **Premium fibre**
- steady growth in dark fibre connections (now 6k) and cellsite backhaul
- fibre nodes now in 7 data centres to enable backhaul services

> **EdgeCentre**
- doubling rack capacity at Mt Eden site

> **PowerSense**
- value proposition reinforced by recent weather events; several lines companies already using service

> **Other opportunities**
- continuing to explore other potential services/markets

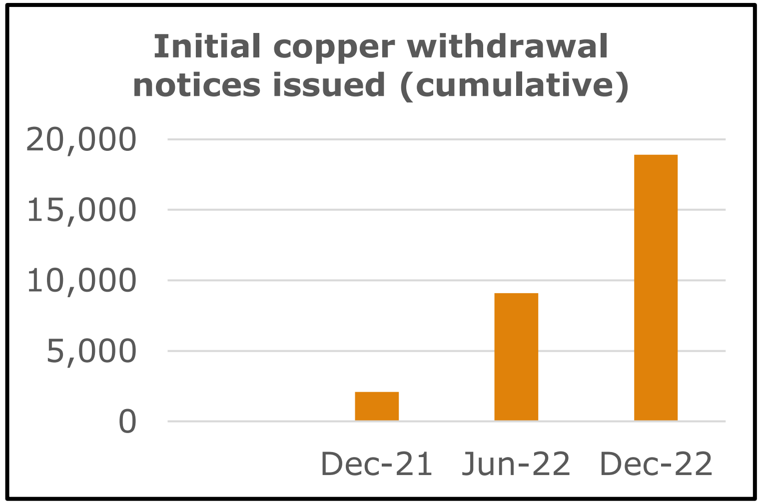


OPTIMISE NON-FIBRE ASSET BASE

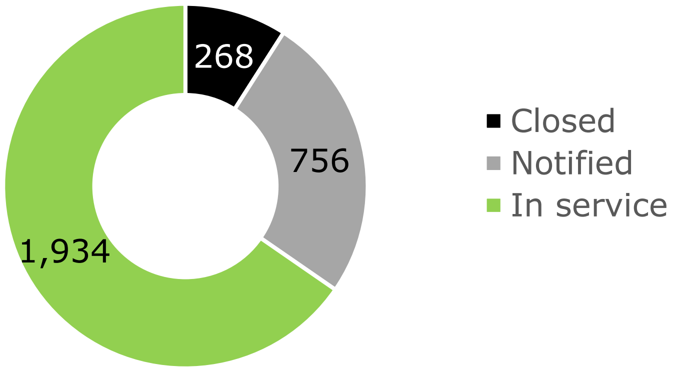
Copper withdrawal workstream

> **~19,000 initial withdrawal notifications issued**
  - copper service ceased for ~10,000 notified connections
  - 268 copper broadband cabinets closed; withdrawal notices issued across another 756
  - broadband retention rate of 90% across closed cabinets

> **site optimisation continues but slowed by property market conditions**
  - 7 property/lease sites exited and 4 subdivided properties on market in H1



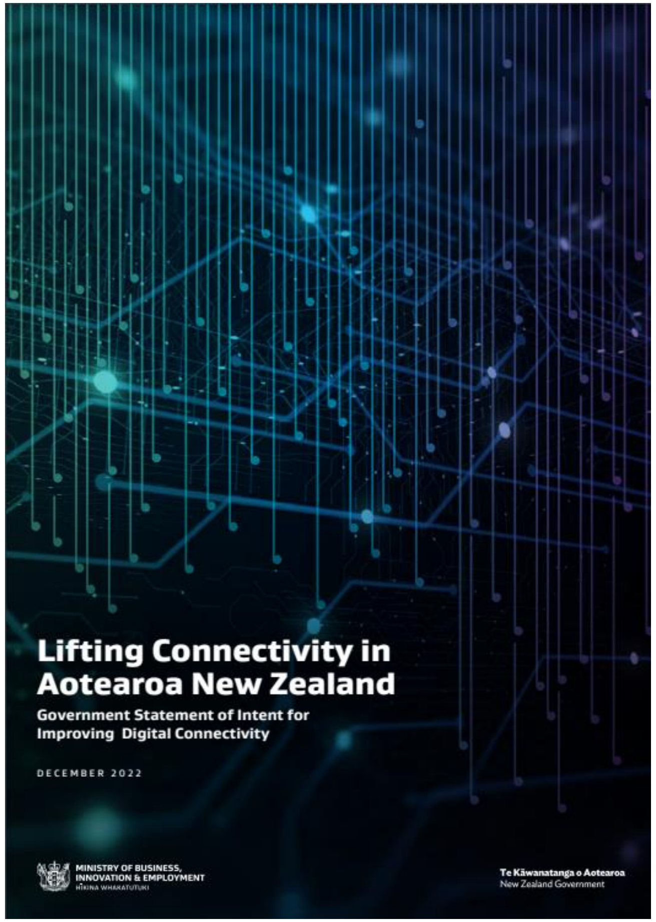
Copper broadband cabinets – Chorus UFB area



Government's digital vision supports rural fibre

> **Statement of Intent for Improving Digital Connectivity acknowledges:**
- data demands are growing and network congestion challenges affect ~5% of the population today
- fibre is high speed, high capacity, low latency and comparatively low energy requirements also make it well suited for handling the expected future growth in demand for data and network speeds and fibre backhaul can lift all technology boats (i.e. fixed/wireless/mobile)
- wireless technology has a place, but note 5G has propagation challenges and consumer needs are likely to change over time
- low earth orbit satellites an option subject to need for line of sight

> **Government says it will support or encourage the extension of fibre, including backhaul, to improve network performance and resilience in areas:**
- not already served by fibre and where customer density and expected demand is sufficient to make fibre a cost-effective long-term solution, and
- where the commercial viability of fibre backhaul to support various access modes is the best long-term solution but is not commercially viable for the private sector to provide on its own



But rural regulatory settings need to catch up

NZIER study estimates $16.5 billion benefit in closing the rural digital divide

URBAN

Chorus & LFC* fibre rollout covers 87% population (1.8m+ homes and businesses)

- regulatory framework intended to encourage ongoing investment
- copper withdrawal underway in fibre areas
- subdivision growth driving urban fringe fibre rollout

*Local Fibre Company

NON-URBAN

~45,000 VDSL connections

~60,000 ADSL connections

~20,000 voice only connections

~3,000 multi-access radio (MAR) connections

- potential for further fibre rollout, subject to regulatory and policy settings
- Telecommunications Service Obligation (TSO) applies to residential addresses that had telephone service in 2001 and includes outdated requirements for voice/dial-up/fax services
- the economics of TSO delivery and ongoing investment have changed:
  - Chorus cannot cross-subsidise rural copper connections from urban fibre revenues
  - retirement of copper networks is accelerating globally with migration to fibre and the emergence of other technologies (e.g. fixed wireless, satellite)
  - government has helped fund alternative services/overbuild
- Commerce Commission required to review copper regulatory settings no later than 2025

- the most remote and therefore most underserved consumers
- MAR technology at end of life
- should be focus of government $15m Remote Users Scheme

Questions?

Appendix A: Additional financial information

Underlying EBITDA

	H1 FY23 unaudited $m	H2 FY22 unaudited $m	H1 FY22 unaudited $m
EBITDA	**342**	**328**	**347**
Operating revenue adjustments			lease change (3) legal settlement (3)
Operating expenses adjustments			Holidays Act provision (9)
UNDERLYING EBITDA	**342**	**328**	**332**

H1 FY23 revenues: FFLAS vs non-FFLAS

> **indicative FFLAS revenue of $348m or 71% of HY23 revenue**

- FFLAS total excludes an estimated $26m allocation of fibre-related capital contributions to be netted off fibre RAB assets
- NOTE: FFLAS numbers are indicative and have been calculated using the Commission's final RAB decision model from October 2022. Actual 2022 FFLAS numbers will be finalised as part of Information Disclosure reporting in May 2023.

	Other $m	Regulated FFLAS $m	H1 FY23 $m
Fibre broadband (GPON)	1	301	302
Fibre premium (P2P)	7	27	34
Copper based broadband	62	0	62
Copper based voice	21	0	21
Data services copper	2	0	2
Field services	30	7	37
Value added network services	8	5	13
Infrastructure	7	8	15
Other	1	0	1
Total	**139**	**348**	**487**

H1 FY23 opex: FFLAS vs non-FFLAS

> **indicative FFLAS opex of $80m or 55% of HY23 opex**

- FFLAS total includes pass through costs of $8m
- NOTE: FFLAS numbers are indicative and have been calculated using the Commission's final RAB decision model from October 2022. Actual 2022 FFLAS numbers will be finalised as part of Information Disclosure reporting in May 2023.

