

**STOCK EXCHANGE ANNOUNCEMENT**

27 February 2024

**Chorus half year result & Chief Executive Officer transition**

The following are attached in relation to Chorus' half year result for the period to 31 December 2023:

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 Chief Operating Officer Mark Aue 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](http://www.chorus.co.nz/webcast).

Chorus also announces that JB Rousselot has advised the board he is stepping down as Chief Executive Officer of Chorus effective from 15 April 2024. Chief Operating Officer Mark Aue has been appointed Chief Executive Officer from that date. More detail on the CEO transition is set out in the media release accompanying Chorus' half year financial results.

Authorised by:

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Chief Operating Officer

ENDS

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27 February 2024

## **Solid financial performance as Chorus progresses towards a simpler digital infrastructure company and transitions CEO**

### **Key results**

- Increase in fibre connections: by 31,000 to a total of 1,062,000
- Fibre uptake increased to 70.6%
- 25% of residential fibre connections on gigabit or higher plans
- Operating revenue \$503m (HY23: \$487m)
- EBITDA \$347m (HY23: \$342m)
- Net profit after tax \$5m (HY23: \$9m)
- Unimputed interim dividend of 19 cents per share
- JB Rousselot steps down as CEO in April 2024. Mark Aue appointed CEO

Chorus has released its financial results for the six months ended 31 December 2023, showing a solid result in its first normal operating period following the pandemic, workforce and weather challenges of the last few years. Demand for fibre broadband continues to grow with uptake passing 70 per cent and data consumption back at levels last seen during the pandemic lockdowns.

EBITDA was \$347 million for the six months ending 31 December 2023 (HY24), a \$5 million increase on HY23 EBITDA of \$342 million.

Operating revenues were up \$16 million from the prior period to \$503 million. Operating expenses were \$156 million, up \$11 million from HY23, largely reflecting inflation-linked cost increases and some one-off costs for operating model changes.

Net profit after tax (NPAT) decreased by \$4 million to \$5 million compared to HY23 at \$9 million, primarily due to higher interest rates and the accelerated depreciation of copper assets in areas where fibre is available.

### **Growth in fibre uptake drives simplification of Chorus' business**

In the six months to 31 December 2023, Chorus fibre connections grew by 31,000 to 1,062,000, while the number of premises passed by fibre grew to 1,493,000 addresses.

Chorus CEO JB Rousselot said the growth in fibre uptake is driving Chorus' evolution towards becoming a simpler, pure fibre digital infrastructure company.

"Over the last 12 months, copper connections dropped by 94,000, and fibre grew from 78 per cent of Chorus' connections to 85 per cent. This shift has seen network fault volumes drop by 15 per cent, and we expect these fault volumes to fall further as we look to fully retire copper in urban fibre areas by the end of 2026.

"Our objective remains to achieve 80 per cent fibre uptake, and we are continuously refining our active wholesaler strategy to help achieve this."

### **Home Fibre Starter plan doubles connections**

Chorus' 50 Mbps 'Home Fibre Starter' plan has seen impressive uptake, doubling connections in the half year. "This plan has been a key part of our strategy, particularly in addressing cost-of-living pressures and providing a superior alternative to wireless technologies," Rousselot commented.

"We're also pleased to see the continued growth in uptake of our gigabit and multi-gigabit plans, now comprising 25 per cent of our customer base. This shift underscores New Zealanders' growing appetite for high-speed, reliable connectivity."

### **Evening data usage surges**

A Chorus fibre connection's average monthly data usage is now 599 gigabytes. However, average data usage and throughput are only part of the picture, with significant data surges during evening peak hours. Chorus invests in capacity to keep ahead of this demand maintaining at least 50 per cent headroom above the average to meet peak usage driven by major updates to popular online platforms like Fortnite.

Speaking about this data growth, Chorus CEO JB Rousselot said, "Fibre's ability to seamlessly cope with this corresponding growth in average monthly data usage and peak evening surges reflects our commitment to provide Kiwi homes and businesses with a congestion-free, reliable and high-capacity broadband network."

### **Extending the fibre footprint**

In the first significant expansion of New Zealand's fibre network since the completion of Ultra-Fast Broadband (UFB) in December 2022, Chorus has begun extending fibre to 10,000 more homes and businesses.

"The extension to these 10,000 premises in 59 locations includes communities adjacent to our fibre footprint and places like Milford Sound, where we've completed a government-funded backhaul link into the township.

"About 60 per cent of the homes and businesses we intend to pass are not on the Chorus network, and a pre-registration initiative has shown strong interest in connecting to fibre. One of the initial build locations, Waiau Pa, already has more than half of the homes and businesses expressing interest to connect and a second, Otaramarae, is at 40 per cent."

"We believe that fibre should and could go further, and we'll keep investigating ways to do more. But for now, any further investment is contingent on pricing, market and regulatory changes that make a commercial case for further investment."

### **Second regulatory period fibre investment plans**

Chorus' next four-year regulatory period starts in January 2025 and the company lodged its expenditure proposal in November. The total expenditure proposal for the period is approximately \$1.3 billion. The Commerce Commission's draft decision on the proposal is expected soon, with its final decision in the second quarter of the calendar year.

### **Leadership transition**

JB Rousselot, who has served as Chorus' CEO since November 2019, will step down from his role on 15 April 2024. Rousselot has been instrumental in steering Chorus through a period of substantial growth and simplification of the company's operating model. He is leaving Chorus in great shape and well prepared to adapt to the challenges and opportunities of the future. JB leaves to pursue non-executive director roles.

Mark Aue, currently Chief Operating Officer, has been appointed as the new CEO effective 15 April 2024. Aue joined Chorus in April 2023, having been most recently the CEO of 2Degrees and, before this, the CFO of Vodafone NZ (now One NZ).

Reflecting on Rousselot's tenure, Mark Cross, Chair of Chorus, said, "JB has been an exceptional leader for Chorus and fully embraced New Zealand's culture during his time here. Under his guidance, Chorus completed the government-supported Ultra-Fast Broadband programme, saw fibre reach more than one million New Zealand homes and businesses and he led the business through its greatest test, COVID-19. We are grateful for his passionate advocacy of fibre and consumer transparency."

On Aue's appointment, Cross remarked, "I am delighted to be passing the leadership of Chorus to a fellow Kiwi. Mark's appointment as CEO comes at a pivotal time for Chorus. His deep understanding of Chorus and the telecommunications industry, combined with a proven leadership and innovation track record, makes him the ideal person to lead Chorus into its next chapter.

"Mark's focus on the customer, and growing fibre connections, will be a core part of Chorus' future. His appointment represents the fruition of ongoing strategic succession planning overseen by the Board," said Cross.

Rousselot will work closely with Aue during the transition period to ensure a seamless leadership handover.

### **Interim dividend and capital management**

Chorus has confirmed it will pay an unimputed interim dividend of 19 cents per share in April 2024. The dividend reinvestment plan remains suspended.

Chorus completed its \$150 million share buyback in the year's first half. There are now just under 434 million shares on issue, with about 19 million shares cancelled through the buyback.

#### **FY24 guidance**

- **EBITDA:** unchanged \$680m to \$700m; tracking towards top half of guidance
- **Capital expenditure:** unchanged \$400m to \$440m; tracking towards top half of guidance
- **Dividend:** 47.5 cents per share, with 19 cents to be paid on 16 April 2024

#### **ENDS**

Chorus Chief Executive JB Rousselot and Chief Operating Officer Mark Aue will discuss the half-year results at a briefing in Wellington from **10.00 am on Tuesday, 27 February 2024** (NZDT). The webcast will be available at [www.chorus.co.nz/webcast](http://www.chorus.co.nz/webcast).

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# HY24 RESULTS

27 February 2024

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- Should be read in conjunction with Chorus' audited consolidated financial statements for the year to 30 June 2023 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

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**JB Rousselot, CEO**

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## Appendices

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# Half year result overview

## Fibre connections<sup>1</sup>

HY24  
**1,062,000**

FY23  
**1,031,000**

## Broadband connections<sup>1</sup>

HY24  
**1,188,000**

FY23  
**1,188,000**

## Fixed line connections<sup>1</sup>

HY24  
**1,256,000**

FY23  
**1,271,000**

## EBITDA<sup>2</sup>

HY24  
**\$347m**

HY23  
**\$342m**

## Net profit after tax

HY24  
**\$5m**

HY23  
**\$9m**

## Dividend

HY24  
**19cps**

HY23  
**17cps**

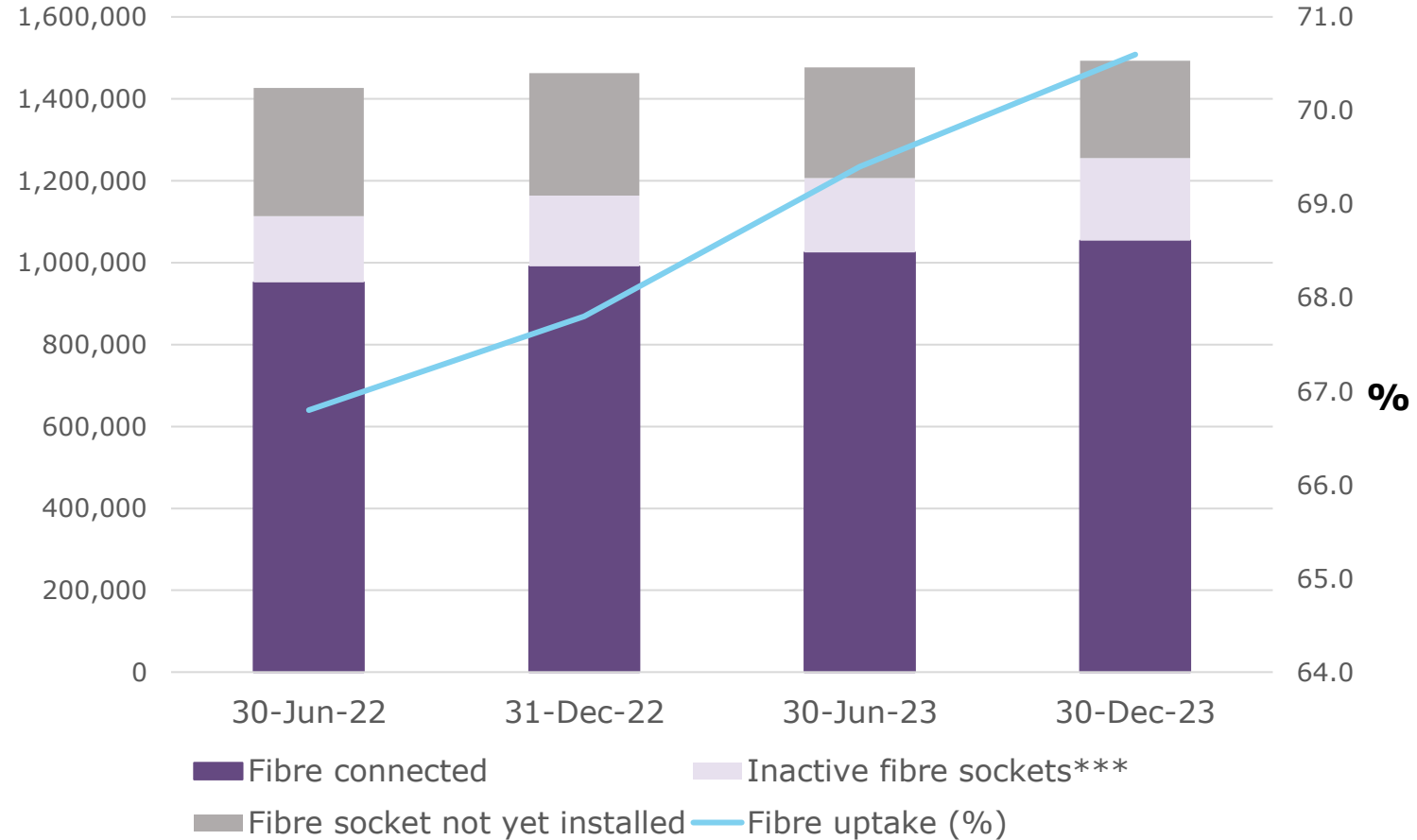
HY24: Six months ended 31 December 2023  
FY23: Year ended 30 June 2023  
HY23: Six months ended 31 December 2022

<sup>1</sup> HY24 totals include about 2,000 partly subsidised education connections previously excluded from connections data.  
<sup>2</sup> 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.

# Fibre uptake grew 1.2%

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- **70.6% fibre uptake across 1,493,000 passed addresses\***
  - uptake +1.2% in HY24
  - **1,054,000** active fibre connections\*\*
  - +16,000 addresses passed
  
- **1,256,000 fibre installed addresses**
  - ~**49,000** installations in HY24
  - **238,000** addresses passed by fibre, but fibre socket not yet installed



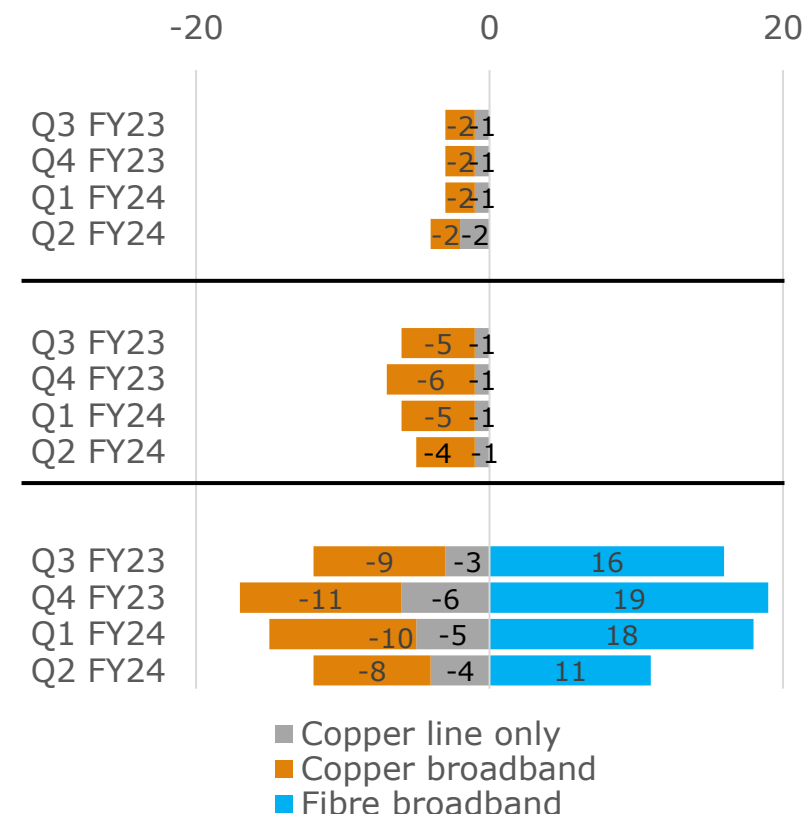
\*based on independent address data and Chorus network data for addresses passed by fibre; excludes Chorus fibre in LFC areas  
 \*\* includes ~7k fibre premium connections to addresses; excludes smart location (GPON) connections and connections in LFC areas  
 \*\*\* not active on 31 December 2023

