

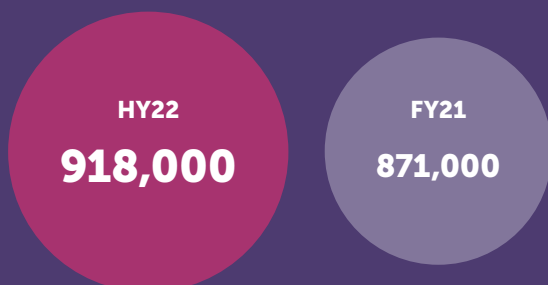
Half Year Results

For the six months ended 31 December 2021

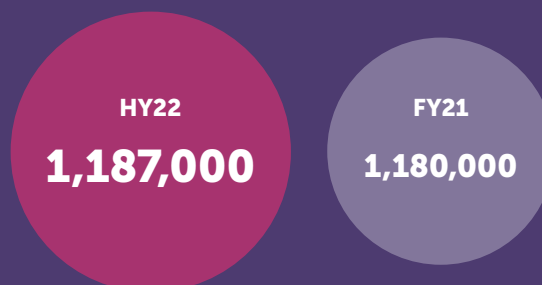
- 01** Half year result overview
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Half year result overview

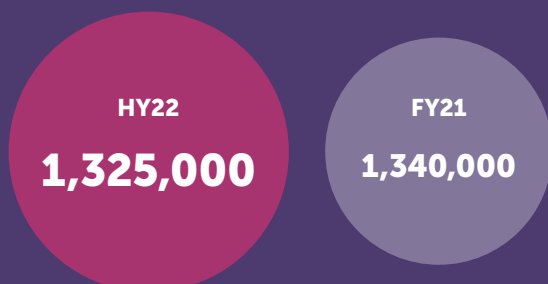
Fibre connections¹



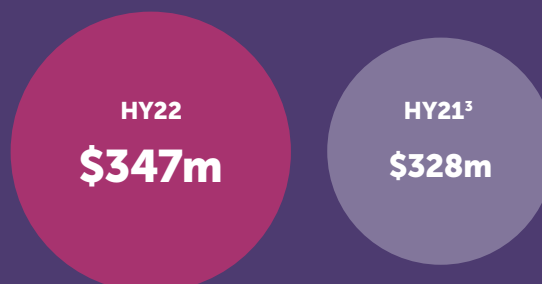
Broadband connections¹



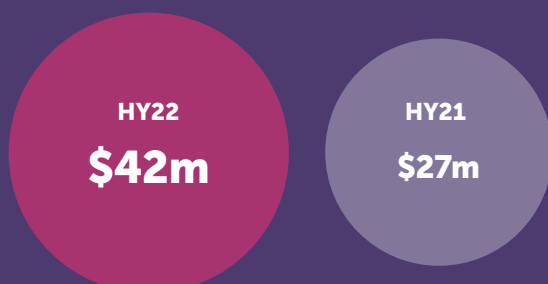
Fixed line connections¹



EBITDA²



Net profit after tax



Dividend



HY22: six months ended 31 December 2021
FY21: year ended 30 June 2021
HY21: six months ended 31 December 2020

¹ Excludes partly subsidised broadband connections provided to student homes as part of Chorus' COVID-19 response.

² Earnings before interest, income tax, depreciation and amortisation (EBITDA) is a non-GAAP profit measure without a standardised meaning for comparison between companies. We monitor EBITDA as a key performance indicator and we believe it assists investors in assessing the performance of the core operations of our business.

³ Previously reported HY21 EBITDA of \$323 million has been increased to \$328 million to reflect a prior period restatement. This reflects an ongoing change in accounting treatment of field services revenue for roadworks that increased HY21 revenue by \$5 million. Refer to page 12 of the HY22 investor presentation for the detailed accounting adjustments. Half year results are unaudited.