	Other $m	Regulated FFLAS $m	H1 FY23 $m
Labour	14	24	38
Network maintenance	18	10	28
IT	7	13	20
Other network costs	11	5	16
Rent, rates and property maintenance	6	5	11
Electricity	6	3	9
Provisioning	1	-	1
Insurance	-	2	2
Consultants	-	4	4
Regulatory levies	1	5	6
Other	1	9	10
Total	**65**	**80**	**145**

Sustaining vs non-sustaining capex

- $90m of H1 FY23 capex was sustaining vs $132m non-sustaining
- fibre sustaining capex is expected to increase over time as the asset ages

Non-sustaining capex	H1 FY23 $m	H1 FY22 $m
UFB communal	5	47
Fibre installations	77	91
Greenfield growth	41	31
Footprint expansion (West Coast)	2	11
Customer retention (incentives)	7	13
Subtotal	**132**	**193**

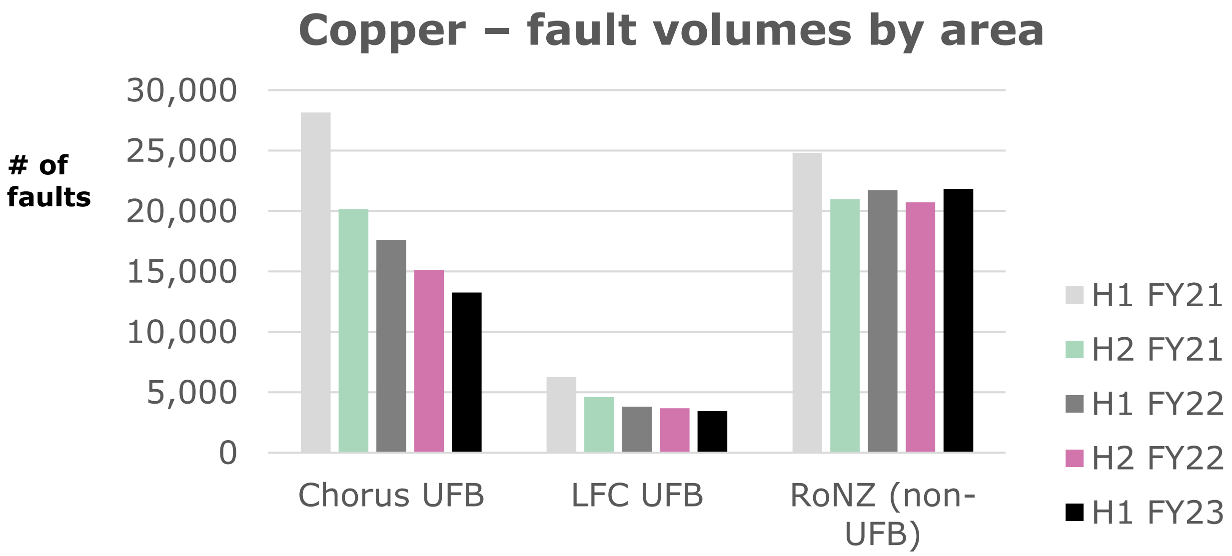
Fibre capex: sustaining	H1 FY23 $m	H1 FY22 $m
Layer 2	23	12
Fibre products & systems	2	4
Fibre sustain	4	5
Other fibre	13	4
Customer retention costs*	8	6
Subtotal	**50**	**31**
Copper capex: sustaining		
Network sustain	9	13
Copper connections	0	1
Copper layer 2	1	1
Customer retention costs*	3	3
Subtotal	**13**	**18**
Common capex: sustaining		
Information technology	20	16
Building & engineering services	7	5
Subtotal	**27**	**21**

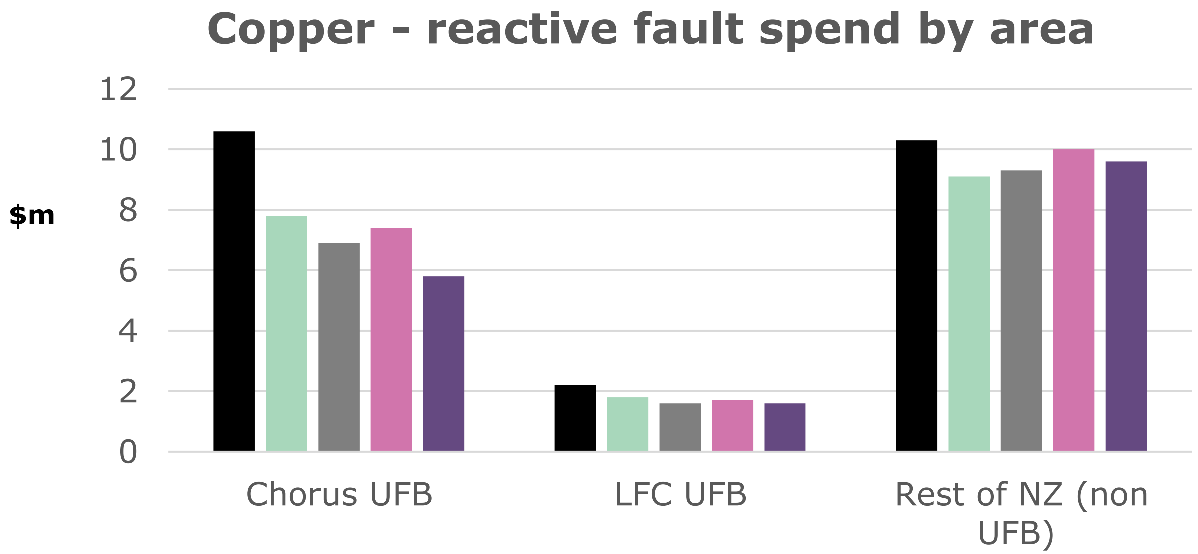
*Relates to provisioning, systems and service desk costs

Maintenance trends

- fibre fault volumes consistent at ~20k in H1 FY23 and H2 FY22 respectively, despite fibre connections growing 79k
- copper faults will continue to fall in Chorus fibre areas as we withdraw copper services
- non-fibre areas (~13% of population) make up the majority of copper network faults and reactive costs

Note:
- reactive maintenance <u>excludes</u> spend on proactive maintenance and customer networks (i.e. premises wiring, no fault found, cancellations)





Maximum Allowable Revenue (MAR)

Table X3 Final building blocks revenue components ($m, nominal)

Component	2022	2023	2024
Total return on capital	**$122.9**	**$99.0**	**$100.6**
Return on assets (RAB x WACC)	$260.8	$260.7	$258.8
Revaluations	-$95.5	-$117.7	-$113.7
Ex-ante stranding allowance	$5.4	$5.5	$5.4
Benefit of Crown finance	-$49.8	-$51.3	-$51.7
TCSD allowance	$1.9	$1.9	$1.9
Opex allowance	**$160.4**	**$158.2**	**$156.0**
Total depreciation	**$464.6**	**$456.3**	**$458.9**
Core fibre assets	$261.4	$274.2	$296.6
Financial loss asset	$203.2	$182.1	$162.3
Tax allowance	**$0**	**$0**	**$0**
In-period smoothing	**-$71.9**	**$19.4**	**$58.5**
Total	$676.1	$732.9	$774.0
Pass-through costs	**14.2**	**14.5**	**15.5**
TOTAL	**$690.2**	**$747.4**	**$789.5**

Source: Commerce Commission, price-quality path final decision, 16 Dec 2021

- RP1 post-tax WACC of 4.72% (used 0.51% risk-free rate) would be 7.38% if recalculated at 1 Jan 2023 using recent rates.
- forecast CPI used for revaluations in 2022 was 1.8% vs 7.22% actual in December quarter. 2023 forecast used 2.2% and 2024 is 2.13%. Higher revaluation rates during RP1 will be reflected in the opening RAB for RP2.
- the 'benefit of Crown finance' deduction will reduce from 2025 as Crown finance is redeemed. Regulator only allows ~2% return on funded assets.
- cost allocations will need to be addressed in RP2 given the increasing dominance of fibre in Chorus' business operations.
- reflects an implied 14-year asset life through regulatory process.
- reflects asset life of 14.2 years and tilted annuity depreciation (-13% tilt rate)
- tax building block commences from ~FY27 and grows to ~$90m
- CPI forecast assumptions were 2.71% in 2022, 2.17% in 2023, 2.04% in 2024. The 2023 and 2024 MAR will be updated for preceding June forecasts and then for actual CPI as part of the RP2 wash-up process. Chorus has made a submission to the Commission on the status of the 2022 CPI wash-up.
- MAR totals reflect draft starting RAB and allocations in 2021. Changes in the final RAB announced in October 2022 will be reflected in the next regulatory period wash-up.

MAR wash-up mechanism

Regulatory framework updates the MAR for actual costs on 7 cost items

- the wash-up for each calendar year is calculated annually in May via Information Disclosure process
- the wash-up amount (positive if under-earn MAR; or negative if over-earn) is added to MAR for the next regulatory period
- the wash-up balance is rolled forward each year using the post-tax WACC as the time-value of money to preserve NPV neutrality

2022 MAR
$690.2m

(set in 2021 using forecasts)

+

Difference vs forecast in:

- initial RAB
- Crown financing
- cost allocators
- individual capex
- connection capex
- price path CPI
- pass through costs