# Continued broadband growth in Chorus fibre zone

## Connection changes by Zone (indicative as at 31 Dec\*)

<b>Other fibre company (LFC) zone</b>	Copper lines (no broadband)	10,000	Local Fibre Company and fixed wireless provider activity is driving a gradual decline in copper connections.
	Copper broadband lines	15,000	
	Fibre broadband lines (GPON)	3,000	
	<b>TOTAL</b>	<b>28,000</b>	
<b>Non-fibre addresses (i.e. Chorus fibre not available)</b>	Copper lines (no broadband)	20,000	Ongoing decline in copper connections due to mobile/fixed wireless/satellite footprint expansion.
	Copper broadband lines	81,000	
	<b>TOTAL</b>	<b>101,000</b>	
<b>Chorus fibre zone</b>	Copper lines (no broadband)	27,000	Covers all addresses outside of LFC UFB rollout zone where Chorus fibre is available. Fibre footprint is growing as a result of new property development. Copper connections are reducing as Chorus retires its copper network.
	Copper broadband lines	40,000	
	Fibre broadband lines (GPON)	1,047,000	
	<b>TOTAL</b>	<b>1,114,000</b>	

## Quarterly change ('000s) by zone



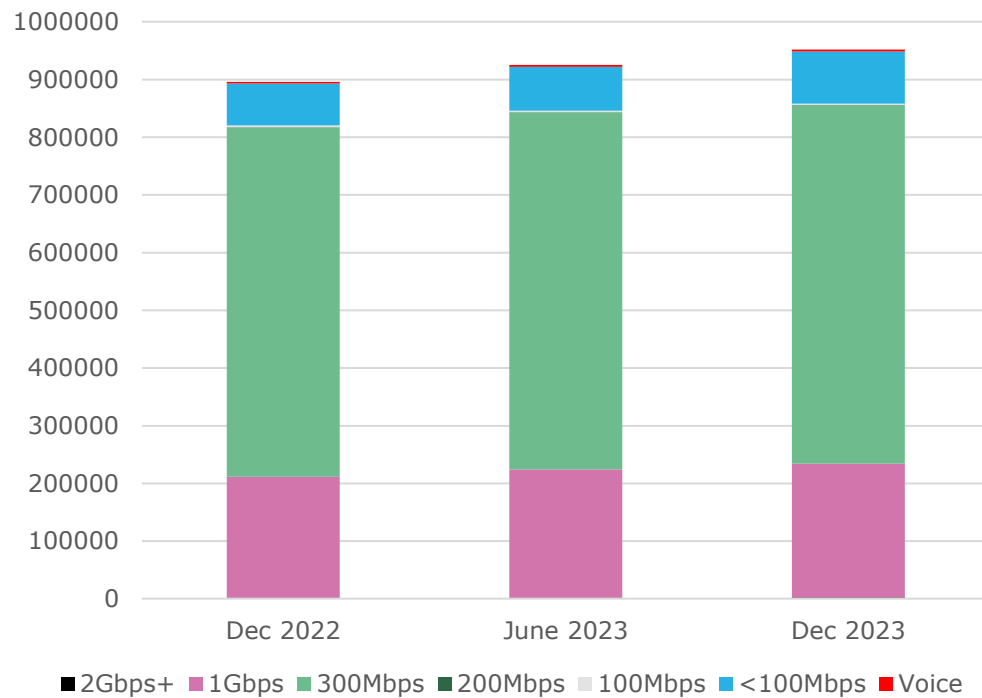
\* excludes ~13k fibre premium and data services (copper) and smart location (GPON) connections

# Residential 1Gbps uptake lifts to 25%

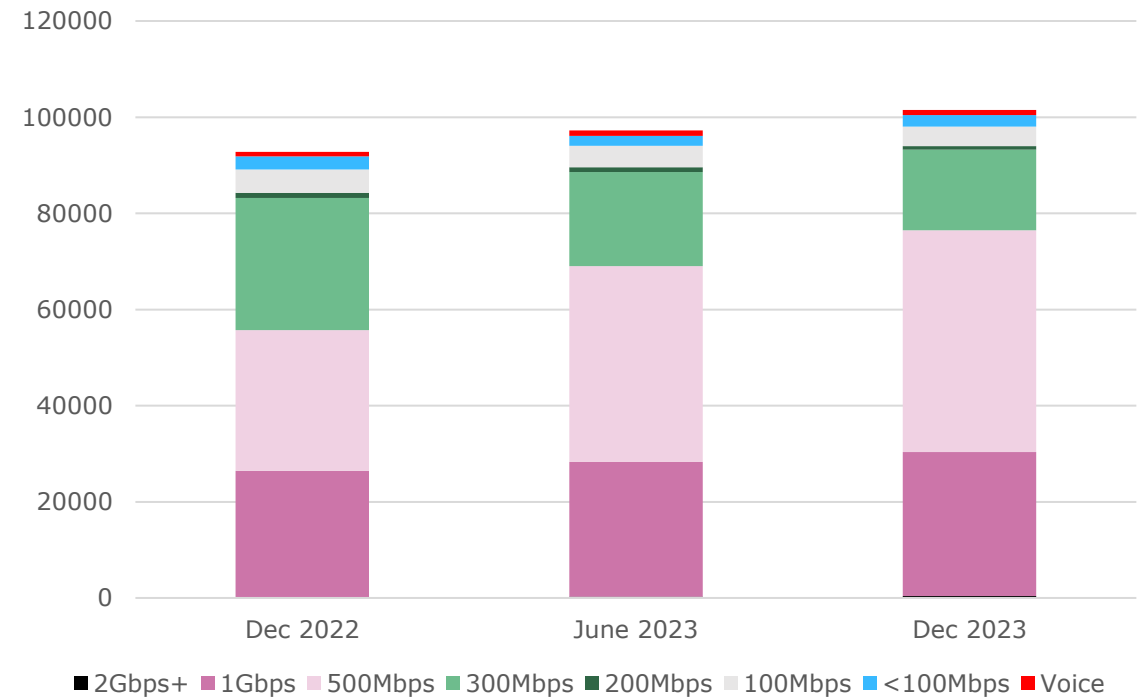
- > Home Fibre Starter (50Mbps) uptake doubled to 30k connections
- > 1Gbps connections grew to 25% of residential plans; connections below 300Mbps are 10% of residential plans
- > ~3k Hyperfibre connections with 85% residential consumers
- > 75% of mass market business plans are on 500Mbps or above

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### Residential

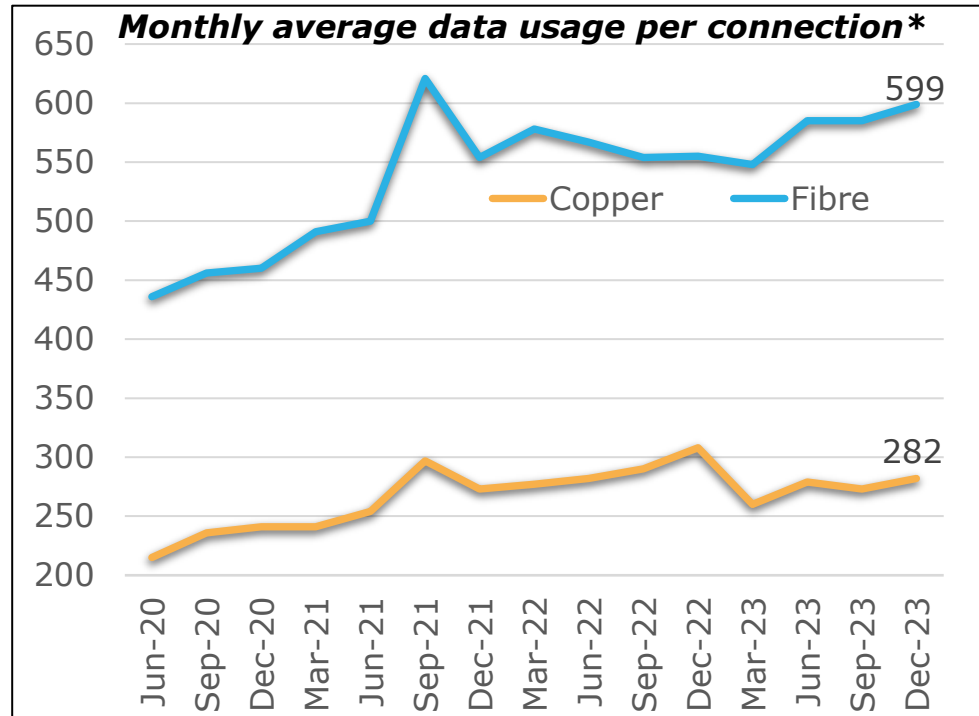


### Business



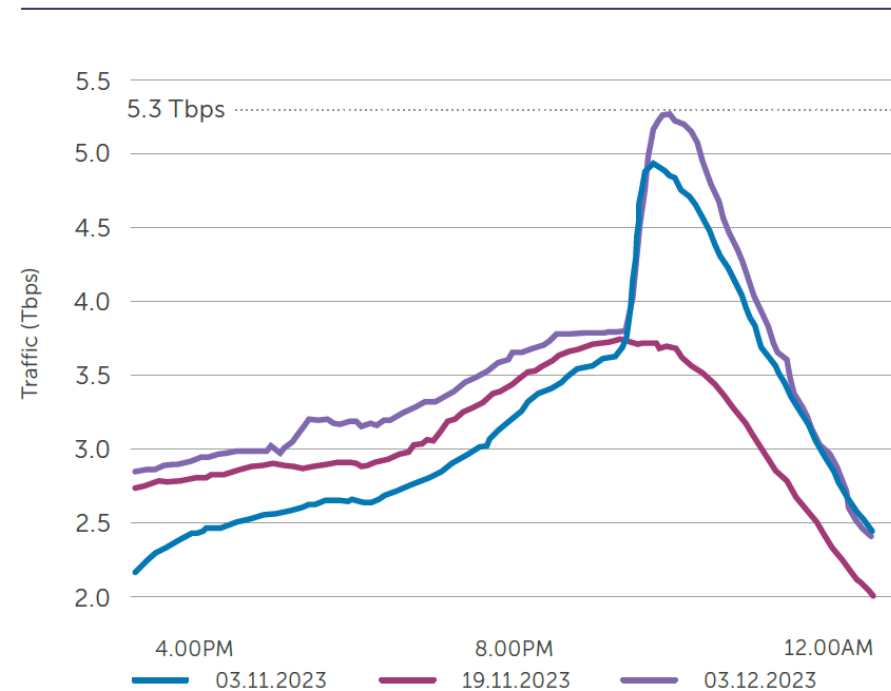
# Peak time data usage keeps setting new records

- > monthly average data usage on fibre 599GB in December
- > 16% of broadband connections using more than 1 terabyte of data
- > record peak time throughput of 5.3Tbps in December; up 35% from Dec 2022



\* includes upstream traffic

Peak time traffic – Terabits per second



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# Financial performance

Mark Aue, Chief Operating Officer

**HY24 RESULTS**

27 February 2024

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# Income statement

	H1 FY24 unaudited \$m	H2 FY23 unaudited \$m	H1 FY23 unaudited \$m
Operating revenue	503	493	487
Operating expenses	(156)	(163)	(145)
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>347</b>	<b>330</b>	<b>342</b>
Depreciation and amortisation	(228)	(224)	(222)
Earnings before interest and income tax	119	106	120
Net interest expense	(107)	(92)	(103)
Net earnings before income tax	12	14	17
Income tax expense	(7)	2	(8)
<b>Net earnings</b>	<b>5</b>	<b>16</b>	<b>9</b>

- > continued revenue growth as fibre uptake rises
- > inflation-linked cost increases drove HY24 vs HY23 cost growth; H2 FY23 included \$6m for extreme weather costs
- > HY24 underlying EBITDA of \$349m when exclude one-off operating model change costs
- > increase from accelerated copper cable/duct depreciation in fibre areas
- > total borrowings increased and weighted effective interest rate on debt increased from 5.4% to 5.8% in HY24 (note: HY23 included \$11m of non-recurring costs to support refinancing)

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# Revenue

	H1 FY24 unaudited \$m	H2 FY23 unaudited \$m	H1 FY23 unaudited \$m
Fibre broadband (GPON)	341	320	302
Fibre premium (P2P)	35	34	34
Copper based broadband	45	55	62
Copper based voice	15	18	21
Data services copper	1	2	2
Field services	34	33	37
Infrastructure	16	16	15
Value added network services	13	13	13
Other	3	2	1
<b>Total</b>	<b>503</b>	<b>493</b>	<b>487</b>

> growing fibre uptake and ARPU: \$56.05 end of HY24 vs \$53.38 end of HY23; average CPI of 6% from 1 October

- copper revenues declining as customers migrate to Chorus fibre or competing fibre/wireless networks
- CPI increase of 5.95% applied to some services from mid-December

> greenfields revenue \$14m in HY24 vs \$20m in HY23

> HY24 includes \$2m from property optimisation

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# Expenses

	H1 FY24 unaudited \$m	H2 FY23 unaudited \$m	H1 FY23 unaudited \$m
Labour	39	38	38
Network maintenance	27	32	28
IT	23	22	20
Other network costs	19	21	16
Rent, rates and property maintenance	14	15	11
Electricity	10	10	9
Provisioning	0	0	1
Insurance	3	3	2
Consultants	3	5	4
Regulatory levies	5	3	6
Other	13	14	10
<b>Total</b>	<b>156</b>	<b>163</b>	<b>145</b>

- > HY24 includes \$2m for operating model changes effective 1 Feb 2024
- > reducing fault volumes but higher average cost per fault
- > HY23 included release of \$2m software provision
- > ~\$2m for copper network decommissioning in HY24
- > CPI impact and increased maintenance work
- > higher electricity prices offsetting declining usage

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# Underlying EBITDA

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	H1 FY24 unaudited \$m	H2 FY23 unaudited \$m	H1 FY23 unaudited \$m
<b>REPORTED EBITDA</b>	<b>347</b>	<b>330</b>	<b>342</b>
Reported operating revenue	503	493	487
▪ extreme weather credit		<u>1</u>	
<b>Underlying operating revenue</b>	<b>503</b>	<b>494</b>	<b>487</b>
Reported operating expenses	156	163	145
▪ extreme weather costs		(6)	
▪ operating model change	<u>(2)</u>	<u>(3)</u>	
<b>Underlying operating expenditure</b>	<b>154</b>	<b>154</b>	<b>145</b>
<b>UNDERLYING EBITDA</b>	<b>349</b>	<b>340</b>	<b>342</b>

# Gross capex: \$232 million (HY23 \$222m)

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Fibre capex	H1 FY24 \$m	H2 FY23 \$m	H1 FY23 \$m
Communal network	0	0	5
Fibre installations & layer 2	108	93	100
Fibre products & systems	6	5	5
Other fibre & growth	41	52	53
Network sustain	12	8	4
Customer acquisition	20	15	15
<b>Subtotal</b>	<b>187</b>	<b>173</b>	<b>182</b>

- > 49,000 installations; Layer 2 spend \$36m for multi-gigabit services and increased network capacity
- > greenfields \$31m (HY23 \$38m)
- > increased roadworks activity attributable to fibre; cable route lifecycle projects; \$1m cyclone recovery
- > \$12m incentive spend subject to connection volumes and retailer activity

- **Average cost per premises installation: \$1,101** vs \$1,100 - \$1,250 guidance (excludes layer 2 and includes standard installations, some non-standard single dwellings and service desk costs)

# Capex: Copper and Common

Copper capex	H1 FY24 \$m	H2 FY23 \$m	H1 FY23 \$m
Network sustain	11	18	9
Copper connections	-	1	-
Copper layer 2	-	-	1
Customer acquisition	1	1	3
<b>Subtotal</b>	<b>12</b>	<b>20</b>	<b>13</b>

> HY24 includes ~\$2m for ongoing rural cabinet upgrade project (largely grant funded) and \$1m for cyclone recovery

Common capex	H1 FY24 \$m	H2 FY23 \$m	H1 FY23 \$m
Information technology	22	24	20
Building & engineering services	11	15	7
<b>Subtotal</b>	<b>33</b>	<b>39</b>	<b>27</b>

> network resilience projects and EdgeCentre investment

# FY24 guidance and dividend - unchanged

> **EBITDA: \$680m to \$700m\*** [unchanged]

- tracking to upper half of range

> **GROSS CAPEX: \$400m to \$440m** [unchanged]

- tracking to upper half of gross capex range
- fibre, copper, common and sustaining capex sub-category ranges are unchanged

> **FY24 dividend guidance of 47.5cps\*** [unchanged]

- FY24 interim dividend 19cps, unimputed
  - **record date:** 19 March 2024
  - **payment date:** 16 April 2024
  - no Dividend Reinvestment Plan available

> **\$150m share buyback completed in September 2023**

- ~19m shares purchased since February 2022
- ~434 million shares on issue at 31 December

> **Chorus is undertaking a capital management review and expects to provide an update at the FY24 results.**

- this review will consider PQP2 settings, shareholder feedback, comparable company benchmarks and macroeconomic factors.
- as noted previously, Chorus is committed to growing shareholder value and delivering a sustainable, growing dividend through time.