HY22 Management commentary

We report earnings before interest, income tax, depreciation, and amortisation (EBITDA) of \$347 million for the six months ending 31 December 2021 (HY22). A strong performance on operating costs underpinned an increase of \$19 million on restated EBITDA of \$328 million¹ in the same six months in FY21 (HY21). A \$9 million holiday pay provision was released in December and network maintenance costs reduced significantly compared to the prior period. Revenues of \$483 million were up slightly on HY21 largely due to gains from our ongoing network optimisation programme. Net earnings increased by \$15 million compared to HY21. Depreciation and amortisation expenses continued to increase as our network asset base grew, while interest costs reduced due to the refinancing of debt at lower rates in HY21.

Guidance for FY22 EBITDA has been increased to \$665 million to \$685 million from a prior range of \$640 million to \$660 million.

Operating Revenue

Revenues of \$483 million were up \$5 million from HY21 restated revenues¹

Mass market broadband connections grew from 1,180,000 to 1,187,000 in HY22 with fibre connections increasing by 47,000. This reflected strong demand for fibre as the second wave of COVID-19 lockdowns drove greater consumer reliance on home broadband connections and affected competitive activity from alternative networks.

Strong growth from new housing developments also continued to provide a positive tailwind.

Average fibre monthly revenue per user grew from \$49.87 to \$50.65 between the end of FY21 and HY22. This was driven by an inflation-related price increase to the popular

100Mbps fibre service and strong consumer demand for upgrades to the higher value 1Gbps service.

Connection revenues across legacy fibre premium and copper voice and data services continued to decline as consumers migrate to alternative services. Total connections on our network reduced by 15,000 in HY22 compared to 46,000 in HY21.

Other revenue included one-off benefits of a \$3 million legal settlement, a \$3 million gain from the disposal of surplus property and \$3 million from a change in lease contract.

	CONNECTIONS 31 DECEMBER 2021	CONNECTIONS 31 DECEMBER 2020	CONNECTIONS 30 JUNE 2021
Fibre broadband (GPON) ²	907,000	802,000	860,000
Fibre premium (P2P) ³	11,000	11,000	11,000
Copper VDSL	138,000	184,000	157,000
Copper ADSL	142,000	197,000	163,000
Data services over copper	2,000	3,000	2,000
Unbundled copper	6,000	13,000	10,000
Baseband copper	119,000	159,000	137,000
Total fixed line connections⁴	1,325,000	1,369,000	1,340,000

Expenses

Total operating expenses were \$136 million in HY22, a \$14 million reduction from HY21. In addition to our ongoing focus on reducing discretionary costs, COVID-19 restrictions affected some expense lines, and we released a labour expense provision.

Labour

Labour costs of \$28 million represent staff costs that are not capitalised and includes a one-off benefit of \$9 million after a judicial ruling on interpretation of the Holidays Act. We had 797 permanent and fixed term employees at the end of HY22, down from 871 at the end of HY21 and from 817 at the end of FY21. These reductions reflect ongoing changes to our

organisational requirements as the fibre rollout comes to an end and we transition to a more operational focus with a new regulatory framework for fibre. COVID-19 restrictions on activity meant some staff costs could not be capitalised and this increased labour expenses by \$2 million during HY22.

¹ Previously reported HY21 EBITDA of \$323 million has been increased to \$328 million to reflect a prior period restatement. This reflects an ongoing change in accounting treatment of field services revenue for roadworks that increased HY21 revenue by \$5 million. Refer to page 12 of the HY22 investor presentation for the detailed accounting adjustments. Half year results are unaudited.

² GPON: Gigabit Passive Optical Network.

³ P2P: where two parties or devices are connected point-to-point via fibre.

⁴ Excludes education connections partly subsidised as part of Chorus' COVID-19 response.

Network maintenance

Network maintenance costs were down \$6m compared to HY21. Fault volumes continued to decline as total customer connections reduced and more customers connected to the newer fibre network. COVID-19 restrictions also resulted in a decrease in reported faults and third-party network damage. The average cost per fault increased slightly.

Information Technology

Information technology costs were down \$2 million because HY21 included a significant project to decommission legacy copper network equipment.

Other network costs

Other network costs are up \$2 million compared to HY21, largely reflecting increased network relocation activity and COVID-19 related service company costs.

Consultants

Consultant costs increased by \$1 million compared to HY21. This reflects the timing of external advice required to support both the implementation of the new regulatory framework from January 2022 and our transition to an adaptive organisation.