=

updated 2022 MAR

−

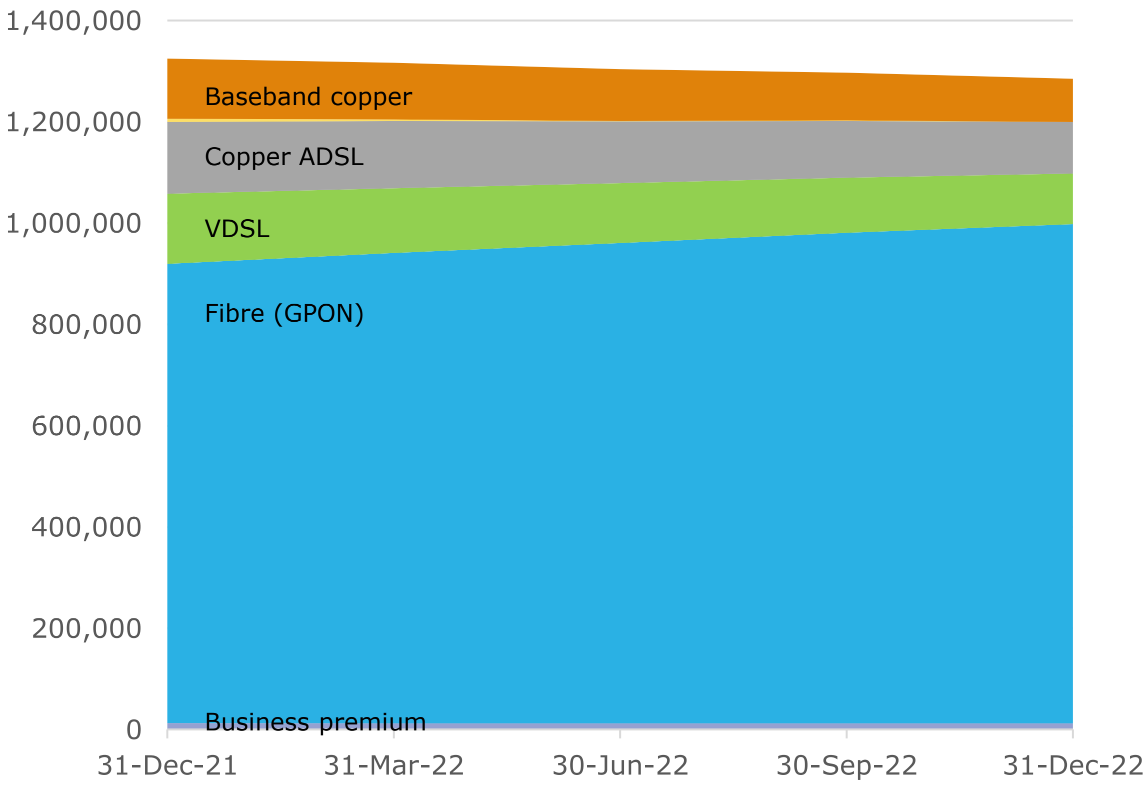
actual 2022 revenue

=

2022 wash-up amount

Appendix B: Connections data, market trends, pricing

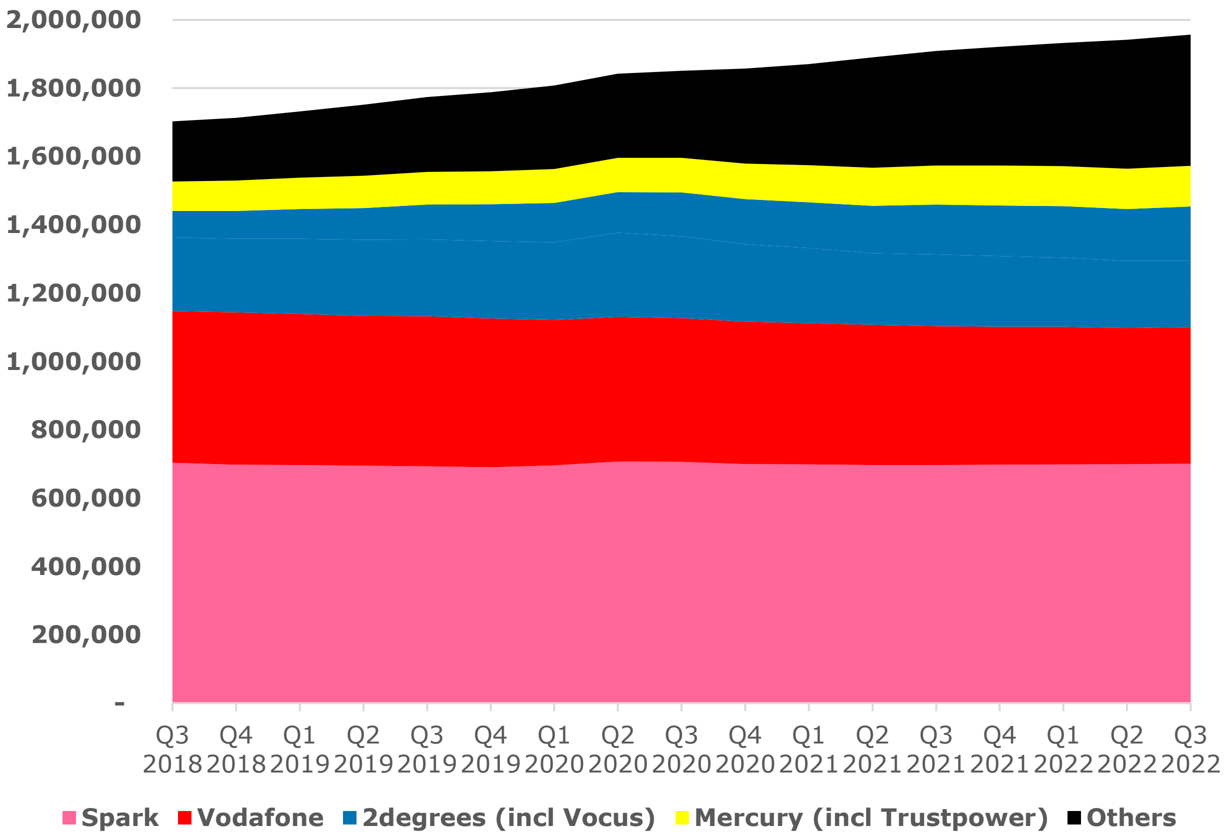
CHORUS CONNECTIONS	31 Dec 2021	31 March 2022	30 June 2022	30 Sept 2022	31 Dec 2022
Unbundled copper (no broadband)	6,000	3,000	1,000	1,000	not material
Baseband copper (no broadband)	119,000	112,000	102,000	94,000	85,000
Copper ADSL (includes naked)	142,000	133,000	122,000	112,000	102,000
VDSL (includes naked)	138,000	128,000	118,000	109,000	100,000
Fibre broadband (GPON)	907,000	929,000	949,000	969,000	986,000
Data services (copper)	2,000	2,000	2,000	1,000	1,000
Fibre premium (P2P)	11,000	10,000	10,000	11,000	11,000
Total connections	1,325,000	1,317,000	1,304,000	1,297,000	1,285,000



> **1,188,000 broadband connections comprises:**
- 986,000 fibre (GPON) connections
- 202,000 VDSL/ADSL (copper) connections

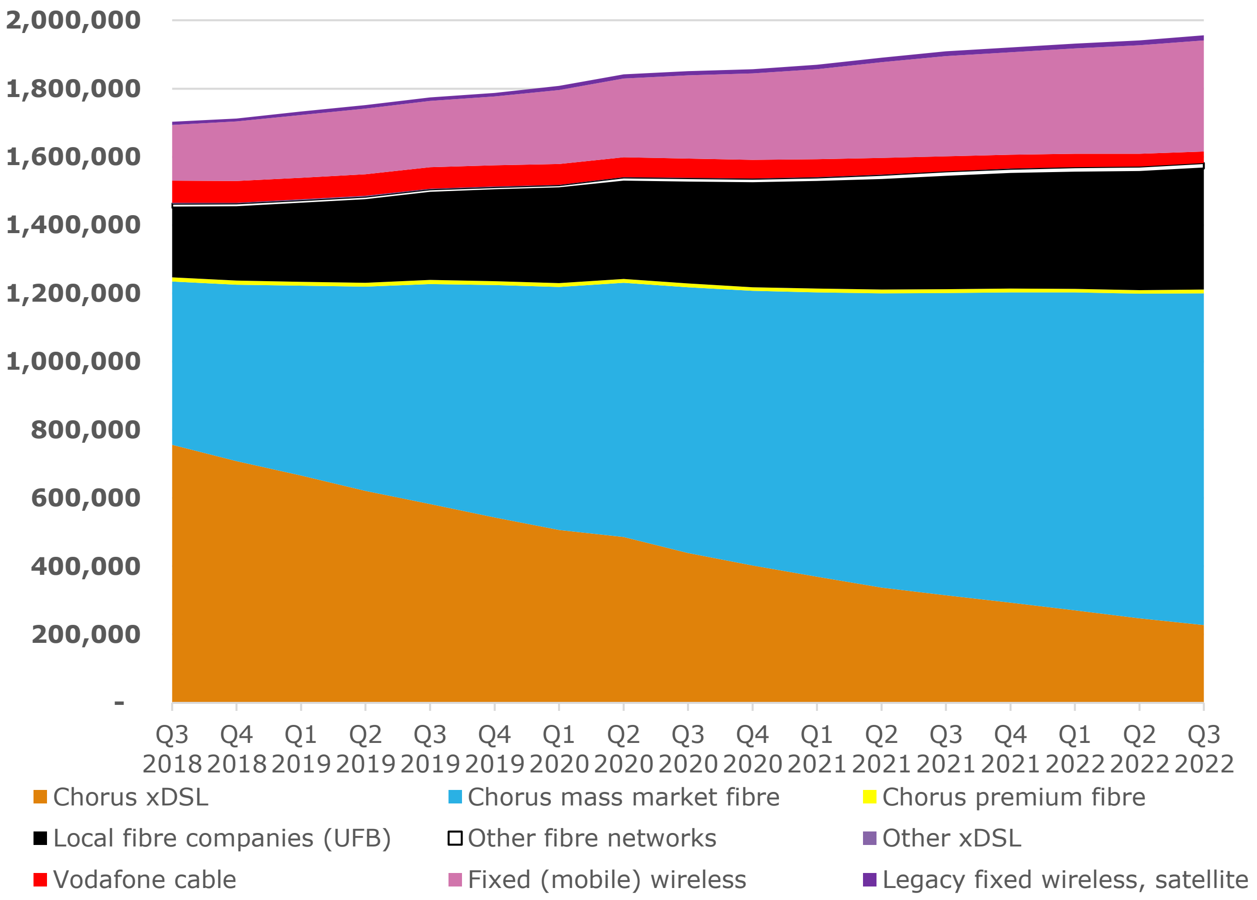
Note: 8,000 partly subsidised education connections are excluded from this data

Broadband uptake by retailer (all technology)



Source: IDC

NZ broadband market – by technology



Source: IDC

Pricing summary

Fibre plan - consumer	Current wholesale price	Price before 1 Oct 22	Notes
Voice line	$27.45	$26.02	
Home starter 50/10Mbps	$35	$38	Applies where retail price is $60. Price reduced to $35 from 1 Feb 2022
50/10Mbps	$47.28	$44.22	
100/20Mbps 300/100Mbps	$50.50	$47.87	100Mbps is anchor service. 300Mbps plan introduced late 2021.
1Gbps	$58	$56	
Hyperfibre 2Gbps	$70	$75	
Hyperfibre 4Gbps	$85	$100	
Hyperfibre 8Gbps	$110	$150	

Copper pricing	Current wholesale price	Price before 16 Dec 22	Notes
Copper line	$36.17	$33.73	Annual CPI adjustment mid-December
Copper broadband	$48.35	$45.09	

FY23 half year results

dear investors

Our financial results this week have been overshadowed by the scenes of devastation in the wake of Cyclone Gabrielle and its widespread impact on communities.