\* subject to no material adverse changes in circumstances or outlook

# Net debt/EBITDA

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- > **ND/EBITDA increased from 4.39x (FY23) to 4.56x**
  - borrowings increased from \$2,561 million (FY23)
  - 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

- > **~70% of interest rate exposure fixed at 31 December**
  - net ~\$750m forward start fixed interest rate swaps started in HY24
  - ~70% fixed over next 3 years

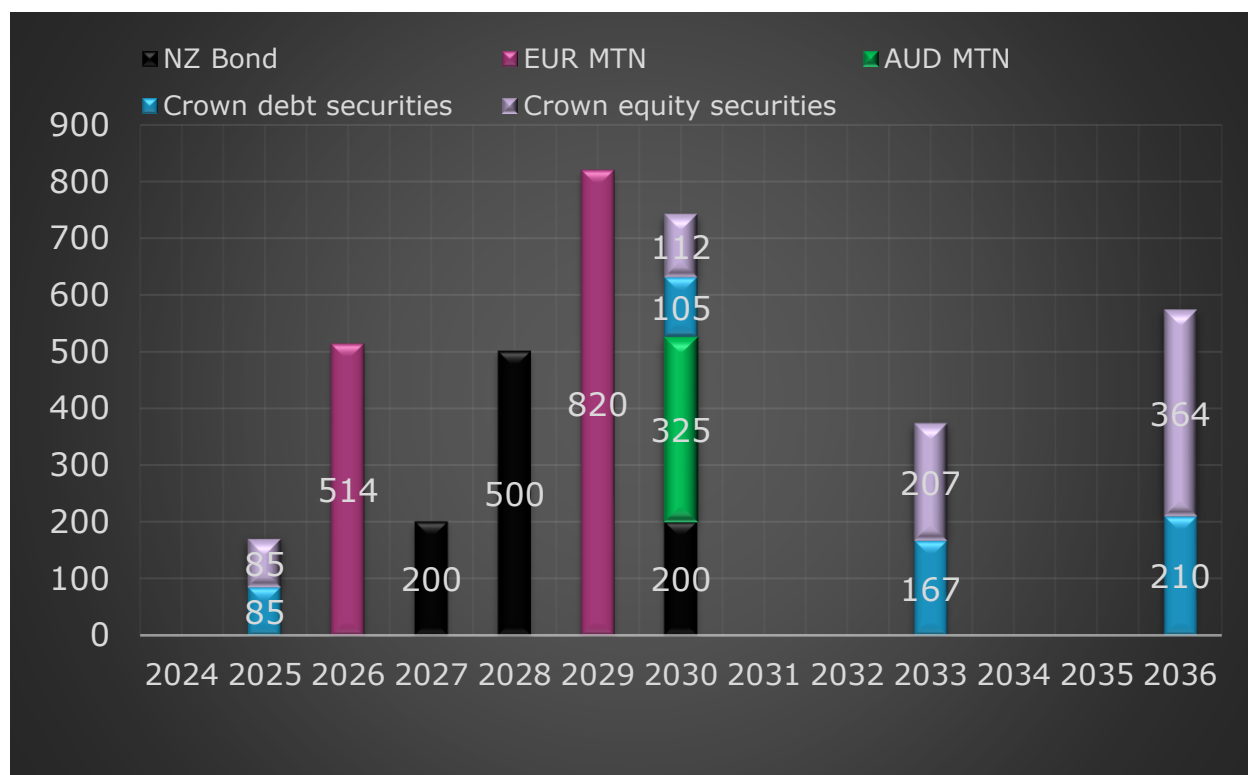
	As at 31 Dec 2023 (\$m)
Borrowings	2,709
+ PV of CIP debt securities (senior)	290
+ Net leases payable	<u>179</u>
Sub total	3,178
- Cash	87
<b>Total net debt</b>	<b>3,091</b>
Net debt/EBITDA*	4.56x

\*Based on S&P and bank covenant methodologies

Bond	Amount (NZ\$m)	Current hedge profile
EMTN 2026	514	100% fixed for life of bond at 3.39%
NZD 2027	200	100% fixed for life of bond at 1.98%
NZD 2028	500	100% fixed for life of bond at 6.21% from Dec 2023 Swapped to a margin over floating (BKBM) through cross currency interest rate swaps. ~50% fixed at 6.3% from Dec 2023
EMTN 2029	820	
NZD 2030	200	100% fixed at 2.5% from Oct 2023
AMTN 2030	325	Swapped to a margin of 1.73% over floating (BKBM) through cross currency interest rate swaps.

# Crown financing and debt profile

- > At 31 December, debt of \$2,709m comprised:
  - Long term bank facilities of \$450m (\$150m drawn)
  - NZ bonds: \$900m
  - Euro Medium Term Notes \$1,334m (NZ\$ equivalent at hedged rates)
  - AUD Medium Term Notes \$325m (NZ\$ equivalent at hedged rates)



Crown securities \$m	30 June 2025	30 June 2030	30 June 2033	30 June 2036	TOTAL
Equity securities (cumulative total)	85.3	197.0	404.0	768.5	768.5
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 on 180-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

# Regulatory update

## > Recent events

- **18 Jan:** notice of consultation on amendments to fibre Input Methodologies with reference to market risk premium (note: recent electricity, gas and airports sector review reduced premium from 7.5% to 7.0%)
- **5 Feb:** Chorus update to PQP2 expenditure proposal reduced capex from ~\$1.5bn to ~\$1.3bn (nominal)

2024 timetable	Detail
<b>Q1 2024</b>	<ul style="list-style-type: none"> <li>▪ Draft determination of Chorus' PQP2 expenditure allowance</li> <li>▪ Draft fibre Input Methodologies (IM) amendments</li> </ul>
<b>Q2 2024</b>	<ul style="list-style-type: none"> <li>▪ Chorus Information Disclosure reporting for 2023 year</li> <li>▪ Final fibre IM amendments</li> <li>▪ Final determination of PQP2 expenditure allowances</li> <li>▪ Draft determination of PQP2 revenue path and quality standards</li> <li>▪ WACC determination</li> </ul>
<b>Q4 2024</b>	<ul style="list-style-type: none"> <li>▪ Final determination of PQP2 revenue path and quality standards</li> </ul>

## > Recent Commerce Commission reporting update indicates materially higher WACC

- The PQP2 WACC risk-free rate is expected to be based on the average interpolated 4-year government bond yield (bid yield to maturity) during the March to May period

WACC parameter	PQP1 <sup>1</sup> WACC (1 July 2021)	ID <sup>2</sup> WACC (1 Jan 2024)
Risk-free rate	0.51%	5.09%
Average debt premium	1.70%	1.45%
Cost of debt	2.54%	6.87%
Cost of equity	5.62%	8.92%
Mid-point vanilla WACC	4.72%	8.32%
Mid-point post-tax WACC	<b>4.52%</b>	<b>7.77%</b>

Source: Commerce Commission

1. PQP1: first price-quality regulatory period from 2022-2024

2. ID: Information Disclosure. Latest calculated WACC is used for reporting purposes only.

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# Simplifying our future

JB Rousselot, Chief Executive Officer

# Becoming a simpler business

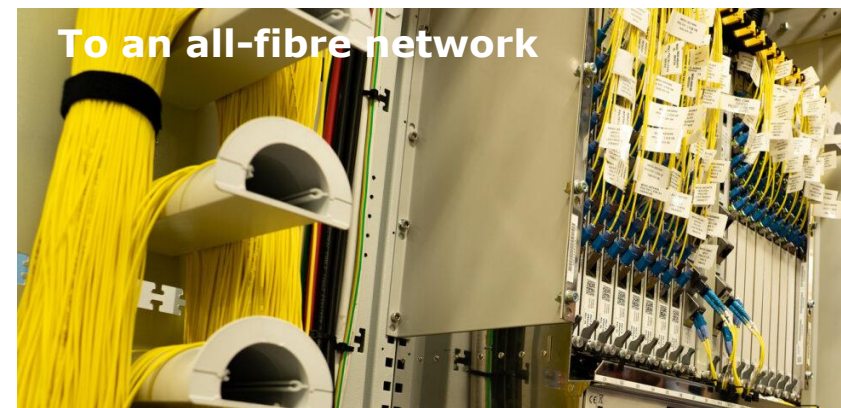
2024 will see large steps in our evolution as a digital infrastructure company

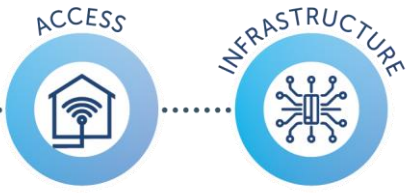
> **Copper complexity is diminishing**

- copper connections reduced by 94k in 2023; fibre now 85% of connections
- migration to fibre reduced total faults 15% (HY23 vs HY24)
- network and property optimisation activity ramping up
- just 100k copper connections remain in non-fibre areas

> **Fine tuning our fibre business**

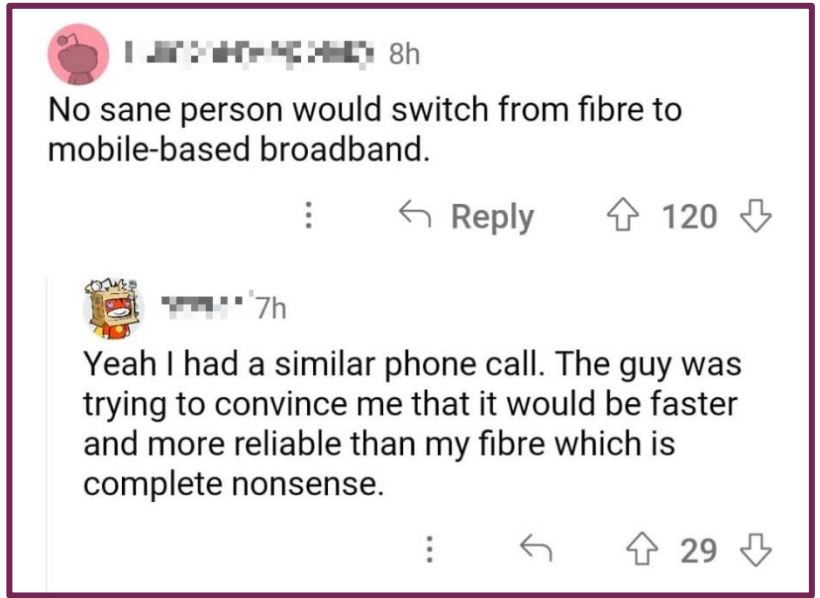
- simpler product stack delivering business connection growth
- 'intacts' customer experience lifted from 7.2 to 7.6 in HY24
- new operating model: value streams driving strategic outcomes
- regulatory settings (2025-2028) should better reflect our fibre-centric business





# Pushing towards 80% uptake

- > **Active wholesaler initiatives keep evolving**
  - continue targeting UFB2 areas and inactive fibre socket base
  - tailwind from copper withdrawal will slow as customer pool shrinks
  - consultation underway to sharpen retailer incentives
  - tailoring migration activity to customer groups (e.g. retirement villages)
  
- > **Consumer perception of fibre’s premium value remains strong**
  - *Home Fibre Starter 50Mbps* supporting copper migration, cost of living needs and wireless winback
  - 1Gig plans continue to capture high share of net growth
  - growing retailer support for *Hyperfibre* (2-4Gbps)
  - regulator needs to protect consumers with product transparency



GROW  
NEW  
REVENUES



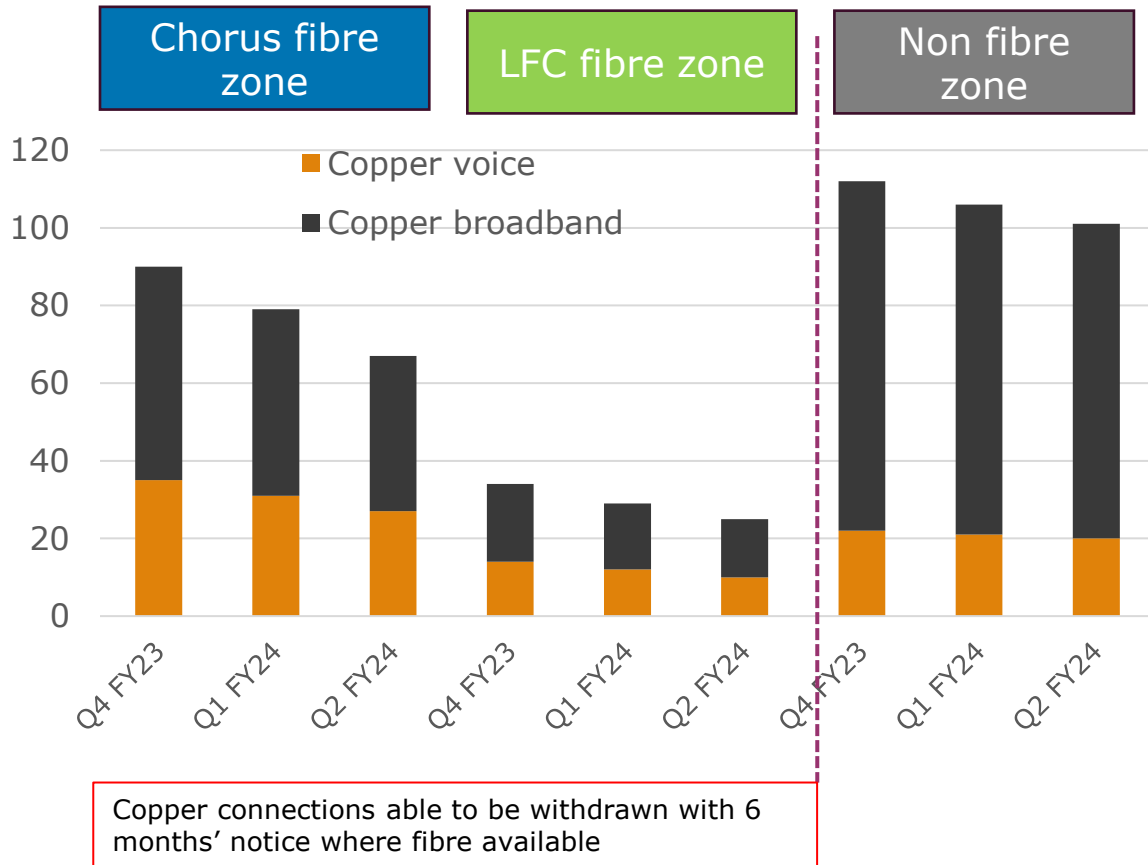
## Fibre expansion confirmed for 10k premises