We've been working closely with other network providers and our service companies to reconnect many communities in challenging conditions. Our thoughts are with all those impacted, including our employees, and our teams are committed to restoring services as quickly as they can.

Half year result overview

Fibre connections[1]

HY23 **997,000** | FY22 959,000

Broadband connections[1]

HY23 **1,188,000** | FY22 1,189,000

Fixed line connections[1]

HY23 **1,285,000** | FY22 1,304,000

EBITDA[2]

HY23 **$342m** | HY22 $347m

Net profit after tax

HY23 **$9m** | HY22 $42m

Dividend

HY23 **17cps** | HY22 14cps

HY23: six months ended 31 December 2022
FY22: year ended 30 June 2022
HY22: six months ended 31 December 2021

Steady HY23 financial result despite workforce constraints

Despite the operational challenges of a technician workforce shortage, we've reached our goal of one million fibre connections and almost 80% of our network connections are now on fibre rather than copper. Fibre uptake reached 71% in our completed rollout areas, up from 69% at the start of the period, with growth of 38,000 fibre connections nationwide.

We passed a significant milestone in December when the community of Opononi, located on the shores of the Hokianga Harbour (pictured above), became the last centre to be connected to fibre under our 11-year public-private partnership with government.

Demand for our higher speed services remains strong with almost a quarter of mass market connections now on services delivering 1 gigabit or higher. This includes our Hyperfibre services, which provide speeds from 2 to 8 gigabits, with uptake lifting steadily as more retailers offer the service. Total fixed line connections, when including copper lines, reduced by 19,000. The ongoing migration of copper customers to fibre is also helping reduce network maintenance needs.

We reported EBITDA of $342 million for the six months ended 31 December 2022 (HY23). This was a $10 million increase on underlying HY22 EBITDA of $332 million[3]. Reported HY22 EBITDA was $347 million when including $15 million of one-off operating revenue and expense gains in that period. In light of this steady financial performance, we've increased EBITDA guidance for the year to $675 million to $690 million from a prior range of $655 million to $675 million. This guidance update does not include potential flood and cyclone-related impacts.

Net profit after tax decreased by $33 million compared to HY22, largely due to increasing interest rates and the need to refinance a large tranche of debt due for repayment later in 2023. The accelerated depreciation of copper cables, in areas where fibre is available, also contributed to the reduction in net earnings.

1 Excludes partly subsidised broadband connections provided to student homes as part of Chorus' COVID response.
2 Earnings before interest, income tax, depreciation and amortisation (EBITDA) is a non-GAAP profit measure without a standardised meaning for comparison between companies. We monitor EBITDA as a key performance indicator and we believe it assists investors in assessing the performance of the core operations of our business.
3 Underlying EBITDA of $332 million in HY22 represents adjustments for one-off operating revenue and expense gains recognised. Refer to page 31 of the HY23 Investor presentation for the detailed reconciliation to EBITDA. Half year results are unaudited.

Interim dividend and capital management

We've confirmed an unimputed interim dividend of 17 cents per share to be paid on 11 April 2023. With the fibre rollout now complete and capital expenditure demands tracking as expected, we've decided to suspend the dividend reinvestment plan for this interim dividend payment. The plan was previously provided with no discount. We'll continue to review its status at each financial result.

A final unimputed dividend of 25.5 cents per share is expected to be declared in August 2023, subject to no material adverse changes in circumstances or outlook. This is consistent with our guidance of a total dividend of 42.5 cents per share for FY23. Our dividends are expected to be unimputed for some time because the substantial investment we've made in the fibre rollout has created a difference in timing between tax and accounting depreciation. This means tax payments are effectively deferred to the future and we do not have imputation credits in the short term.

We've completed $72 million of our planned $150 million share buyback programme and will continue with it unless more accretive opportunities for shareholder value are identified.

Fibre rollout completed, just in time for Christmas

Fibre officially reached 87% of New Zealand's population in mid-December with Chorus connecting the community of Opononi in the Northland region.

Chorus CEO JB Rousselot said the rollout was an enormous success and team effort between government agency Crown Infrastructure Partners, all four infrastructure companies and the retail internet providers who work with us to bring the fibre broadband connections into homes and businesses around the country.

"I want to sincerely thank the communities, contractors and staff who have worked so hard, year in and year out, and often in challenging circumstances, in achieving this milestone for New Zealand."

Bridging the digital divide

To mark our achievement of one million fibre connections we chose to support three worthy organisations that are helping bridge various aspects of the digital divide. We allocated $80,000 across these organisations:

- **Global Centre of Possibility:** a centre of innovation, learning, and research that aims to create a future that is truly accessible for all. The centre is led by Chief Possibility Officer, Minnie Baragwanath, who was born blind and has spent the last 30 years of her life studying, working in and researching social change and accessibility.
- **Digits:** a Manawatu-based organisation that aims to enable digital inclusion for 1,000 households with school-aged children. Their family programme provides an affordable, refurbished Chromebook, an internet connection and free digital literacy tuition.
- **Code Club Aotearoa:** delivers high-quality digital technology education accessible across financial, cultural and geographic lines. They have a network of volunteers across the country, with over 400 clubs and around 4,000 children a week learning digital skills.

Fibre rollout facts

LATE
2011
ULTRA-FAST BROADBAND ROLL-OUT BEGAN

4
FIBRE COMPANIES INVOLVED, INCLUDING CHORUS

MORE THAN
400
TOWNS AND CITIES CONNECTED

75%
OF FULL FIBRE ROLL-OUT COMPLETED BY CHORUS

98,000
kilometers
OF FULL FIBRE ROLL-OUT COMPLETED BY CHORUS

45
million
WORK HOURS

555
gigabytes
AVERAGE MONTHLY DATA USAGE 2022

13
gigabytes
AVERAGE MONTHLY DATA USAGE 2011

Responding to Cyclone Gabrielle

Recent flooding events and cyclones across the North Island caused substantial damage to infrastructure and homes, including those of our own employees. While Cyclone Gabrielle led to the widespread loss of electricity and the subsequent loss of telecommunications services, damage to our core network was reasonably limited with no exchange buildings affected.

Our primary focus has been fixing regional fibre routes so mobile networks can be used by other essential services to help with their restoration efforts. This work will also begin restoring other telecommunications services including broadband. Five regional routes were damaged by bridge washouts or road slips. The Tairāwhiti Gisborne region, for example, was isolated after two fibre routes were damaged in multiple places, including a major bridge crossing at the Hikuwai River (pictured). Helicopters were used to lay about five kilometres of temporary fibre cable along the route and restore service.

This second fibre route was built in 2013 in a $12 million joint project to deliver more network diversity for Gisborne. We have an ongoing programme of network resilience projects, some of which have been largely funded by Government. This includes the recent West Coast (South Island) fibre rollout and a current project to connect Milford Sound.

We'll be working with New Zealand's major network providers to consider what can be learnt from Cyclone Gabrielle and what additional steps we can do to further increase the resiliency of our infrastructure.

Damage to the regional fibre route on the bridge crossing the Hikuwai River, north of Gisborne, required 800 metres of fibre to be overlaid.

Limited road access and ongoing power outages have made it difficult to fully assess network damage at a street level. The number of local network faults will remain unknown until most homes and businesses have power restored across the affected regions.

Andrew Carroll, General Manager of Customer & Network Operations, said the recent experience from the Auckland city flooding in late January suggests network impacts should be more manageable than in years gone by.

"We're fortunate that fibre networks are less susceptible to water damage than copper cables. With high fibre uptake in urban areas, we expect the volume of consumer faults to be lower than past comparable weather events. That said, the number of faults in the immediate aftermath is still larger than our workforce's capacity, so we have to reprioritise some work to enable technicians to focus on reconnecting consumers.

"Our thoughts are with all those impacted, including our employees. Our teams are committed to restoring services as quickly as they can."

Workforce challenges

Like many industries, one of the unforeseen challenges we've had to grapple with in the last six months or so has been a shortage of skilled workers.

Visa changes for migrant workers meant many of the technicians who carried us through the pandemic either took the opportunity to reconnect with family and friends overseas, or moved to other industries in New Zealand. Strong global competition for fibre technicians and New Zealand's tight labour market have been other contributors to the gap in our industry.

Working with our service company partners, we've made significant efforts to recruit and train workers within New Zealand. That's helped reduce our workforce gap from about 380 technicians to about 220 technicians at current demand levels. We're working closely with our service company partners to address this gap and expect to recruit another 150 technicians within a few months. We're also grateful to the Government for recognising the important role that telecommunications technicians play in New Zealand by adding technicians to the immigration green list.

Looking ahead – where to for fibre?

While we spend much of our time focused on broadband developments in New Zealand, it's important for us to keep tabs on what's happening in the rest of the world. This article from the latest Global Listed Infrastructure Organisation journal provides JB's perspective after he caught up with European network operators in October:

www.chorus.co.nz/glio

The article includes a QR code link to a news item on the manufacturing process for fibre optic cable that's well worth watching. As JB notes, Europe is experiencing a fibre rollout 'boom' with the COVID pandemic having reinforced the need for unconstrained, high-capacity broadband. Network operators there are leaping straight to 8 gigabit capability in their rollouts with the deployment of XGS PON technology, like we're now adding for our Hyperfibre services. Many operators have also begun trialling new 25 gigabit technology. These upgrades are achieved simply by changing the electronics at the end of the fibre cable.

That's why fibre is widely acknowledged as the best technology to deliver socio-economic benefits without the need for recurring government funding, while also supporting national carbon emission reduction targets. Europe's ambition is gigabit coverage for all households by 2030 and countries like Spain, Ireland and Belgium are expanding their fibre deployments into rural areas and targeting 99% population coverage.

A 99% target is probably too high for New Zealand given our challenging topography and generally lower population density, but we believe the current 87% coverage is clearly too low. We commissioned the New Zealand Institute of Economic Research (NZIER) to look at the benefits of high-capacity broadband for rural businesses and households. They calculated a total benefit of around $16.5 billion over the next ten years by delivering digital parity for rural consumers.