- > **Fibre expansion:** 10k premises rollout confirmed for communities adjacent to existing fibre network
  - ~\$40m communal rollout cost with majority of build in FY25
  - winback opportunity: ~60% of premises are offnet
- > **New property development:** fibre extended to ~15k lots in HY24; sector slowing from post-COVID highs
- > **Edge Centre:** extra Auckland capacity added; >50% pre-sold
- > **Smart locations (e.g. traffic cameras):** steady growth in demand for fibre connectivity



# Copper connections now weighted to rural

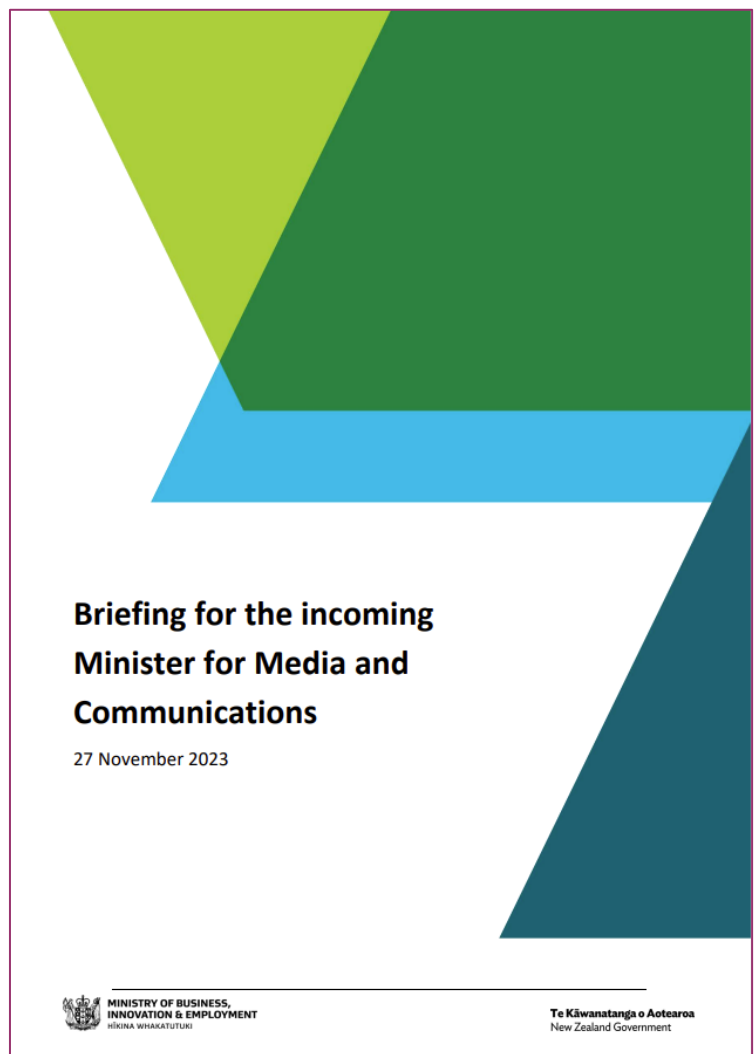
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- > **~47,000 copper withdrawal notifications issued (cumulative) in fibre areas**
  - copper service ceased for ~36,000 notified connections
  - 826 copper broadband cabinets closed; 1,435 under closure notice
  - broadband retention rate of 82% across closed cabinets
  
- > **ongoing connection reduction in rural areas underlines copper's limited technology horizon**
  - Australian Government review to modernise Universal Service Obligation and consider alternative technologies

# The future is resilient, reliable, gigabit broadband

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***"High performing, resilient communications networks and services are critical for economic and social prosperity..."***

***In line with previous UFB investments, expanding the capacity of New Zealand's telecommunications in areas that do not have fibre is likely to pay long term economic dividends and have low investment risks.***

***It is also likely to provide better value for money over the life of the underlying fibre assets because it negates the need to maintain ongoing funding for wireless rural networks that will face ongoing capacity issues as New Zealanders do more economic and social activities online."***

Source: Ministry of Business, Innovation & Employment - *Briefing for the Incoming Minister for Media and Communications*

# A solid HY24

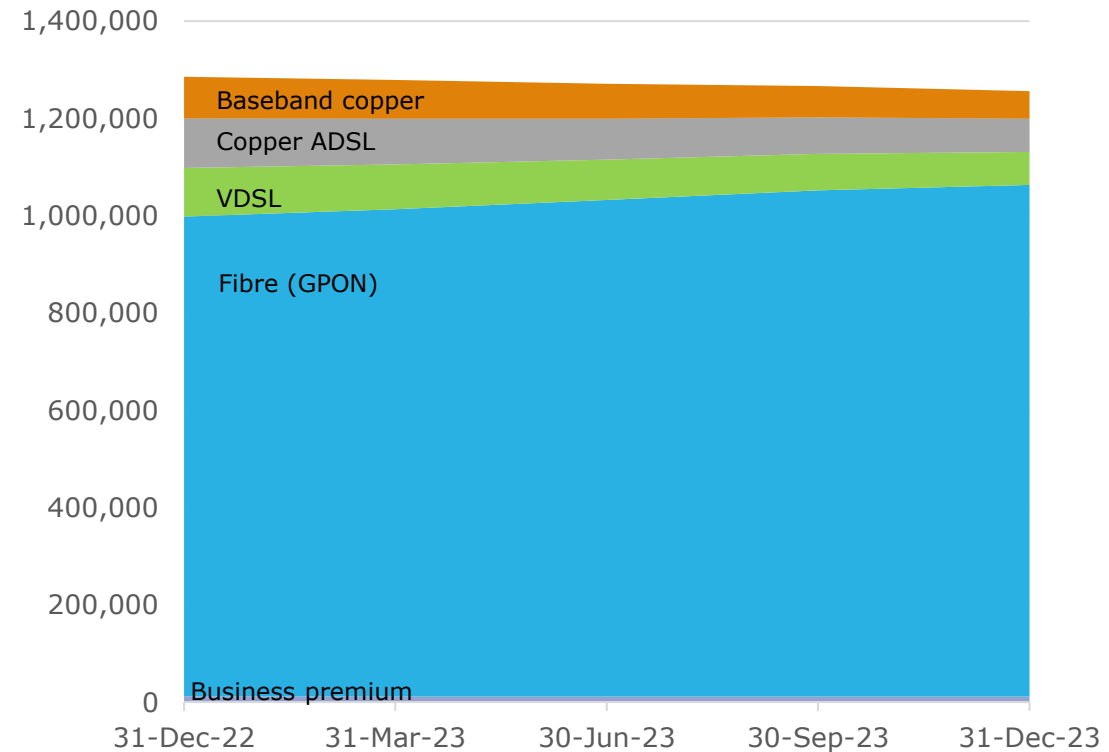
- > **data growth, plan mix and incentives driving fibre uptake**
- > **EBITDA lift from revenue growth and good cost control**
- > **PQP2 expenditure submission lodged and draft decision due soon**
- > **fibre extension confirmed for 10,000 premises**
- > **business evolving to a simpler all fibre future**
- > **seamless CEO transition**

**NEW ZEALAND  
RUNS ○ ON FIBRE**

Test my speed    The fibre install process    Request an install    Activate my ONT    Broadband options

# Appendix A: Connections data, market trends, pricing

	31 Dec 2022	31 March 2023	30 June 2023	30 Sept 2023	31 Dec 2023
Unbundled copper (no broadband)	not material	not material	not material	not material	not material
Baseband copper (no broadband)	85,000	80,000	72,000	64,000	57,000
Copper ADSL (includes naked)	102,000	94,000	84,000	75,000	68,000
VDSL (includes naked)	100,000	92,000	83,000	75,000	68,000
Fibre broadband (GPON)	986,000	1,002,000	1,021,000	1,041,000	1,052,000
Data services (copper)	1,000	1,000	1,000	1,000	1,000
Fibre premium (P2P)	11,000	10,000	10,000	10,000	10,000
<b>Total connections</b>	<b>1,285,000</b>	<b>1,279,000</b>	<b>1,271,000</b>	<b>1,266,000*</b>	<b>1,256,000*</b>



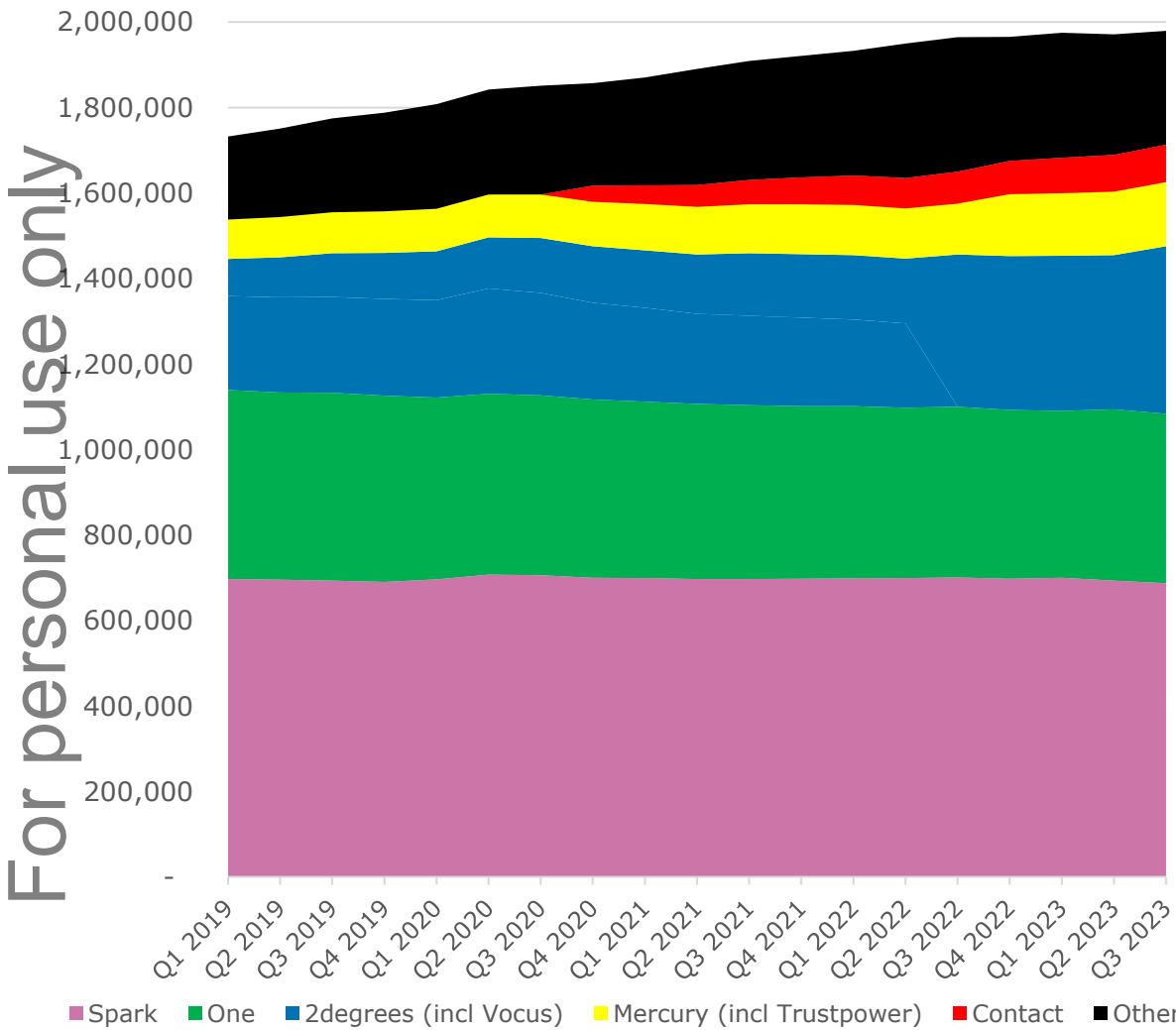
## 1,188,000\* broadband connections comprises:

- 1,052,000 fibre (GPON) connections
- 136,000 VDSL/ADSL (copper) connections

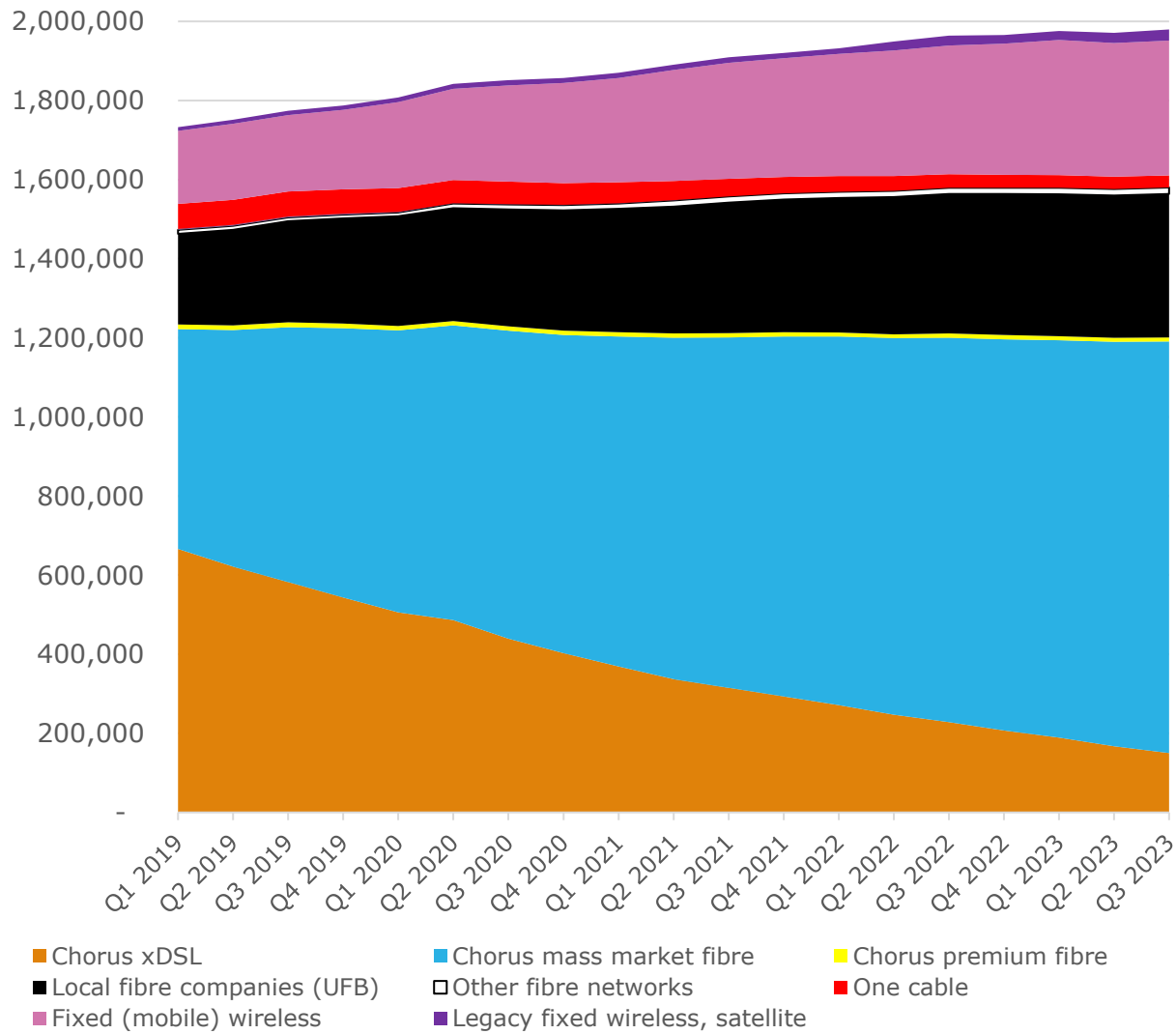
\* Includes 1k DSL and 1k GPON partly subsidised education connections that were previously excluded from broadband totals

> **CPI increase of 5.65% applied to copper baseband and copper broadband services from mid-December**

**NZ broadband market – by retailer**



**NZ broadband market – by technology**



Source: IDC

Fibre plan - consumer	Current wholesale price	Price before 1 Oct 2023	Notes
Voice line	\$29.11	\$27.45	
Home starter 50/10Mbps	\$35	\$35	Applies where retail price is \$60. Price reduced to \$35 from 1 Feb 2022
50/10Mbps	\$50.43	\$47.28	
100/20Mbps 300/100Mbps	\$53.54	\$50.50	100Mbps is anchor service. 300Mbps plan introduced late 2021.
1Gbps	\$61.86	\$58	
Hyperfibre 2Gbps	\$70	\$70	
Hyperfibre 4Gbps	\$85	\$85	
Hyperfibre 8Gbps	\$110	\$110	

Copper pricing	Current wholesale price	Price before 16 Dec 2023	Notes
Copper line	\$38.21	\$36.17	Annual CPI adjustment mid-December 2023
Copper broadband	\$51.08	\$48.35	

# Appendix B: Additional financial & regulatory information

## Capital management framework

- > **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)
- > **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**

Net cash flow from operating activities

Less Sustaining capital expenditure

= Free cash flow for capital allocation

Less Ordinary dividend  
(60% to 80% of free cash flow)

= Surplus free cash flow for allocation

Share buy backs

Additional dividends

Discretionary growth capex

# Sustaining capex

- > Of HY24 \$232m gross capex, \$116m was sustaining capex and \$116m was non-sustaining/growth capex

Non-sustaining capex	H1 FY24 \$m	H1 FY23 \$m
UFB communal	0	5
Fibre installations	72	77
Greenfield growth	31	41
Footprint expansion	0	2
Customer acquisition (incentives)	12	7
EdgeCentre Colocation	1	-
<b>Subtotal</b>	<b>116</b>	<b>132</b>

Fibre capex: sustaining	H1 FY24 \$m	H1 FY23 \$m
Layer 2	36	23
Fibre products & systems	6	2
Network sustain	12	4
Other fibre	10	13
Customer acquisition costs*	8	8
<b>Subtotal</b>	<b>72</b>	<b>50</b>
Copper capex: sustaining		
Network sustain	11	9
Copper connections	-	-
Copper layer 2	-	1
Customer acquisition costs*	1	3
<b>Subtotal</b>	<b>12</b>	<b>13</b>
Common capex: sustaining		
Information technology	22	20
Building & engineering services	10	7
<b>Subtotal</b>	<b>32</b>	<b>27</b>

\*Relates to provisioning, systems and service desk costs

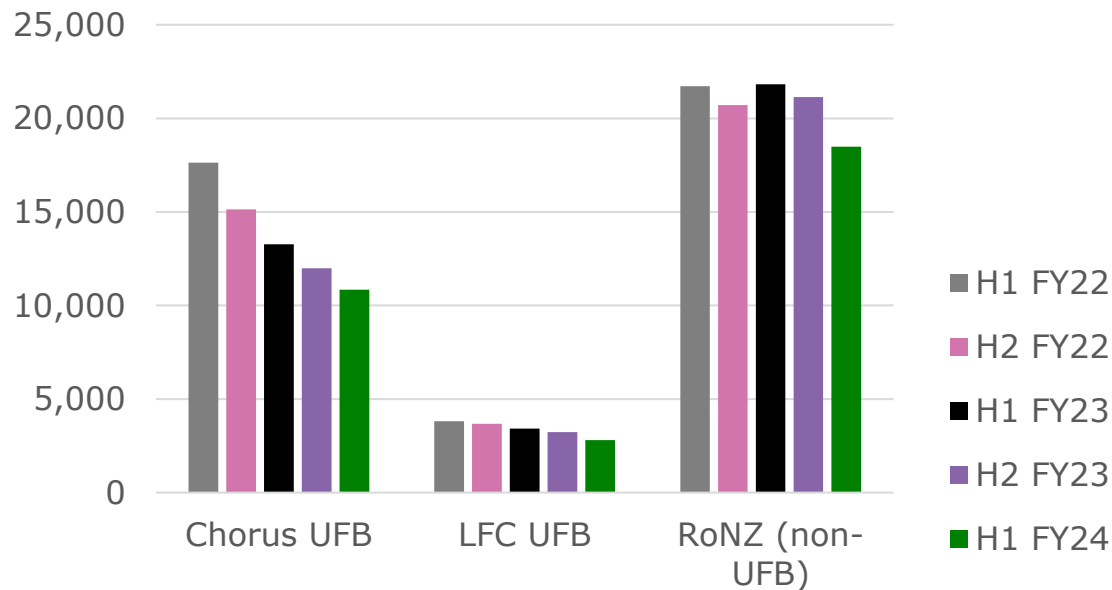
# Maintenance trends

- copper faults 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
- H2 FY23 copper reactive fault spend included Cyclone Gabrielle costs

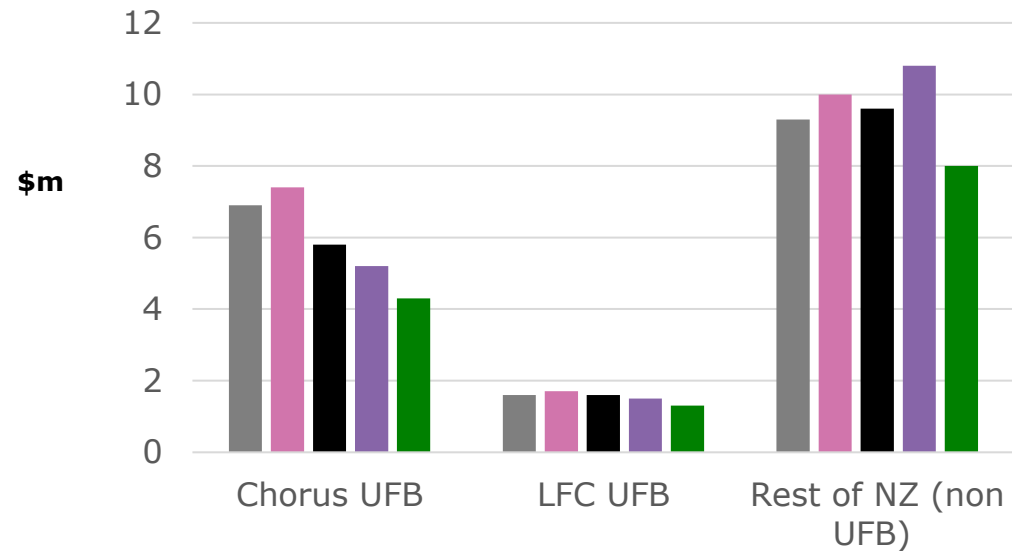
**Note:**

- reactive maintenance excludes spend on proactive maintenance and customer networks (i.e. premises wiring, no fault found, cancellations)

**Copper – fault volumes by area**



**Copper - reactive fault spend by area**



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# Maximum Allowable Revenue (MAR)

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

Component	2022	2023	2024
<b>Total return on capital</b>	<b>\$122.9</b>	<b>\$99.0</b>	<b>\$100.6</b>
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
TCS D allowance	\$1.9	\$1.9	\$1.9
<b>Opex allowance</b>	<b>\$160.4</b>	<b>\$158.2</b>	<b>\$156.0</b>
<b>Total depreciation</b>	<b>\$464.6</b>	<b>\$456.3</b>	<b>\$458.9</b>
Core fibre assets	\$261.4	\$274.2	\$296.6
Financial loss asset	\$203.2	\$182.1	\$162.3
<b>Tax allowance</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>In-period smoothing</b>	<b>-\$71.9</b>	<b>\$19.4</b>	<b>\$58.5</b>
<b>Total</b>	<b>\$676.1</b>	<b>\$732.9</b>	<b>\$774.0</b>
<b>Pass-through costs</b>	<b>14.2</b>	<b>14.5</b>	<b>15.5</b>
<b>TOTAL</b>	<b>\$690.2</b>	<b>\$747.4</b>	<b>\$789.5</b>

- > PQP1 vanilla WACC of 4.72% (used 0.51% risk-free rate), would be 8.32% if recalculated at 1 Jan 2024 using recent rates.
- > forecast CPI used for revaluations in 2022 was 1.8% (vs 7.22% actual). 2023 forecast was 2.2% (vs 4.66% actual) and 2024 forecast is 2.13%. Higher revaluation rates during RP1 will be reflected in the opening RAB for PQP2.
- > the estimated benefit of Crown debt and equity is deducted from the MAR. This amount will vary between regulatory periods depending on the WACC.
- > 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 ~\$100m
- > 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.
- > 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.

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

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# RAB movements for 2022 ID year

Closing RAB of \$5,710m

Component	Core RAB \$m (nominal)	Financial Loss Asset (FLA) \$m (nominal)	Notes
<b>Opening RAB (1 January 2022)</b>	4,032	1,416	October 2022 final RAB decision total of \$5,413m (core \$3,997m and FLA \$1,416m) updated for 2022 allocation factors.
<i>less</i> Depreciation	(277)	(234)	FLA depreciation is diminishing value and the core RAB is straight-line. Assets start depreciating the regulatory year after commissioning.
<i>plus</i> Revaluations	287	102	7.22% actual inflation in the December quarter versus forecast 1.8% used in the initial 2022 MAR. The ID RAB rolls forward into RP2 and will be reflected in the RP2 MAR.
<i>plus</i> Assets commissioned	356		Amount is net of \$52m capital contributions
<i>plus</i> Adjustment resulting from asset allocation	28		An upwards adjustment reflects a greater proportion of shared assets being attributable to fibre (due to differences in allocations drivers such as revenues and connections) than was forecast for the opening RAB in 2023.
<b>Total closing RAB value (31 Dec 2022)</b>	<b>4,426</b>	<b>1,284</b>	

**NOTE:**

1. RAB movements do not affect the RP1 MAR. The ID RAB closing value will be the basis of the opening RAB for RP2.
2. RAB movement calculations are subject to Commerce Commission review and approval.

# 2022 MAR wash-up balance of \$46.8m

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Description	Revenue \$m (nominal)	Wash-up \$m (nominal)	Notes
Building blocks revenue	676.1		2022 MAR was set on the basis of 2021 forecasts.
Pass-through costs	<u>14.2</u>		
<b>Forecast total allowable revenue 2022</b>	<b>690.2</b>		
<i>Less</i> 2022 FFLAS revenue received	<b><u>(667.2)</u></b>	23.0	Chorus under-earnt initial MAR allowance by \$23m.
<i>Plus</i> Initial RAB true-up		8.5	MAR adjustment to reflect increased allocation of shared assets in the final RAB decision: expect ~\$30m smoothed across RP1.
<i>Plus</i> Pass-through costs		1.5	Actual pass-through cost of \$15.7m versus forecast \$14.2m.
<i>Plus</i> Crown financing benefit		0.1	Reflects lower Crown financing balance than forecast.
<i>Plus</i> Cost allocators		<u>13.7</u>	Previously forecast cost inputs (e.g. totex, connections and data traffic) have been updated for actuals in the period.
<b>Total wash-up balance for 2022</b>		<b>46.8</b>	The wash-up balance is rolled forward each year using the post-tax WACC as the time-value of money to preserve NPV neutrality. The RP1 balance will be added to the RP2 MAR.
<b>Updated total allowable revenue 2022</b>		<b>714</b>	

**NOTE:**

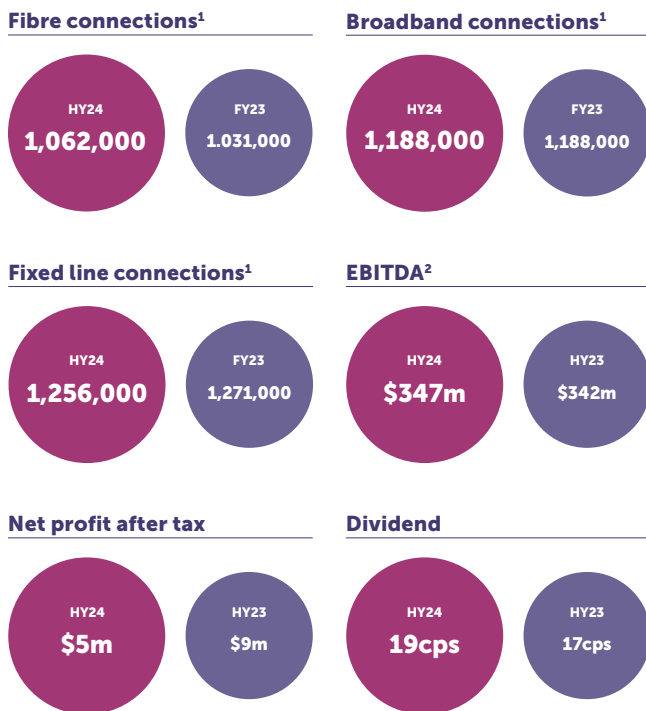
1. The regulations omitted a 2022 wash-up for actual CPI. The 2023 and 2024 MAR will be updated for forecast CPI changes as part of in-period smoothing. The 2023 MAR used 2.17% forecast CPI and will be updated for 3.37% (June 2022 forecast) with actual CPI applied via the wash-up process for RP2.
2. There was no wash-up required for individual capex proposals in 2022.
3. A wash-up for connection capex differences vs forecast will occur at the end of 2024.
4. All wash-up estimates are subject to Commerce Commission review and approval.

FY24 half year results

# dear investors

**Our financial results for the six months ended 31 December 2023 show a solid result in our first normal operating period following the pandemic, workforce and weather challenges of the last few years. Demand for fibre broadband continues to grow, with uptake passing 70% and data consumption back at levels last seen during the pandemic lockdowns.**

## Half year result overview



HY24: Six months ended 31 December 2023  
 FY23: Year ended 30 June 2023  
 HY23: Six months ended 31 December 2022

1 HY24 totals include about 2,000 partly subsidised education connections previously excluded from connections data.  
 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.

## Growth in fibre uptake drives simplification

The growth in fibre uptake is driving Chorus' evolution towards becoming a simpler, pure fibre digital infrastructure company. Over the last 12 months, fibre grew from 78 per cent of Chorus' connections to 85 per cent. This reflects both the growth in fibre uptake and copper connections dropping by 94,000 lines. This shift has seen network fault volumes drop by 15 per cent because fibre connections require much less maintenance than our legacy copper connections. We expect these fault volumes to fall further as we look to fully retire copper in urban fibre areas by the end of 2026.

Our objective remains to achieve 80 per cent fibre uptake, and we are continuously refining our active wholesaler strategy to help achieve this. Our 50 Mbps 'Home Fibre Starter' plan has seen impressive uptake, doubling connections in the half year. This plan has been a key part of our strategy, particularly in addressing cost-of-living pressures and providing a superior alternative to wireless technologies. It also provides an entry point for consumers to experience fibre and to upgrade to higher speed plans in the future.

"We're also pleased to see the continued growth in uptake of our gigabit and multi-gigabit plans, now comprising 25 per cent of our customer base. This shift underscores New Zealanders' growing appetite for high-speed, reliable connectivity.

EBITDA was \$347 million for the six months ending 31 December 2023 (HY24), a \$5 million increase on HY23 EBITDA of \$342 million. Operating revenues were up \$16 million from the prior period to \$503 million. Operating expenses were \$156 million, up \$11 million from HY23, largely reflecting inflation-linked cost increases and some one-off costs for operating model changes.

Net profit after tax (NPAT) decreased by \$4 million to \$5 million compared to HY23 at \$9 million, primarily due to higher interest rates and the accelerated depreciation of copper assets in areas where fibre is available.

We've confirmed we'll pay an unimputed interim dividend of 19 cents per share on 16 April 2024. The dividend reinvestment plan remains suspended.

We completed our \$150 million share buyback in September. There are now just under 434 million shares on issue, with about 19 million shares cancelled through the buyback.

### Extending the fibre footprint

In early February, we announced that we are continuing to reduce the digital connectivity divide between urban and non-urban areas. Work has begun to build fibre to 10,000 more homes and businesses across 59 communities nationwide.

About 60 per cent of the homes and businesses we intend to pass are not on the Chorus network.

We're already seeing strong interest in fibre through a pre-registration initiative targeting some of the initial communities in our rollout plan.

We believe that fibre should and could go further, and we'll keep investigating ways to do more. But for now, any further investment is contingent on pricing, market and regulatory changes that make a commercial case for further investment.



An underground directional drilling machine in Waiau Pa, South Auckland, for the recently announced fibre rollout.

### Thinking ahead for network resilience

This time last year our network teams were busy restoring services in areas devastated by Cyclone Gabrielle. In the wake of that event, our team has been busy considering how we might make our network more resilient for the future.

One initiative is the development of two mobile exchanges on wheels, or MEOWs. Repairing and reinstating an entire exchange building could take months, depending on the damage. Using six metre long 'datablok' containers, a MEOW can be transported by road and can connect up to 25,000 fibre connections. This means we can get services back up and running within a few days of a disaster affecting one of our existing exchange buildings.



Two containerised emergency exchanges have been built and are on standby for future disasters. One is stored in the North Island and the other in the South Island.

### Keeping ahead of the game on bandwidth

The proportion of “power users” consuming more than one terabyte of data – 1,000 gigabytes in a month – was 16% in December.

Data usage across all our fibre customers averaged 599 gigabytes. That’s back near the record usage levels we last saw during COVID lockdowns in late 2021 and shows the ongoing growth in everyday data usage. That growth is happening even with much lower data users joining fibre from copper.

As we’ve noted before, average usage would double if all current video streaming traffic was in 4K quality. For now, we’re lagging other countries when it comes to things like the broadcast of mainstream sports in 4K quality.

The average data usage doesn’t tell you the full story. More and more usage is happening in evening peak times. This means our network capacity is having to flex a lot more. If you look at the chart on the right, you can see how an average evening – the dark red line – peaks around 3.8 terabits per second downloads.

That is well and truly eclipsed on evenings when applications like Fortnite require upgrades that drive record peaks of 5.3 terabits per second. The peak in December 2023 was 35% higher than the peak in December 2022. For fibre consumers, that Fortnite update should have taken about five minutes on a one gigabit plan or less than 15 minutes on a 300 megabits plan. Compare that to about one and a half hours on an average 4G fixed wireless plan.

### Leadership transition

JB Rousselot, who has served as Chorus’ CEO since November 2019, will step down from his role on 15 April 2024. JB has been instrumental in steering Chorus through a period of substantial growth and simplification of the company’s operating model.

JB has been an exceptional leader for Chorus and fully embraced New Zealand’s culture during his time. Under his guidance, Chorus completed the government-supported Ultra-Fast Broadband programme, saw fibre reach more than one million New Zealand homes and businesses, and he led the company through its greatest test, COVID-19. We are grateful for his passionate advocacy of both fibre and consumer transparency.

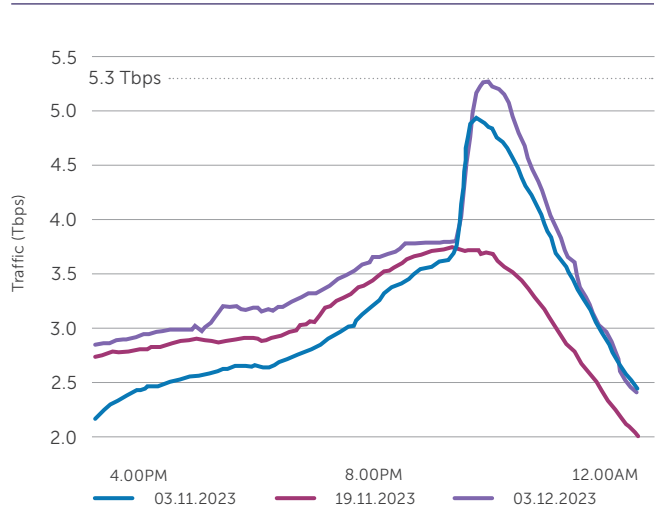
Taking over from JB is Mark Aue, currently Chief Operating Officer; he will start as the new CEO on 15 April 2024. Mark joined Chorus in April 2023, having been most recently the CEO of 2Degrees and, before this, the CFO of Vodafone NZ (now One NZ).

We’re delighted to be passing the leadership of Chorus to a Kiwi. Mark’s appointment as CEO comes at a pivotal time. His deep understanding of Chorus and the telecommunications industry and his proven leadership and innovation track record make him the ideal person to lead Chorus into its next chapter. Mark’s focus on the customer and growing fibre connections will be a core part of Chorus’ future.

JB leaves Chorus in great shape and well-prepared to adapt to the challenges and opportunities of the future, and we thank him for this. He will work closely with Mark in the weeks ahead to ensure a seamless leadership handover.

We invest in capacity to keep ahead of this demand, maintaining at least 50 per cent headroom above the average to meet forecast peak usage. Fibre’s advantage over other technologies is that we can achieve significantly greater capacity relatively easily by changing out the electronics on either end of the fibre cable to a home or business. With 99.999% reliability and latency below five milliseconds, fibre is the leading technology to meet the increasing demands of an ultra-digital future.

### Peak time traffic – Terabits per second



### Looking ahead

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](http://www.chorus.co.nz/reports) within a day of our results announcement.

Chorus’ next four-year regulatory period starts in January 2025, and we’ve lodged an expenditure proposal of approximately \$1.3 billion with the Commerce Commission. A draft decision on this is expected by the end of March, and a final decision on the revenue we’re allowed to earn from the fibre network is due towards the end of the year.

I look forward to updating you in August on Chorus’ continuing progress in enabling New Zealand’s digital future.

Thank you for your ongoing support of Chorus.

**Mark Cross, Chair**



## Directory

### Registered Offices

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P: +61 2 9230 4000

<https://company.chorus.co.nz/reports>

CHORUS

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# Half Year Results 2024

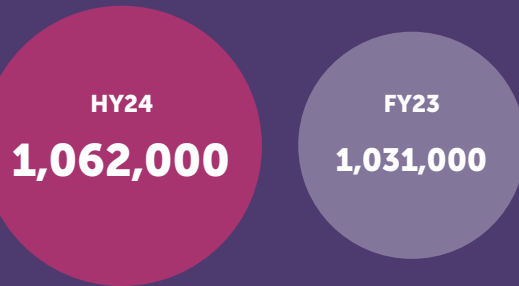
For the six months ended 31 December 2023

- 01 Half year result overview
- 02 Management commentary
- 04 Financial statements

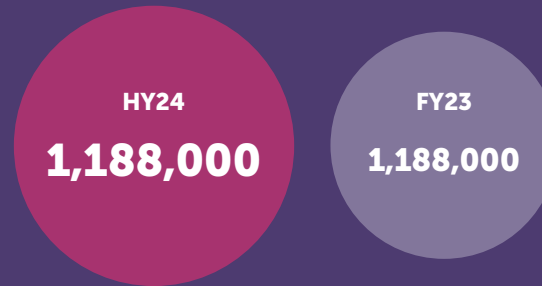


# Half year result overview

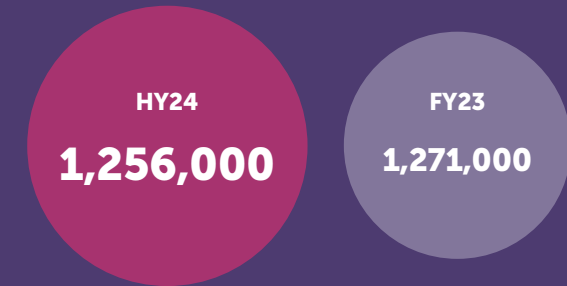
## Fibre connections<sup>1</sup>



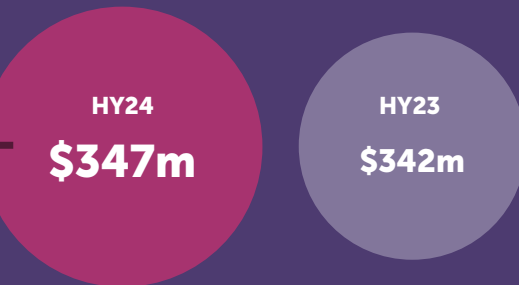
## Broadband connections<sup>1</sup>



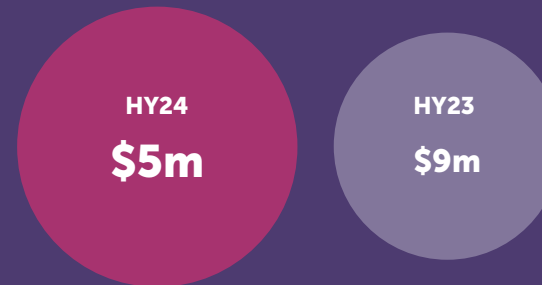
## Fixed line connections<sup>1</sup>



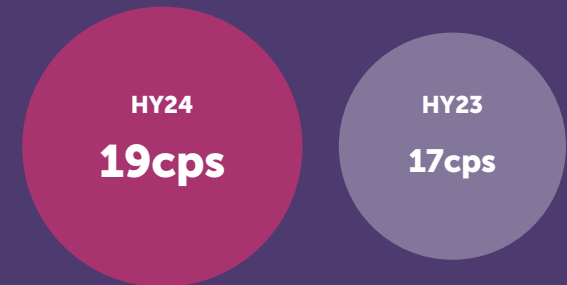
## EBITDA<sup>2</sup>



## Net profit after tax



## Dividend



HY24: Six months ended 31 December 2023  
 FY23: Year ended 30 June 2023  
 HY23: Six months ended 31 December 2022

<sup>1</sup> HY24 totals include about 2,000 partly subsidised education connections previously excluded from connections data.  
<sup>2</sup> 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.

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# HY24 Management commentary

**We report earnings before interest, income tax, depreciation, and amortisation (EBITDA) of \$347 million for the six months ended 31 December 2023 (HY24).**

**Net earnings decreased by \$4 million to \$5 million due to increased interest costs and the accelerated depreciation of copper assets in areas where fibre is available.**

## Operating revenue

Revenues of \$503 million were up \$16 million from HY23 revenues. We ended HY24 with 1,256,000 fixed line connections, down 15,000 lines in the six months.

### Fibre revenues

Fibre broadband revenues grew by \$39 million compared to HY23 and account for 68% of total revenues compared to 62% in the prior period. Average monthly revenue per fibre user grew from \$53.38 in December 2022 to \$56.05 in December 2023. An inflation-related price increase was applied to some services in October 2023 and uptake of the higher value Hyperfibre and 1 Gbps services grew by 1% to 25% of residential fibre connections. Uptake of our 50Mbps Home Fibre Starter service, which we have held at \$35 per month given the cost of living crisis, grew by 15,000 connections in HY24.

Overall fibre uptake reached 70.6% of addresses where Chorus fibre is available, excluding local fibre company areas, up from 67.8% at the end of HY23. Total fibre connections, including fibre premium services, increased by 31,000 in HY24 to 1,062,000 and comprise 85% of Chorus' total connections.

### Copper based revenues

Connection revenues across copper voice and data services continued to decline as consumers migrate to fibre or alternative services. A 5.65% inflation-related price increase was applied to copper voice and broadband services in mid-December 2023.

### Field services and other revenues

Field services products revenue decreased by \$3 million largely due to slowing new property development demand. Other revenue was up \$2 million compared to HY23 following the sale of property assets.

	CONNECTIONS 31 DECEMBER 2023	CONNECTIONS 31 DECEMBER 2022	CONNECTIONS 30 JUNE 2023
Fibre broadband (GPON)	1,052,000	986,000	1,021,000
Fibre premium (P2P)	10,000	11,000	10,000
Copper VDSL	68,000	100,000	83,000
Copper ADSL	68,000	102,000	84,000
Data services over copper	1,000	1,000	1,000
Baseband copper	57,000	85,000	72,000
Unbundled copper	0	Immaterial	Immaterial
<b>Total fixed line connections*</b>	<b>1,256,000</b>	<b>1,285,000</b>	<b>1,271,000</b>

\* 31 December 2023 totals include about 2,000 partly subsidised education connections on copper and fibre broadband. These subsidised connections were previously excluded from connections data.