Rural households were estimated to benefit by about $6,500 per year due to better access to broader employment opportunities and the ability to use telehealth services alongside easier online transactions with government agencies and banks.

The NZIER report is available at:

https://company.chorus.co.nz/sites/default/files/downloads/rural-connectivity-04.11.22.pdf

In December, the Government released its Lifting Connectivity in Aotearoa New Zealand paper, setting out their intent to improve digital connectivity over the next decade. The paper notes that about 5% of the population experience network congestion today. It highlights the need to take a long-term and comprehensive approach to supporting and enabling infrastructure provision and the need to provide enduring solutions that can meet future growth in demand for increased speed and capacity.

As we've said before, we believe that with the right regulatory and policy settings Chorus could reach at least 90% of the population with fibre. We look forward to a broader discussion about the right mix of private and public investment that can achieve the government's goals and keep us in step with the rest of the world.

If you'd like more detail on our financial results, please watch the recorded half year results briefing webcast. This will be available at www.chorus.co.nz/reports within a day of our results announcement.

The webcast includes discussion of some of the long-term opportunities for discretionary investment that we've begun evaluating as part of our 10-year planning process. We see plenty of scope to keep developing the utility value of our network for the socio-economic benefit of New Zealand while delivering stable returns for shareholders. For now though, our immediate focus is very much on the challenges facing weather affected communities and our teams are doing their utmost to reconnect them as soon as possible. We hope those of you that are in these areas are safe and well.

As always, thank you for your continued support of Chorus.

Mark Cross, Chorus Chair

Half Year Results

For the six months ended 31 December 2022

CHORUS

Half year result overview

Fibre connections[1]

HY23
997,000

FY22
959,000

Broadband connections[1]

HY23
1,188,000

FY22
1,189,000

Fixed line connections[1]

HY23
1,285,000

FY22
1,304,000

EBITDA[2]

HY23
$342m

HY22
$347m

Net profit after tax

HY23
$9m

HY22
$42m

Dividend

HY23
17cps

HY22
14cps

HY23: six months ended 31 December 2022
FY22: year ended 30 June 2022
HY22: six months ended 31 December 2021

1 Excludes partly subsidised broadband connections provided to student homes as part of Chorus' COVID response.
2 Earnings before interest, income tax, depreciation and amortisation (EBITDA) is a non-GAAP profit measure without a standardised meaning for comparison between companies. We monitor EBITDA as a key performance indicator and we believe it assists investors in assessing the performance of the core operations of our business.

HY23 Management commentary

We report earnings before interest, income tax, depreciation, and amortisation (EBITDA) of $342 million for the six months ended 31 December 2022 (HY23). This was a $10 million increase on underlying HY22 EBITDA[1] of $332 million. Reported HY22 EBITDA was $347 million when including $15 million of one-off operating revenue and expense gains in that period.

Net earnings decreased by $33 million compared to HY22, largely due to an increase in interest costs following the early refinancing of the October 2023 Euro Medium Term Note (EMTN) in September 2022. Depreciation expense also increased due to the accelerated depreciation of copper cables in areas where fibre is available.

Guidance for FY23 EBITDA has been increased to $675 million to $690 million from a prior range of $655 million to $675 million.

Operating Revenue

Revenues of $487 million were up $4 million from HY22 revenues.

Mass market broadband connections of 1,188,000 were up slightly from 1,187,000 in HY22. Within that total, fibre connections increased by 37,000 in HY23, compared to growth of 47,000 in HY22. This reflected workforce constraints on installation activity in HY23, with connection momentum assisted by a successful shift to promoting the activation of fibre sockets that were already installed in premises where consumers hadn't requested a fibre service.

Average fibre monthly revenue per user grew from $50.67 to $53.38 between the end of FY22 and HY23. This was driven by an inflation-related price increase to some services in October 2022 and the ongoing uptake of the higher value Hyperfibre and 1 Gbps services, which now represent 24% of mass market fibre connections.

Connection revenues across copper voice and data services continued to decline as consumers migrate to fibre or alternative services. Total connections on our network reduced by 19,000 in HY23 compared to 15,000 in HY22.

Field services products revenue grew by $2 million largely due to strong new property development demand. Roadworks revenue was lower than in HY22.

Other revenue was $9 million lower in HY23 compared to HY22. This was because the prior period included property optimisation revenues of $6 million and a $3 million legal settlement.

	CONNECTIONS 31 DECEMBER 2022	CONNECTIONS 31 DECEMBER 2021	CONNECTIONS 30 JUNE 2022
Fibre broadband (GPON)	986,000	907,000	949,000
Fibre premium (P2P)	11,000	11,000	10,000
Copper VDSL	100,000	138,000	118,000
Copper ADSL	102,000	142,000	122,000
Data services over copper	1,000	2,000	2,000
Baseband copper	85,000	119,000	102,000
Unbundled copper	Immaterial	6,000	1,000
Total fixed line connections*	**1,285,000**	**1,325,000**	**1,304,000**

*8,000 partly subsidised education connections are excluded from this data

Expenses

Total operating expenses were $145 million in HY23, up $9 million from HY22.

Labour

Labour costs of $38 million represent staff costs that are not capitalised and were up $10 million from HY22. HY22 included the release of a $9 million provision for holiday pay and reduced labour capitalisation due to COVID restrictions of approximately $2 million.At the end of HY23 we had 810 permanent and fixed term employees, up from 797 at the end of HY22 and from 799 at the end of FY22. The increase reflects additional resourcing to support implementation of the new regulatory framework for fibre and IT contractors becoming full-time employees.

1 Underlying EBITDA of $332 million in HY22 represents adjustments for one-off operating revenue and expense gains recognised. Refer to page 31 of the HY23 Investor presentation for the detailed reconciliation to EBITDA. Half year results are unaudited.

Network maintenance

Overall fault volumes continued to trend down as total connections reduced and more consumers are connected to fibre. Network maintenance costs were flat against HY22 as HY22 costs were reduced by the effect of COVID restrictions on fault reporting and network damage, and HY23 reflected an increase in the average cost per fault.

Information Technology

Information technology costs were down $3 million from HY22, largely reflecting the release of a $2 million software provision initially recognised in FY22.

Property maintenance

Property maintenance costs decreased by $2 million relative to HY22 with the prior period including one-off costs for office relocation and rationalisation.

Depreciation and amortisation

Following the commencement of the copper withdrawal programme, depreciation has been accelerated on copper cables in areas where fibre is available. Cables in Chorus UFB rollout areas will be fully depreciated by FY25 and those in local fibre company areas by FY26. This accelerated depreciation drove an $8 million increase of depreciation expense compared to HY22. This was partially offset by the increasing amortisation of Crown funding against network assets.

Finance income and expenses

Finance expense increased by $33 million from HY22 due to increasing interest rates and refinancing activities during HY23. EUR 291 million of the 2023 EMTN was repurchased in September 2022, resulting in $11 million of non-recurring costs. Concurrently, a EUR 500 million EMTN, maturing in 2029, was issued. An additional $15 million of interest expense was recognised in HY23 in relation to this EMTN. Chorus fully hedges the foreign exchange exposure on all EMTN with cross-currency interest rate swaps. Approximately two-thirds of floating interest rate exposure is hedged using interest rate swaps.

Lease interest expense reduced by $3 million from HY22 on the Spark Colocation lease following renegotiation of the arrangement in December 2021 as part of our property optimisation programme.

The weighted average effective interest rate increased from 3.7% to 4.36% between HY22 and HY23. Notional interest on Crown Infrastructure Partners (CIP) securities also increased as Crown funding continued to grow.

Capital expenditure

Gross capital expenditure for HY23 was $222 million, down from $263 million in HY22 as the UFB rollout came to an end in December and fibre installations were limited by workforce constraints. The UFB rollout was completed in December 2022.

Fibre installations and layer 2 spend was $100 million, driven largely by the cost to install fibre into 48,000 homes and businesses. The average cost per premises connected during HY23 was $1,066.

Spend on other fibre and growth was $53 million, up from $43 million in HY22. Consistent with field services revenues, this was driven by strong demand from new property developments. West Coast fibre build continued with about $2 million spent on fibre backhaul to connect Milford Sound.

Copper capital expenditure reduced from $18 million in HY22 to $13 million in the current period, largely due to reduced roadworks and pole replacement activity. HY22 spend included $2 million for rural broadband upgrades that were not largely government funded.

Common capital expenditure was $6 million higher in HY23 than HY22 because earthquake strengthening projects previously delayed by COVID have commenced along with several IT lifecycle projects.

Dividends, equity and capital management

We will pay an unimputed interim dividend of 17 cents per share on 11 April 2023 to all holders registered at 5:00pm 14 March 2023.

The dividend reinvestment plan will not be available for the interim dividend.

A final unimputed dividend of 25.5 cents per share is expected to be declared in August 2023, subject to no material adverse changes in circumstances or outlook.

The Board considers that a 'BBB' or equivalent credit rating is appropriate for a company such as Chorus. It intends to maintain capital management policies and financial policies consistent with these credit ratings. At 31 December 2022, Chorus had a long-term credit rating of BBB/stable outlook by Standard & Poor's and Baa2/stable by Moody's Investors Service.

Financial statements

Condensed consolidated income statement

For the six months ended 31 December 2022

	Notes	SIX MONTHS ENDED 31 DECEMBER 2022 UNAUDITED $M	SIX MONTHS ENDED 31 DECEMBER 2021 UNAUDITED $M	YEAR ENDED 30 JUNE 2022 AUDITED $M
Fibre broadband (GPON)		302	267	548
Copper based broadband		62	80	153
Field services products		37	35	71
Fibre premium (P2P)		34	33	66
Copper based voice		21	27	52
Infrastructure		15	15	30
Value added network services		13	13	27
Data services copper		2	3	6
Other		1	10	12
Total operating revenue		**487**	**483**	**965**
Labour		(38)	(28)	(64)
Network maintenance		(28)	(28)	(59)
Information technology		(20)	(23)	(50)
Other network costs		(16)	(15)	(29)
Electricity		(9)	(8)	(17)
Rent and rates		(6)	(7)	(14)
Property maintenance		(5)	(7)	(14)
Advertising		(5)	(6)	(11)
Regulatory levies		(6)	(4)	(9)
Consultants		(4)	(3)	(8)
Insurance		(2)	(2)	(4)
Provisioning		(1)	(1)	(1)
Other		(5)	(4)	(10)
Total operating expenses		**(145)**	**(136)**	**(290)**
Earnings before interest, income tax, depreciation and amortisation		**342**	**347**	**675**
Depreciation	1, 6	(175)	(167)	(335)
Amortisation	2, 3	(47)	(48)	(92)
Earnings before interest and income tax		**120**	**132**	**248**
Finance income		1	-	-
Finance expense		(104)	(71)	(142)
Net earnings before income tax		**17**	**61**	**106**
Income tax expense		(8)	(19)	(42)
Net earnings for the period		**9**	**42**	**64**
Earnings per share				
Basic earnings per share (dollars)		0.04	0.09	0.14
Diluted earnings per share (dollars)		0.03	0.07	0.11

The accompanying notes are an integral part of these consolidated financial statements.

Condensed consolidated statement of comprehensive income

For the six months ended 31 December 2022

	Notes	SIX MONTHS ENDED 31 DECEMBER 2022 UNAUDITED $M	SIX MONTHS ENDED 31 DECEMBER 2021 UNAUDITED $M	YEAR ENDED 30 JUNE 2022 AUDITED $M
Net earnings for the period		**9**	**42**	**64**
Other comprehensive income				
Items that will be reclassified subsequently to the income statement when specific conditions are met, net of tax				
Movements in effective cash flow hedges	9	12	42	96
Amortisation of de-designated cash flow hedges transferred to Income statement	9	3	3	5
Movement in cost of hedging reserve	9	(5)	3	10
Other comprehensive income net of tax		**10**	**48**	**111**
Total comprehensive income for the period net of tax		**19**	**90**	**175**

The accompanying notes are an integral part of these consolidated financial statements.

Condensed consolidated statement of financial position

As at 31 December 2022

	Notes	31 DECEMBER 2022 UNAUDITED $M	31 DECEMBER 2021 UNAUDITED $M	30 JUNE 2022 AUDITED $M
Current assets				
Cash and call deposits		172	84	88
Trade and other receivables		151	125	125
Derivative financial instruments		24	3	9
Total current assets		**347**	**212**	**222**
Non-current assets				
Derivative financial instruments	9	104	86	120
Trade and other receivables		1	1	1
Deferred tax asset		-	71	-
Customer retention assets	3	61	65	59
Software and other intangible assets	2	144	154	152
Network assets	1	5,266	5,247	5,265
Total non-current assets		**5,576**	**5,624**	**5,597**
Total assets		**5,923**	**5,836**	**5,819**
Current liabilities				
Trade and other payables		259	254	264
Income tax payable		-	12	-
Lease payable		14	14	13
Derivative financial instruments	9	2	-	-
Debt	4	344	170	190
Total current liabilities excluding Crown funding		**619**	**450**	**467**
Crown funding	6	27	27	27
Total current liabilities		**646**	**477**	**494**
Non-current liabilities				
Trade and other payables		6	14	16
Deferred tax liability		354	362	342
Derivative financial instruments		169	99	110
Lease payable		168	177	174
Debt	4	2,068	2,188	2,132
Total non-current liabilities excluding CIP and Crown funding		**2,765**	**2,840**	**2,774**
Crown Infrastructure Partners (CIP) securities	5	660	580	613
Crown funding	6	922	900	909
Total non-current liabilities		**4,347**	**4,320**	**4,296**
Total liabilities		**4,993**	**4,797**	**4,790**
Equity				
Share capital		656	714	682
Reserves		71	(3)	60
Retained earnings		203	328	287
Total equity		**930**	**1,039**	**1,029**
Total liabilities and equity		**5,923**	**5,836**	**5,819**

The accompanying notes are an integral part of these consolidated financial statements.

The financial statements are approved and signed on behalf of the Board.

Mark Cross
Chair

Kate Jorgensen
Chair, Audit and Risk Management Committee

Authorised for issue on 20 February 2023

Condensed consolidated statement of changes in equity

For the six months ended 31 December 2022

	Notes	Share capital $M	Retained earnings $M	Reserves $M	Total $M
Balance at 1 July 2021		**689**	**351**	**(51)**	**989**
Comprehensive income					
Net earnings for the period		-	64	-	64
Other comprehensive income					
Movement in cash flow hedge reserve		-	-	96	96
Amortisation of de-designated cash flow hedges transferred to income statement		-	-	5	5
Movement in cost of hedging reserve		-	-	10	10
Total comprehensive income		**-**	**64**	**111**	**175**
Contributions by and (distributions to) owners					
Dividends	8	-	(128)	-	(128)
Supplementary dividends		-	(14)	-	(14)
Tax credit on supplementary dividends		-	14	-	14
Dividend reinvestment plan		31	-	-	31
Share buy-back	8	(38)	-	-	(38)
Total transactions with owners		**(7)**	**(128)**	**-**	**(135)**
Balance at 30 June 2022 (AUDITED)		**682**	**287**	**60**	**1,029**
Comprehensive income					
Net earnings for the period		-	9	-	9
Other comprehensive income					
Movement in cash flow hedge reserve		-	-	12	12
Amortisation of de-designated cash flow hedges transferred to income statement		-	-	3	3
Movement in cost of hedging reserve		-	-	(5)	(5)
Total comprehensive income		**-**	**9**	**10**	**19**
Contributions by and (distributions to) owners					
Dividends	8	-	(93)	-	(93)
Dividend reinvestment plan		9	-	-	9
Share buy-back	8	(34)	-	-	(34)
Shares issued under LTI scheme		(1)	-	1	-
Total transactions with owners		**(26)**	**(93)**	**1**	**(118)**
Balance at 31 December 2022 (UNAUDITED)		**656**	**203**	**71**	**930**

Condensed consolidated statement of changes in equity (continued)

For the six months ended 31 December 2022

	Notes	Share capital $M	Retained earnings $M	Reserves $M	Total $M
Balance at 1 July 2021		**689**	**351**	**(51)**	**989**
Comprehensive income					
Net earnings for the period		-	42	-	42
Other comprehensive income					
Movement in cash flow hedge reserve		-	-	42	42
Amortisation of de-designated cash flow hedges transferred to income statement		-	-	3	3
Movement in cost of hedging reserve		-	-	3	3
Total comprehensive income		**-**	**42**	**48**	**90**
Contributions by and (distributions to) owners					
Dividends	8	-	(65)	-	(65)
Supplementary dividends		-	(7)	-	(7)
Tax credit on supplementary dividends		-	7	-	7
Dividend reinvestment plan		25	-	-	25
Total transactions with owners		**25**	**(65)**	**-**	**(40)**
Balance at 31 December 2021 (UNAUDITED)		**714**	**328**	**(3)**	**1,039**

The accompanying notes are an integral part of these consolidated financial statements.

Condensed consolidated statement of cash flows

For the six months ended 31 December 2022

	SIX MONTHS ENDED 31 DECEMBER 2022 UNAUDITED $M	SIX MONTHS ENDED 31 DECEMBER 2021 UNAUDITED $M	YEAR ENDED 30 JUNE 2022 AUDITED $M
Operating cash flows			
Cash was provided from/(applied to):			
Receipts from customers	471	491	977
Interest received	1	-	-
Payments to suppliers and employees	(165)	(146)	(295)
Taxation paid	(4)	(4)	(14)
Interest paid	(65)	(51)	(98)
Net operating cash flows	**238**	**290**	**570**
Investing cash flows			
Cash was provided from/(applied to):			
Purchase of network and intangible assets	(238)	(278)	(518)
Disposal of network and intangible assets	-	3	3
Capitalised interest paid	-	(1)	(2)
Net investing cash flows	**(238)**	**(276)**	**(517)**
Financing cash flows			
Cash was provided from/(applied to):			
Payment of lease liabilities	(7)	(7)	(14)
Crown funding (including CIP securities)	53	40	81
Proceeds from debt	811	30	50
Repayment of debt	(655)	-	-
Repurchase of shares	(34)	-	(38)
Dividends paid	(84)	(46)	(97)
Net financing cash flows	**84**	**17**	**(18)**
Net cash flows	**84**	**31**	**35**
Cash at the beginning of the period	88	53	53
Cash at the end of the period	**172**	**84**	**88**

Notes to the financial statements

Reporting entity and statutory base

Chorus includes Chorus Limited together with its subsidiaries as at and for the six months ended 31 December 2022.

Chorus is New Zealand's largest fixed line communications infrastructure business. It maintains and builds a network predominantly made up of fibre and copper cables, local telephone exchanges and cabinets.

Chorus Limited is a profit-orientated company registered in New Zealand under the Companies Act 1993 and a FMC Reporting Entity for the purposes of the Financial Markets Conduct Act 2013.

The condensed consolidated interim financial statements (financial statements) have been prepared in accordance with the New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting and Generally Accepted Accounting Practice in New Zealand (NZ GAAP). These financial statements do not include all of the information required for the full annual financial statements and should be read in conjunction with the consolidated financial statements of Chorus as at and for the year ended 30 June 2022.

These financial statements are expressed in New Zealand dollars. All financial information has been rounded to the nearest million, unless otherwise stated.

The measurement basis adopted in the preparation of these financial statements is historical cost, modified by the revaluation of financial instruments as identified in the specific accounting policies disclosed in the notes to the consolidated financial statements for the year ended 30 June 2022 and described in note 9 to these financial statements.

Accounting policies and standards

The accounting policies adopted and methods of computation have been applied consistently throughout the periods presented in these financial statements. No changes in accounting policies have occurred during the period.

The financial statements for the six months ended 31 December 2022 and comparative information for the six months ended 31 December 2021 are unaudited. The comparative information for the year ended 30 June 2022 is audited.