## Expenses

Total operating expenses were \$156 million in HY24, up \$11 million from HY23. This difference reflected inflation-linked cost increases across multiple expense lines, the release of a favourable \$2 million software provision in HY23 and one-off operating model costs of \$2 million incurred in HY24.

## Labour

Labour costs of \$39 million represent staff costs that are not capitalised and were up \$1 million from HY23. HY24 labour costs include \$2 million for operating model changes with a new organisational structure to apply from 1 February 2024.

At the end of HY24 we had 852 permanent and fixed term employees, up from 810 at the end of HY23. This increase was largely due to IT contractors becoming full-time employees.

**Network maintenance**

Network maintenance costs decreased by \$1 million in HY24 compared to HY23. Overall fault volumes are trending down as copper connections reduce and more consumers are connected to the newer fibre network, but the reduction in fault volumes was largely offset by inflationary increases in the cost to repair copper and fibre faults.

**Information technology**

Information technology costs were up \$3 million from HY23, with HY23 benefitting from the release of a \$2 million software provision.

**Other network costs**

Other network costs were up \$3 million from HY23 as activity to exit copper assets increased and more network and property optimisation costs were incurred.

**Rent, rates, and property maintenance**

These costs were up \$3 million from HY23 because of inflation and an increase in maintenance work.

**Depreciation and amortisation**

Accelerated depreciation of copper cables and ducts drove a \$6 million increase of depreciation expense compared to HY23. Copper cables in Chorus UFB1 and UFB2 rollout areas will be fully depreciated by June 2025 and June 2026 respectively. Copper cables and copper ducts in local fibre company areas will be fully depreciated by June 2026.

**Finance expense**

HY24 finance costs were \$16 million higher when excluding \$11 million of non-recurring costs that were incurred in HY23 to support debt refinancing. The drivers for increased finance costs were rising interest rates and an increase in total debt. Our weighted average effective interest rate increased from 4.4% to 5.8% between HY23 and HY24.

An AUD300 million medium term note was issued in HY24. Chorus fully hedges the foreign exchange exposure on all foreign debt with cross-currency interest rate swaps.

Approximately 70% of our floating interest rate exposure was hedged with fixed interest rate swaps at the end of HY24.

**Capital expenditure**

Gross capital expenditure for HY24 was \$232 million, up from \$222 million in HY23. Fibre-related investment was up \$5 million to \$187 million.

HY24 fibre installation volumes of 49,000 were about 2,000 installations higher than in HY23, but the mix of work and lower spend on backbone installation (to connect rights of way or multi-dwelling units) meant overall installation spend was \$5 million lower at \$72 million. The average cost per premises installed during HY24 was \$1,101.

Fibre layer 2 spend was up \$13 million to \$36 million in HY24. This was driven by equipment upgrades to enable Hyperfibre multi-gigabit services and increased transport spend to support growing bandwidth demand.

Other fibre and growth investment reduced from \$53 million in HY23 to \$41 million in HY24 largely because housing growth continued to slow from record highs in prior periods.

Customer acquisition costs on fibre were up \$5 million between periods as retail service providers used our incentive offers to grow fibre connections and upgrades to higher speed fibre products.

Total copper capital expenditure decreased by \$1 million to \$12 million in the current period. HY24 includes \$2 million of rural cabinet upgrades that are largely grant funded.

Total common capital expenditure was \$6 million higher in HY24 than HY23 due to network resilience upgrades and investment in new EdgeCentre Colocation capacity.

**Dividends, equity and capital management**

We will pay an unimputed interim dividend of 19 cents per share on 16 April 2024 to all holders registered at 5:00pm on 19 March 2024.

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

A final unimputed dividend of 28.5 cents per share is expected to be declared in August 2024, 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 2023, Chorus had a long-term credit rating of BBB/stable outlook by Standard & Poor's and Baa2/stable by Moody's Investors Service.

Chorus completed a \$150 million share buyback programme in September 2023. The programme commenced in February 2022 and resulted in the cancellation of 19 million shares.

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# Financial statements

## Condensed consolidated income statement

For the six months ended  
31 December 2023

	Notes	SIX MONTHS ENDED 31 DECEMBER 2023 UNAUDITED \$M	SIX MONTHS ENDED 31 DECEMBER 2022 UNAUDITED \$M	YEAR ENDED 30 JUNE 2023 AUDITED \$M
Fibre broadband (GPON)		341	302	622
Fibre premium (P2P)		35	34	68
Copper based broadband		45	62	117
Copper based voice		15	21	39
Data services copper		1	2	4
Field services products		34	37	70
Infrastructure		16	15	31
Value added network services		13	13	26
Other		3	1	3
<b>Total operating revenue</b>		<b>503</b>	<b>487</b>	<b>980</b>
Labour		(39)	(38)	(76)
Network maintenance		(27)	(28)	(60)
Information technology		(23)	(20)	(42)
Other network costs		(19)	(16)	(37)
Electricity		(10)	(9)	(19)
Rent and rates		(6)	(6)	(12)
Property maintenance		(8)	(5)	(14)
Advertising		(6)	(5)	(13)
Regulatory levies		(5)	(6)	(9)
Consultants		(3)	(4)	(9)
Insurance		(3)	(2)	(5)
Provisioning		-	(1)	(1)
Other		(7)	(5)	(11)
<b>Total operating expenses</b>		<b>(156)</b>	<b>(145)</b>	<b>(308)</b>
<b>Earnings before interest, income tax, depreciation and amortisation</b>		<b>347</b>	<b>342</b>	<b>672</b>
Depreciation	1, 6	(185)	(175)	(355)
Amortisation	2, 3	(43)	(47)	(91)
<b>Earnings before interest and income tax</b>		<b>119</b>	<b>120</b>	<b>226</b>
Finance income		2	1	4
Finance expense		(109)	(104)	(199)
<b>Net earnings before income tax</b>		<b>12</b>	<b>17</b>	<b>31</b>
Income tax expense		(7)	(8)	(6)
<b>Net earnings for the period</b>		<b>5</b>	<b>9</b>	<b>25</b>
<b>Earnings per share</b>				
Basic earnings per share (dollars)		0.02	0.04	0.06
Diluted earnings per share (dollars)		0.01	0.03	0.05

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

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## Condensed consolidated statement of comprehensive income

For the six months ended  
31 December 2023

Notes	SIX MONTHS ENDED 31 DECEMBER 2023 UNAUDITED \$M	SIX MONTHS ENDED 31 DECEMBER 2022 UNAUDITED \$M	YEAR ENDED 30 JUNE 2023 AUDITED \$M
<b>Net earnings for the period</b>	<b>5</b>	<b>9</b>	<b>25</b>
<b>Other comprehensive income</b>			
Movements in effective cash flow hedges	9 (22)	12	3
Amortisation of de-designated cash flow hedges transferred to Income statement	9 3	3	5
Movement in cost of hedging reserve	9 (8)	(5)	(3)
<b>Items that will be reclassified subsequently to the income statement when specific conditions are met, net of tax</b>	<b>(27)</b>	<b>10</b>	<b>5</b>
Net revaluation of land and buildings	-	-	265
<b>Items that will not be reclassified subsequently to the income statement when specific conditions are met, net of tax</b>	<b>-</b>	<b>-</b>	<b>265</b>
<b>Total comprehensive income for the period net of tax</b>	<b>(22)</b>	<b>19</b>	<b>295</b>

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## Condensed consolidated statement of financial position

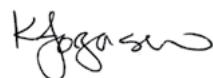
For the six months ended  
31 December 2023

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  
26 February 2024

Notes	31 DECEMBER 2023 UNAUDITED \$M	31 DECEMBER 2022 UNAUDITED \$M	30 JUNE 2023 AUDITED \$M
<b>Current assets</b>			
	87	172	76
	152	151	153
9	-	24	43
	-	-	1
	<b>239</b>	<b>347</b>	<b>273</b>
<b>Non-current assets</b>			
9	107	104	116
	-	1	-
3	66	61	60
2	146	144	146
1	5,206	5,191	5,213
1	357	75	357
	<b>5,882</b>	<b>5,576</b>	<b>5,892</b>
	<b>6,121</b>	<b>5,923</b>	<b>6,165</b>
<b>Current liabilities</b>			
	240	259	280
	12	14	13
9	1	2	1
4	150	344	368
	<b>403</b>	<b>619</b>	<b>662</b>
6	27	27	28
	<b>430</b>	<b>646</b>	<b>690</b>
<b>Non-current liabilities</b>			
	2	6	11
	359	354	363
	82	169	93
	167	168	168
4	2,526	2,068	2,160
	<b>3,136</b>	<b>2,765</b>	<b>2,795</b>
5	721	660	697
6	915	922	920
	<b>4,772</b>	<b>4,347</b>	<b>4,412</b>
	<b>5,202</b>	<b>4,993</b>	<b>5,102</b>
<b>Equity</b>			
	578	656	589
	304	71	331
	37	203	143
	<b>919</b>	<b>930</b>	<b>1,063</b>
	<b>6,121</b>	<b>5,923</b>	<b>6,165</b>

## Condensed consolidated statement of changes in equity

For the six months ended  
31 December 2023

Notes	Share capital \$M	Revaluation reserve \$M	Other reserves \$M	Retained earnings \$M	Total \$M
<b>Balance at 1 July 2022</b>	<b>682</b>	<b>-</b>	<b>60</b>	<b>287</b>	<b>1,029</b>
<b>Comprehensive income</b>					
Net earnings for the period	-	-	-	25	25
<b>Other comprehensive income</b>					
Movement in cash flow hedge reserve	-	-	3	-	3
Amortisation of de-designated cash flow hedges transferred to income statement	-	-	5	-	5
Movement in cost of hedging reserve	-	-	(3)	-	(3)
Movement in revaluation reserve	-	265	-	-	265
<b>Total comprehensive income</b>	<b>-</b>	<b>265</b>	<b>5</b>	<b>25</b>	<b>295</b>
<b>Contributions by and (distributions to) owners</b>					
Dividends	8	-	-	(169)	(169)
Dividend reinvestment plan	9	-	-	-	9
Share buy-back	(101)	-	-	-	(101)
Shares issued under LTI scheme	(1)	-	1	-	-
<b>Total transactions with owners</b>	<b>(93)</b>	<b>-</b>	<b>1</b>	<b>(169)</b>	<b>(261)</b>
<b>Balance at 30 June 2023 (AUDITED)</b>	<b>589</b>	<b>265</b>	<b>66</b>	<b>143</b>	<b>1,063</b>
<b>Comprehensive income</b>					
Net earnings for the period	-	-	-	5	5
<b>Other comprehensive income</b>					
Movement in cash flow hedge reserve	-	-	(22)	-	(22)
Amortisation of de-designated cash flow hedges transferred to income statement	-	-	3	-	3
Movement in cost of hedging reserve	-	-	(8)	-	(8)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(27)</b>	<b>5</b>	<b>(22)</b>
<b>Contributions by and (distributions to) owners</b>					
Dividends	8	-	-	(111)	(111)
Share buy-back	(11)	-	-	-	(11)
<b>Total transactions with owners</b>	<b>(11)</b>	<b>-</b>	<b>-</b>	<b>(111)</b>	<b>(122)</b>
<b>Balance at 31 December 2023 (UNAUDITED)</b>	<b>578</b>	<b>265</b>	<b>39</b>	<b>37</b>	<b>919</b>

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

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## Condensed consolidated statement of changes in equity (continued)

For the six months ended 31 December 2023

Notes	Share capital \$M	Revaluation reserve \$M	Other reserves \$M	Retained earnings \$M	Total \$M
	<b>682</b>	<b>-</b>	<b>60</b>	<b>287</b>	<b>1,029</b>
<b>Balance at 1 July 2022</b>					
<b>Comprehensive income</b>					
Net earnings for the period	-	-	-	9	9
<b>Other comprehensive income</b>					
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)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>9</b>	<b>19</b>
<b>Contributions by and (distributions to) owners</b>					
Dividends	8	-	-	(93)	(93)
Dividend reinvestment plan	9	-	-	-	9
Share buy-back	(34)	-	-	-	(34)
Shares issued under LTI scheme	(1)	-	1	-	-
<b>Total transactions with owners</b>	<b>(26)</b>	<b>-</b>	<b>1</b>	<b>(93)</b>	<b>(118)</b>
<b>Balance at 31 December 2022 (UNAUDITED)</b>	<b>656</b>	<b>-</b>	<b>71</b>	<b>203</b>	<b>930</b>

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

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## Condensed consolidated statement of cash flows

For the six months ended  
31 December 2023

	SIX MONTHS ENDED 31 DECEMBER 2023 UNAUDITED \$M	SIX MONTHS ENDED 31 DECEMBER 2022 UNAUDITED \$M	YEAR ENDED 30 JUNE 2023 AUDITED \$M
<b>Operating cash flows</b>			
<i>Cash was provided from/(applied to):</i>			
Receipts from customers	500	471	973
Interest received	2	1	4
Payments to suppliers and employees	(177)	(165)	(311)
Taxation paid	-	(4)	(4)
Interest paid	(82)	(65)	(138)
<b>Net operating cash flows</b>	<b>243</b>	<b>238</b>	<b>524</b>
<b>Investing cash flows</b>			
<i>Cash was provided from/(applied to):</i>			
Purchase of network and intangible assets	(259)	(238)	(495)
Capitalised interest paid	(1)	-	(1)
<b>Net investing cash flows</b>	<b>(260)</b>	<b>(238)</b>	<b>(496)</b>
<b>Financing cash flows</b>			
<i>Cash was provided from/(applied to):</i>			
Payment of lease liabilities	(7)	(7)	(15)
Crown funding (including CIP securities)	11	53	84
Proceeds from debt	474	811	811
Repayment of debt	(328)	(655)	(659)
Repurchase of shares	(11)	(34)	(101)
Dividends paid	(111)	(84)	(160)
<b>Net financing cash flows</b>	<b>28</b>	<b>84</b>	<b>(40)</b>
<b>Net cash flows</b>	<b>11</b>	<b>84</b>	<b>(12)</b>
Cash at the beginning of the period	76	88	88
<b>Cash at the end of the period</b>	<b>87</b>	<b>172</b>	<b>76</b>

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

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# Notes to the consolidated financial statements

## Reporting entity and statutory base

Chorus includes Chorus Limited together with its subsidiary Chorus New Zealand Limited as at and for the six months ended 31 December 2023.

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 consolidated financial statements and should be read in conjunction with the consolidated financial statements of Chorus as at and for the year ended 30 June 2023.

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 and land and buildings as identified in the specific accounting policies disclosed in the notes to the consolidated financial statements for the year ended 30 June 2023 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 2023 and comparative information for the six months ended 31 December 2022 are unaudited. The comparative information for the year ended 30 June 2023 is audited.

## Accounting estimates and judgements

In preparing the financial statements, management have made estimates and assumptions 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 by management 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 2023.