Reclassification and re-statement of comparatives

Where items have been reclassified in the financial statements, the related comparative disclosures have been adjusted to provide a like-for-like comparison.

Accounting estimates and judgements

In preparing the financial statements, estimates and assumptions have been made about the future that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

In preparing the financial statements, the significant judgements made in applying Chorus' accounting policies were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2022.

Interest Rate Benchmark Reform

Interbank offered rates ("IBORs") play an important role in global financial markets. Market developments relating to the reliability and robustness of some interest rate benchmarks has resulted in the global regulatory community initiating various programmes to develop alternative benchmarks (risk free rates) within certain jurisdictions.

Chorus' hedging activities expose it to EURIBOR. EURIBOR is not subject to cessation following reform in 2019, however industry guidance suggests it will remain appropriate only in the medium term. Although there is no immediate impact of the reform to Chorus, developments will continue to be monitored to ensure any changes to EURIBOR are appropriately considered.

Net current liability position

As at 31 December 2022 Chorus has a net current liability position of $299m (30 June 2022: $272m). Chorus has sufficient short term funds, undrawn facilities and forecast positive cash flows available to meet the current liability obligations.

Earnings before interest and income tax (EBIT) and earnings before interest, income tax, depreciation and amortisation (EBITDA)

Chorus calculate EBIT by adding back finance expense, income tax, and subtracting finance income from net earnings. EBITDA adds back depreciation and amortisation expense to EBIT. A reconciliation of EBIT and EBITDA is provided below and based on amounts consistent with those presented in the financial statements.

Period ended 31 December	SIX MONTHS ENDED 31 DECEMBER 2022 UNAUDITED	SIX MONTHS ENDED 31 DECEMBER 2021 UNAUDITED	YEAR ENDED 30 JUNE 2022 AUDITED
Net earnings reported under NZ IFRS	9	42	64
Add back: income tax expense	8	19	42
Add back: finance expense	104	71	142
Subtract: finance income	(1)	-	-
EBIT	**120**	**132**	**248**
Add back: depreciation	175	167	335
Add back: amortisation	47	48	92
EBITDA	**342**	**347**	**675**

Note 1 – Network assets

	31 DECEMBER 2022 UNAUDITED $M	31 DECEMBER 2021 UNAUDITED $M	30 JUNE 2022 AUDITED $M
Cost			
Opening balance	11,594	11,407	11,407
Additions	190	226	422
Disposals	(11)	(77)	(235)
Closing balance	**11,773**	**11,556**	**11,594**
Accumulated depreciation			
Opening balance	(6,329)	(6,138)	(6,138)
Depreciation	(189)	(181)	(362)
Disposals	11	10	171
Closing balance	**(6,507)**	**(6,309)**	**(6,329)**
Net carrying amount	**5,266**	**5,247**	**5,265**

Crown funding

Chorus receives funding from the Crown to finance the capital expenditures associated with the development of the UFB network and other services. Where funding is used to construct assets it is offset against depreciation over the life of the assets constructed. Refer to note 6 for information on Crown funding.

Additions

Additions also includes the net movement within capital work in progress during the period.

Capital commitments

At 31 December 2022 the contractual commitment for acquisition of network assets was $53 million (31 December 2021: $91 million, 30 June 2022: $79 million).

There are no restrictions on Chorus network assets or any network assets pledged as security for liabilities.

Note 2 – Software and other intangibles

	31 DECEMBER 2022 UNAUDITED $M	31 DECEMBER 2021 UNAUDITED $M	30 JUNE 2022 AUDITED $M
Cost			
Opening balance	941	901	901
Additions	24	23	50
Disposals	(7)	-	(10)
Closing balance	**958**	**924**	**941**
Accumulated amortisation			
Opening balance	(789)	(737)	(737)
Amortisation	(32)	(33)	(62)
Disposals	7	-	10
Closing balance	**(814)**	**(770)**	**(789)**
Net carrying amount	**144**	**154**	**152**

Capital commitments

At 31 December 2022, the contractual commitment for acquisition of software and other intangible assets was $7 million (31 December 2021: $12 million; 30 June 2022: $2 million).

There are no restrictions on Chorus software and other intangible assets, or any pledged for securities.

Note 3 – Customer retention assets

	31 DECEMBER 2022 UNAUDITED $M	31 DECEMBER 2021 UNAUDITED $M	30 JUNE 2022 AUDITED $M
Opening balance (net carrying amount)	**59**	**59**	**59**
Additions	18	23	34
Amortisation to amortisation expense	(15)	(15)	(30)
Amortisation to operating revenue	(1)	(2)	(4)
Closing balance (net carrying amount)	**61**	**65**	**59**

Amortisation of customer retention assets

Customer retention assets are amortised to the income statement, either as amortisation expense or consolidated income statement operating revenue, based on the nature of the specific costs capitalised.

Note 4 – Debt

	Due Date	31 DECEMBER 2022 UNAUDITED $M	31 DECEMBER 2021 UNAUDITED $M	30 JUNE 2022 AUDITED $M
Syndicated bank facility		-	170	190
Euro medium term notes (EMTN) EUR	Oct 2023	344	838	828
Euro medium term notes (EMTN) EUR	Dec 2026	443	495	464
Euro medium term notes (EMTN) EUR	Sep 2029	799	-	-
Fixed rate NZD Bonds	Dec 2027	200	200	200
Fixed rate NZD Bonds	Dec 2028	500	500	500
Fixed rate NZD Bonds	Dec 2030	148	171	154
Less: facility fees		(22)	(16)	(14)
Total debt		**2,412**	**2,358**	**2,322**
Current		**344**	**170**	**190**
Non-current		**2,068**	**2,188**	**2,132**

Syndicated bank facility

As at 31 December 2022 Chorus had a $350 million committed syndicated facility on standard market terms and conditions. The facility is comprised of a single tranche that expires in April 2025, and is held with banks that are rated A to AA-, based on Standard & Poor's ratings. As at 31 December 2022 there were no borrowings from this facility.

EMTN 2023 tender

In September 2022, Chorus repurchased EUR 291 million ($457 million) of the 2023 EMTN for 99.202% of face value. Concurrently, an equal nominal amount of cross-currency interest rate swaps (CCIRS) which hedged the debt were exited to ensure the hedging relationship remains fully effective.

Costs incurred in repurchasing the debt and terminating the CCIRS have been recognised in the consolidated income statement within finance expenses, offset by the discount on repurchase of the notes.

EMTN 2029 issuance

Chorus also issued EUR 500 million of EMTN in September 2022 for a term of 7 years at an interest rate of 3.625%. Consistent with the Chorus Treasury Policy, the debt has been fully hedged with CCIRS to hedge the foreign currency exposure, which entitle Chorus to receive EUR 500 million and EUR fixed coupon payments for NZD 820 million principal and NZD floating interest payments.

Transaction costs directly associated with the issuance of the notes have been capitalised and will be amortised over the term of the debt to the consolidated income statement.

Note 5 – Crown Infrastructure Partners (CIP) securities

	31 DECEMBER 2022 UNAUDITED $M	31 DECEMBER 2021 UNAUDITED $M	30 JUNE 2022 AUDITED $M
Fair value on initial recognition			
Opening balance	439	410	410
Additional securities recognised at fair value	26	16	29
Closing balance	**465**	**426**	**439**
Accumulated notional interest			
Opening balance	174	135	135
Notional interest	21	19	39
Closing balance	**195**	**154**	**174**
Total CIP securities	**660**	**580**	**613**

Note 6 – Crown funding

Funding from the Crown is recognised at fair value where there is reasonable assurance that the funding is receivable and all attached conditions will be complied with. Crown funding is then recognised in earnings as a reduction to depreciation expense on a systematic basis over the useful life of the asset the funding was used to construct.

	31 DECEMBER 2022 UNAUDITED $M	31 DECEMBER 2021 UNAUDITED $M	30 JUNE 2022 AUDITED $M
Fair value on initial recognition			
Opening balance	1,119	1,062	1,062
Additional funding recognised at fair value	27	35	57
Closing balance	**1,146**	**1,097**	**1,119**
Accumulated amortisation			
Opening balance	(183)	(156)	(156)
Amortisation	(14)	(14)	(27)
Closing balance	**(197)**	**(170)**	**(183)**
Total Crown funding	**949**	**927**	**936**
Current	**27**	**27**	**27**
Non-current	**922**	**900**	**909**

Ultra-Fast Broadband (UFB)

Chorus receives funding from the Crown to finance construction costs associated with the development of the UFB network. During the six months to 31 December 2022 Chorus recognised funding for 26,400 premises where the premises were passed and tested by CIP. This brings the total number of premises passed and tested by CIP at 31 December 2022 to approximately 1,040,400.

The UFB2/2+ build is now complete, however testing of premises passed is ongoing as at 31 December 2022. Funding for these premises is expected to be receipted and recognised in the coming months.

Continued recognition of the full amount of the Crown funding is contingent on certain material performance targets being met by Chorus. The most significant of these material performance targets relate to compliance with certain specifications under user acceptance testing by CIP. Performance targets to date have been met.

Note 7 – Segmental reporting

Chorus has determined that it operates in one segment providing nationwide fixed line communications infrastructure. The determination is based on the reports reviewed by the CEO in assessing performance, allocating resources and making strategic decisions.

Note 8 – Equity

Dividends

On 11 October 2022 an unimputed final dividend of 21 cents per share, totalling $93 million, was paid to shareholders. 1,160,865 shares were issued to shareholders under the Dividend Reinvestment Plan.

Share buyback

Under the on-market share buyback programme announced in February 2022, 4,275,400 shares have been repurchased from the market in the 6 months to 31 December 2022 for a total of $34 million. This brings the total value of shares repurchased under the scheme to $72 million.

Long-term performance share scheme

Share rights that were issued in August 2019 vested in August 2022. 212,346 shares to settle the rights were purchased on-market for a total of $1.6 million.

In August 2022, Chorus issued a new tranche of share rights. The shares have a vesting date of 26 August 2025 and an expiry date of 26 August 2026. The grant has an absolute performance hurdle (Chorus' actual total shareholder return equalling or being greater than 7% per annum compounding) ending on the vesting date, with provision for monthly retesting in the following twelve month period.

The combined option cost for the six months to 31 December 2022 of $227,000 has been recognised in the consolidated income statement (31 December 2021: $272,000; 30 June 2022: $546,000).

Note 9 – Derivative financial instruments

Finance expense includes any unrealised ineffectiveness arising from the hedge accounting relationships.

Cross-currency interest rate swaps

In conjunction with the two Euro Medium Term Notes (EMTNs) issued in prior years, Chorus entered into cross-currency interest rates swaps to hedge the foreign currency and foreign interest rate risks associated with the EMTNs. Using the cross-currency interest rate swaps, Chorus pay floating interest rates and receive EUR nominated fixed interest with coupon payments matching the underlying notes. Chorus designated the EMTN and cross-currency interest rates swaps into three part hedging relationships for issue: a fair value hedge of EUR benchmark interest rates, a cash flow hedge of the margin and a cash flow hedge of the principal exchange.

Per note 4, refinancing of debt was undertaken in September 2022. To ensure compliance with the Chorus Treasury Policy, two CCIRS were exited, and one partially exited, to reflect the repurchase of EUR 291 million of the 2023 EMTN. Additionally, six new CCIRS were entered to hedge EUR 500 million of EMTN issued.

	Due Date	Aggregate amount (M)	Pay leg (M)	Receive leg (M)
Hedged item				
Euro medium term notes EUR	Oct 2023	EUR 209	NZD 328	EUR 209
Euro medium term notes EUR	Dec 2026	EUR 300	NZD 514	EUR 300
Euro medium term notes EUR	Sep 2029	EUR 500	NZD 820	EUR 500

Interest rate swaps

As at 31 December 2022 Chorus holds all interest rate swaps in designated hedging relationships. All are held in effective hedging relationships and for those which are designated as cash flow hedges, unrealised gains or losses are recognised in the cash flow hedge reserve.

Restructured interest rate swaps

Three interest rate swaps have been restructured. Two interest rate swaps restructured in December 2018 were reset in conjunction with the resettable NZD fixed rate bond issued on 6 December 2018 to hedge interest rate exposure from December 2023. The forward dated interest rate swap restructured in February 2020 was reset in conjunction with the EUR 300 million EMTN issued on 5 December 2019, to hedge interest rate exposure from April 2020.

As part of these restructures, the original hedge relationships were discontinued and on the dates of termination the net present value ($14m and $27m respectively) of these swaps was recognised in the cash flow hedge reserve, as the hedged item still exists and is amortised over the original hedge period.

Note 10 – Related party transactions

The gross remuneration of directors and key management personnel during the six months to 31 December 2022 was $5.2 million (31 December 2021: $4.9 million, 12 months to 30 June 2022: $7.3 million).

Note 11 – Post balance date events

Dividends

On 20 February 2023 Chorus declared an interim dividend in respect of the six month period ended 31 December 2022. The total amount of the dividend is $75 million, which represents a unimputed dividend of 17 cents per ordinary share.

CIP securities and Crown funding

There was one call notice issued on 25 January 2023 to CIP in respect to 4,956 premises (UFB2) with a total aggregate issue price of $10.1 million. A portion of these premises had been passed and tested by CIP before 31 December 2022 so have been accrued for in these financial statements.

Cyclone Gabrielle

Cyclone Gabrielle affected regions across the North Island in mid-February 2023. The network impact of this weather event was still being assessed at the time of this report.

Independent review report

To the shareholders of Chorus Limited

Report on the consolidated interim financial statements

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial statements on pages 4 to 15 do not:

i. present, in all material respects the Group's financial position as at 31 December 2022 and its financial performance and cash flows for the 6 month period ended on that date in compliance with NZ IAS 34 Interim Financial Reporting.

We have completed a review of the accompanying consolidated interim financial statements which comprise:

— the consolidated statement of financial position as at 31 December 2022;

— the consolidated income statement, consolidated statements of comprehensive income, changes in equity and cash flows for the 6 month period then ended; and

— notes, including a summary of significant accounting policies and other explanatory information.

Basis for conclusion

A review of consolidated interim financial statements in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410") is a limited assurance engagement. The auditor performs procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

As the auditor of Chorus Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

Our firm has also provided other services to the group in relation to regulatory assurance services. Subject to certain restrictions, partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as reviewer of the Group. The firm has no other relationship with, or interest in, the Group.

Use of this Independent Review Report

This report is made solely to the shareholders as a body. Our review work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the Independent Review Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our review work, this report, or any of the opinions we have formed.

Responsibilities of the Directors for the consolidated interim financial statements

The Directors, on behalf of the Group, are responsible for:

— the preparation and fair presentation of the consolidated interim financial statements in accordance with NZ IAS 34 Interim Financial Reporting;

— implementing necessary internal control to enable the preparation of consolidated interim financial statements that are free from material misstatement, whether due to fraud or error; and

— assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the review of the consolidated interim financial statements

Our responsibility is to express a conclusion on the consolidated interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the consolidated interim financial statements are not prepared, in all material respects, in accordance with NZ IAS 34 Interim Financial Reporting.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly, we do not express an audit opinion on these interim consolidated financial statements.

This description forms part of our Independent Review Report.

KPMG

KPMG
Wellington
20 February 2023

Results announcement

(for Equity Security issuer/Equity and Debt Security issuer)

Updated as at 17 October 2019

Results for announcement to the market		
Name of issuer	Chorus Limited	
Reporting Period	6 months to 31 December 2022	
Previous Reporting Period	6 months to 31 December 2021	
Currency	NZD	
	Amount (000s)	**Percentage change**
Revenue from continuing operations	$487,000	Up 1%
Total Revenue	$487,000	Up 1%
Net profit/(loss) from continuing operations	$9,000	Down 79%
Total net profit/(loss)	$9,000	Down 79%
Interim Dividend		
Amount per Quoted Equity Security	NZ$0.17000000	
Imputed amount per Quoted Equity Security	NZ$0.0000000	
Record Date	14 March 2023	
Dividend Payment Date	11 April 2023	
	31 December 2022	**31 December 2021**
Net tangible assets per Quoted Equity Security	$1.35	1.62
A brief explanation of any of the figures above necessary to enable the figures to be understood	This announcement should be read in conjunction with the attached management commentary and financial statements for the six months ended 31 December 2022, media release and investor presentation.	
Authority for this announcement		
Name of person authorised to make this announcement	Andrew Carroll Chief Financial Officer (acting)	
Contact person for this announcement	Brett Jackson Investor Relations Manager	
Contact phone number	+64 4 896 4039	
Contact email address	Brett.Jackson@chorus.co.nz	
Date of release through MAP	20/02/2023	

Unaudited, but reviewed financial statements accompany this announcement. The auditors have issued a clean review report.

Distribution Notice

Updated as at June 2022

Please note: all cash amounts in this form should be provided to 8 decimal places, including zeros (ie 0.01001000)

Section 1: Issuer information				
Name of issuer	Chorus Limited			
Financial product name/description	Ordinary shares			
NZX ticker code	CNU			
ISIN (If unknown, check on NZX website)	NZCNUE0001S2			
Type of distribution (Please mark with an X in the relevant box/es)	~~Full Year~~		~~Quarterly~~	
	Half Year	X	~~Special~~	
	~~DRP applies~~			
Record date	14/03/2023			
Ex-Date (one business day before the Record Date)	13/03/2023			
Payment date (and allotment date for DRP)	11/04/2023			
Total monies associated with the distribution[1]	$75,377,637			
Source of distribution (for example, retained earnings)	Retained earnings			
Currency	NZD			
Section 2: Distribution amounts per financial product				
Gross distribution[2]	$ 0.17000000			
Gross taxable amount [3]	$ 0.17000000			
Total cash distribution[4]	$ 0.17000000			
Excluded amount (applicable to listed PIEs)	$ 0.00000000			
Supplementary distribution amount	$ 0.00000000			
Section 3: Imputation credits and Resident Withholding Tax[5]				
Is the distribution imputed	~~Fully imputed~~			
	~~Partial imputation~~			

[1] Continuous issuers should indicate that this is based on the number of units on issue at the date of the form

[2] "Gross distribution" is the total cash distribution plus the amount of imputation credits, per financial product, before the deduction of Resident Withholding Tax (**RWT**).

[3] "Gross taxable amount" is the gross distribution minus any excluded income.

[4] "Total cash distribution" is the cash distribution excluding imputation credits, per financial product, before the deduction of RWT. This should *include* any excluded amounts, where applicable to listed PIEs.

[5] The imputation credits plus the RWT amount is 33% of the gross taxable amount for the purposes of this form. If the distribution is fully imputed the imputation credits will be 28% of the gross taxable amount with remaining 5% being RWT. This does not constitute advice as to whether or not RWT needs to be withheld.

	No imputation	
If fully or partially imputed, please state imputation rate as % applied[6]	N/A	
Imputation tax credits per financial product	N/A	
Resident Withholding Tax per financial product	$ 0.05610000	
Section 4: Distribution re-investment plan (if applicable)		
DRP % discount (if any)	N/A	
Start date and end date for determining market price for DRP	-	-
Date strike price to be announced (if not available at this time)	-	
Specify source of financial products to be issued under DRP programme (new issue or to be bought on market)	-	
DRP strike price per financial product	$	
Last date to submit a participation notice for this distribution in accordance with DRP participation terms	-	
Section 5: Authority for this announcement		
Name of person authorised to make this announcement	Andrew Carroll Chief Financial Officer (acting)	
Contact person for this announcement	Brett Jackson Investor Relations Manager	
Contact phone number	+64 27 488 7808 +64 4 896 4039	
Contact email address	Brett.Jackson@chorus.co.nz	
Date of release through MAP	20/02/2023	

[6] Calculated as (imputation credits/gross taxable amount) x 100. Fully imputed dividends will be 28% as a % rate applied.