## Land and buildings

Chorus adopted a revaluation policy for measuring land and building at fair value, as at 30 June 2023. Previously, Chorus measured land and buildings at depreciated historical cost.

Land and buildings are recorded at fair value. Fair value relating to land and buildings is determined based on a periodic independent valuation using a combination of both an optimised depreciated replacement cost, capitalised income, and a market valuation approach. The valuation technique applied to each asset is determined by the independent valuer, with input and review by Chorus management who are familiar with the nature of the assets. Valuations are performed every three years, or more frequently where indicators exist that the carrying amount of the asset materially differs from its fair value at the end of the reporting period. This may be the result of external factors (e.g. a volatile property market) or internal factors. As at 31 December there were no indicators. In these instances where indicators of material difference exist, a desktop valuation may be obtained to appropriately adjust the carrying value of the assets. The underlying assumptions used in the valuation are reviewed at each reporting date to ensure the carrying value is not materially different from the fair value.

The Company adopted a fair value approach on 30 June 2023. The movement in fair value of \$282 million (excluding deferred tax) had been recognised as at that date. There was no movement in fair value as at 31 December 2023. The 31 December prior period comparatives are recognised at historical cost less accumulated depreciation.

## Net current liability position

As at 31 December 2023 Chorus has a net current liability position of \$191 million (30 June 2023: \$417 million). Chorus has sufficient short term funds, undrawn facilities and forecast positive cashflows 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 taken from, and consistent with, those presented in the financial statements.

Period ended 31 December	SIX MONTHS ENDED 31 DECEMBER 2023 UNAUDITED \$M	SIX MONTHS ENDED 31 DECEMBER 2022 UNAUDITED \$M	YEAR ENDED 30 JUNE 2023 AUDITED \$M
Net earnings reported under NZ IFRS	5	9	25
Add back: income tax expense	7	8	6
Add back: finance expense	109	104	199
Subtract: finance income	(2)	(1)	(4)
<b>EBIT</b>	<b>119</b>	<b>120</b>	<b>226</b>
Add back: depreciation	185	175	335
Add back: amortisation	43	47	91
<b>EBITDA</b>	<b>347</b>	<b>342</b>	<b>672</b>

**Note 1 – Network assets**

	31 DECEMBER 2023 UNAUDITED \$M	31 DECEMBER 2022 UNAUDITED \$M	30 JUNE 2023 AUDITED \$M
<b>Cost</b>			
Opening balance	12,159	11,594	11,594
Additions	194	190	405
Disposals	-	(11)	(9)
Net revaluations through other comprehensive income	-	-	169
<b>Closing balance</b>	<b>12,353</b>	<b>11,773</b>	<b>12,159</b>
<b>Accumulated depreciation</b>			
Opening balance	(6,589)	(6,329)	(6,329)
Depreciation	(201)	(189)	(384)
Disposals	-	11	11
Net revaluations through other comprehensive income	-	-	113
<b>Closing balance</b>	<b>(6,790)</b>	<b>(6,507)</b>	<b>(6,589)</b>
<b>Net carrying amount</b>	<b>5,563</b>	<b>5,266</b>	<b>5,570</b>

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

**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 2023 the contractual commitment for acquisition of network assets was \$41 million (31 December 2022: \$53 million, 30 June 2023: \$50 million).

**Note 2 – Software and other intangibles**

	31 DECEMBER 2023 UNAUDITED \$M	31 DECEMBER 2022 UNAUDITED \$M	30 JUNE 2023 AUDITED \$M
<b>Cost</b>			
Opening balance	989	941	941
Additions	28	24	55
Disposals	(4)	(7)	(7)
<b>Closing balance</b>	<b>1,013</b>	<b>958</b>	<b>989</b>
<b>Accumulated amortisation</b>			
Opening balance	(843)	(789)	(789)
Amortisation	(28)	(32)	(61)
Disposals	4	7	7
<b>Closing balance</b>	<b>(867)</b>	<b>(814)</b>	<b>(843)</b>
<b>Net carrying amount</b>	<b>146</b>	<b>144</b>	<b>146</b>

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

**Capital commitments**

At 31 December 2023, the contractual commitment for acquisition of software and other intangible assets was \$11 million (31 December 2022: \$7 million; 30 June 2023: \$4 million).

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**Note 3 – Customer acquisition assets**

	31 DECEMBER 2023 UNAUDITED \$M	31 DECEMBER 2022 UNAUDITED \$M	30 JUNE 2023 AUDITED \$M
<b>Opening balance (net carrying amount)</b>	<b>60</b>	<b>59</b>	<b>59</b>
Additions	23	18	34
Amortisation to amortisation expense	(15)	(15)	(30)
Amortisation to operating revenue	(2)	(1)	(3)
<b>Closing balance (net carrying amount)</b>	<b>66</b>	<b>61</b>	<b>60</b>

**Amortisation of customer acquisition assets**

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

**Note 4 – Debt**

Due Date	31 DECEMBER 2023 UNAUDITED \$M	31 DECEMBER 2022 UNAUDITED \$M	30 JUNE 2023 AUDITED \$M	
Syndicated bank facility	150	-	-	
Euro medium term notes (EMTN) EUR	Oct 2023	-	344	368
Euro medium term notes (EMTN) EUR	Dec 2026	484	443	473
Euro medium term notes (EMTN) EUR	Sep 2029	870	799	853
Australian medium term notes (AMTN) AUD	Sep 2030	329	-	-
Fixed rate NZD Bonds	Dec 2027	200	200	200
Fixed rate NZD Bonds	Dec 2028	500	500	500
Fixed rate NZD Bonds	Dec 2030	161	148	153
Less: facility fees	(18)	(22)	(19)	
<b>Total debt</b>	<b>2,676</b>	<b>2,412</b>	<b>2,528</b>	
<b>Current</b>	<b>150</b>	<b>344</b>	<b>368</b>	
<b>Non-current</b>	<b>2,526</b>	<b>2,068</b>	<b>2,160</b>	

As at 31 December 2023 Chorus had a \$450 million committed syndicated facility on standard market terms and conditions (30 June 2023: \$450 million). The facility is comprised of a single tranche that expires in April 2026, and is held with banks that are rated A to AA-, based on Standard & Poor's ratings. As at 31 December 2023 there was \$150 million drawn down from this facility (30 June 2023: nil).

**EMTN 2023 tender**

The October 2023 EMTN was repaid and settled on 18 October 2023.

**AMTN 2030 issuance**

Chorus also issued AUD 300 million of AMTN in September 2023 at a fixed interest rate of 5.974% for 7 years. Consistent with the Chorus Treasury Policy, the debt has been fully hedged with cross-currency interest rate swaps (CCIRS) to hedge the foreign currency exposure, which entitles Chorus to receive AUD 300 million and AUD fixed coupon payments for NZD 325 million principal and NZD floating interest payments.

**Note 5 – Crown Infrastructure Partners (CIP) securities**

	31 DECEMBER 2023 UNAUDITED \$M	31 DECEMBER 2022 UNAUDITED \$M	30 JUNE 2023 AUDITED \$M
<b>Fair value on initial recognition</b>			
Opening balance	478	439	439
Additional securities recognised at fair value	-	26	39
<b>Closing balance</b>	<b>478</b>	<b>465</b>	<b>478</b>
<b>Accumulated notional interest</b>			
Opening balance	219	174	174
Notional interest	24	21	45
<b>Closing balance</b>	<b>243</b>	<b>195</b>	<b>219</b>
<b>Total CIP securities</b>	<b>721</b>	<b>660</b>	<b>697</b>

**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 2023 UNAUDITED \$M	31 DECEMBER 2022 UNAUDITED \$M	30 JUNE 2023 AUDITED \$M
<b>Fair value on initial recognition</b>			
Opening balance	1,160	1,119	1,119
Additional funding recognised at fair value	10	27	41
<b>Closing balance</b>	<b>1,170</b>	<b>1,146</b>	<b>1,160</b>
<b>Accumulated amortisation</b>			
Opening balance	(212)	(183)	(183)
Amortisation	(16)	(14)	(29)
<b>Closing balance</b>	<b>(228)</b>	<b>(197)</b>	<b>(212)</b>
<b>Total Crown funding</b>	<b>942</b>	<b>949</b>	<b>948</b>
<b>Current</b>	<b>27</b>	<b>27</b>	<b>28</b>
<b>Non-current</b>	<b>915</b>	<b>922</b>	<b>920</b>

Crown funding largely comprises project-related government funding for the Ultra-Fast Broadband (UFB) build, West Coast Southland Network Build (WCSNB) and Rural Broadband Initiative (RBI) projects.

**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 10 October 2023 an unimputed final dividend of 25.5 cents per share, totalling \$111 million, was paid to shareholders.

**Share buyback**

Under the on-market share buyback programme announced in February 2022, 1,447,014 shares were repurchased from the market in the 6 months to 31 December 2023 for a total of \$11 million. This ended the programme, with a total value of \$150 million in shares repurchased.

**Long-term performance share scheme**

Performance share rights issued in August 2020 were assessed in August 2023 and the performance hurdles were not met. Retesting will be undertaken until August 2024, to determine if the rights vest or lapse.

In August 2023, Chorus issued a new tranche of performance share rights. The rights have a vesting date of 25 August 2026. The retesting regime was removed for the 2023 grant. The 2023 grant has two performance hurdles;

1. Chorus TSR must equal or exceed 23.19% p.a. over the vesting period on an annualised basis, compounding for 50% of the performance share rights to vest.
2. Chorus TSR must equal or exceed 25.97% p.a. over the vesting period on an annualised basis, compounding for 100% of the performance share rights to vest.

The combined option cost for the six months to 31 December 2023 of \$230,000 has been recognised in the consolidated income statement (31 December 2022: \$227,000; 30 June 2023: \$524,000).

**Note 9 – Derivative financial instruments**

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

**Cross-currency interest rate swaps (CCIRS)**

In conjunction with the issuance of the Euro Medium Term Notes and Australian Medium Term Notes (MTN), Chorus enters into CCIRS to hedge the foreign currency and foreign interest rate risks associated with the issuances. Using the CCIRS, Chorus pay NZD floating interest rates and receive EUR/AUD nominated fixed interest with coupon payments matching the underlying notes. The medium term notes and CCIRS are each designated into three part hedging relationships for issue: a fair value hedge of EUR/AUD benchmark interest rates, a cash flow hedge of the margin and a cash flow hedge of the principal exchange.

Per note 4, an issuance of debt was undertaken in September 2023, where four new CCIRS were entered to hedge AUD 300 million of AMTN issued. In addition, the remainder of the EMTN 2023 was repaid and four CCIRS were settled.

	Due Date	Aggregate amount \$M	Pay leg \$M	Receive leg \$M
<b>Hedged item</b>				
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
Australian term notes AUD	Sep 2030	AUD 300	NZD 325	AUD 300

**Interest rate swaps**

As at 31 December 2023 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 (\$14 million and \$27 million 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.

The balance at 31 December 2023 was \$8.7 million and \$16.7 million respectively.

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**Note 10 – Related party transactions**

The gross remuneration paid to directors and key management personnel during the six months to 31 December 2023 was \$6.1 million (31 December 2022: \$6.6 million, 12 months to 30 June 2023: \$9.3 million). In the six months ended 31 December 2023 there was \$1.1 million in termination benefits paid to key management personnel. In addition, as referred to in note 8, the performance hurdles were not met for the long-term performance share scheme and there were nil share based payments made in the period. 31 December 2022 comparative has been updated for consistency.

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**Note 11 – Post balance date events****Dividends**

On 26 February 2024 Chorus declared an interim dividend in respect of the six month period ended 31 December 2023. The total amount of the dividend is \$82 million, which represents an unimputed dividend of 19 cents per ordinary share.

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# 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 16 do not:

1. present, in all material respects the Group's financial position as at 31 December 2023 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 2023;
- 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  
Wellington  
26 February 2024

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## Directory

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NEW ZEALAND'S EXCHANGE  
TE PAEHOKO O AOTEAROA

# Results announcement

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

Updated as at June 2023

Results for announcement to the market		
Name of issuer	Chorus Limited	
Reporting Period	6 months to 31 December 2023	
Previous Reporting Period	6 months to 31 December 2022	
Currency	NZD	
	Amount (000s)	Percentage change
Revenue from continuing operations	\$503,000	Up 3%
Total Revenue	\$503,000	Up 3%
Net profit/(loss) from continuing operations	\$5,000	Down 44%
Total net profit/(loss)	\$5,000	Down 44%
Interim/Final Dividend		
Amount per Quoted Equity Security	\$0.19000000	
Imputed amount per Quoted Equity Security	NZ\$0.0000000	
Record Date	19 March 2024	
Dividend Payment Date	16 April 2024	
	Current period	Prior comparable period
Net tangible assets per Quoted Equity Security	\$1.38	\$1.35
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 2023, media release and investor presentation.	
Authority for this announcement		
Name of person authorised to make this announcement	Mark Aue, Chief Operating Officer	
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	27/02/2024	

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

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NEW ZEALAND'S EXCHANGE  
TE PAEHOKO O AOTEAROA

# Distribution Notice

Updated as at June 2023

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	19/03/2024			
Ex-Date (one business day before the Record Date)	18/03/2024			
Payment date (and allotment date for DRP)	16/04/2024			
Total monies associated with the distribution <sup>1</sup>	\$ 82,438,586			
Source of distribution (for example, retained earnings)	Retained earnings			
Currency	NZD			
Section 2: Distribution amounts per financial product				
Gross distribution <sup>2</sup>	\$ 0.19000000			
Gross taxable amount <sup>3</sup>	\$ 0.19000000			
Total cash distribution <sup>4</sup>	\$ 0.19000000			
Excluded amount (applicable to listed PIEs)	\$ 0.00000000			
Supplementary distribution amount	\$ 0.00000000			
Section 3: Imputation credits and Resident Withholding Tax <sup>5</sup>				
Is the distribution imputed	Fully imputed			
	Partial imputation			

<sup>1</sup> Continuous issuers should indicate that this is based on the number of units on issue at the date of the form

<sup>2</sup> "Gross distribution" is the total cash distribution plus the amount of imputation credits, per financial product, before the deduction of Resident Withholding Tax (RWT).

<sup>3</sup> "Gross taxable amount" is the gross distribution minus any excluded income.

<sup>4</sup> "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.

<sup>5</sup> 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.

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	No imputation	
If fully or partially imputed, please state imputation rate as % applied <sup>6</sup>	% N/A	
Imputation tax credits per financial product	\$ N/A	
Resident Withholding Tax per financial product	\$ 0.06270000	
<b>Section 4: Distribution re-investment plan (if applicable)</b>		
DRP % discount (if any)	N/A	
Start date and end date for determining market price for DRP	N/A	N/A
Date strike price to be announced (if not available at this time)	N/A	
Specify source of financial products to be issued under DRP programme (new issue or to be bought on market)	N/A	
DRP strike price per financial product	\$ N/A	
Last date to submit a participation notice for this distribution in accordance with DRP participation terms	N/A	
<b>Section 5: Authority for this announcement</b>		
Name of person authorised to make this announcement	Mark Aue Chief Operating Officer	
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	27/02/2024	

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