Depreciation and amortisation

Depreciation continues to increase as a consequence of our ongoing investment in long-life network assets under our contracted fibre rollout with the government. This is partially offset by the increasing amortisation of Crown funding against these assets.

Finance income and expenses

Interest expense decreased by \$6 million from HY21 due to the lower cost of NZD bonds issued in December 2020. The weighted average effective interest rate reduced from 4.0% to 3.7% between HY21 and HY22. Notional interest on Crown Infrastructure Partners (CIP) securities increased as Crown funding continued to grow.

Capital expenditure

Gross capital expenditure for HY22 was \$263 million, down from \$353 million in HY21. Fibre remained the dominant category of spend at 85%, with the UFB rollout now 97% complete. Copper related expenditure continues to trend downwards.

Fibre connections and layer 2 spend was \$103 million, driven largely by the cost to install fibre into 64,000 homes and businesses. This was down from 90,000 installations in HY21, partly because our managed migration programme was affected by COVID-19 restrictions. The average cost per premises connected during HY22 was \$1,043 for UFB1 and \$1,193 for UFB2.

Spend on other fibre and growth was \$46 million with the three-year West Coast fibre rollout costing \$11 million.

Fibre customer retention costs increased by \$6 million reflecting a continued focus on fibre product incentives.

Copper capital expenditure reduced from \$23 million in HY21 to \$18 million in the current period. Spend on copper customer retention costs was \$3 million, down from \$6 million in HY21, due to the declining uptake of copper broadband.

Common capital expenditure was lower in HY22 due to a number of large lifecycle IT infrastructure upgrades in HY21 and delays to planned building projects due to COVID-19.

Dividends, equity and capital management

We will pay an interim dividend of 14 cents per share on 12 April 2022 to all holders registered at 5:00pm 15 March 2022. The dividends paid will be fully imputed, at a ratio of 28/72, in line with the corporate income tax rate. A supplementary dividend of 2.47 cents per share will be payable to shareholders who are not resident in New Zealand.

The dividend reinvestment plan will be available for the interim dividend, with no discount applied. Participation in the dividend reinvestment plan will be based on election notices received by the share registrar by 5:00pm (NZ time) on 16 March 2022. Shareholders who previously elected to participate in the dividend reinvestment plan, but no longer wish to do so, will need to update their election by this time.

A final dividend of 21 cents per share is expected to be declared in August 2022, 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 2021, Chorus had a long-term credit rating of BBB/stable outlook by Standard & Poor's and Baa2/stable by Moody's Investors Service.

In early 2022, Moody's Investors Service and S&P increased their debt/EBITDA credit rating downgrade thresholds to 5.25 times and 5.0 times respectively for Chorus. Following this increase, it is Chorus' intention that in normal circumstances the ratio of net debt to EBITDA will not materially exceed 4.75 times.

Financial statements

Condensed consolidated income statement

For the six months ended 31 December 2021

	Notes	SIX MONTHS ENDED 31 DECEMBER 2021 UNAUDITED \$M	SIX MONTHS ENDED 31 DECEMBER 2020 UNAUDITED RESTATED \$M	YEAR ENDED 30 JUNE 2021 AUDITED RESTATED \$M
Fibre broadband (GPON)		267	228	477
Copper based broadband		80	110	203
Copper based voice		27	36	68
Fibre premium (P2P)		33	34	68
Field services products		35	36	70
Value added network services		13	15	30
Infrastructure		15	12	27
Data services copper		3	5	9
Other		10	2	3
Total operating revenue		483	478	955
Labour		(28)	(38)	(74)
Network maintenance		(28)	(34)	(63)
Information technology costs		(23)	(25)	(48)
Other network costs		(15)	(13)	(29)
Electricity		(8)	(7)	(18)
Rent and rates		(7)	(6)	(12)
Property maintenance		(7)	(6)	(12)
Provisioning		(1)	(1)	(2)
Insurance		(2)	(2)	(4)
Consultants		(3)	(2)	(7)
Regulatory levies		(4)	(4)	(8)
Other		(10)	(12)	(21)
Total operating expenses		(136)	(150)	(298)
Earnings before interest, income tax, depreciation and amortisation		347	328	657
Depreciation	1, 6	(167)	(165)	(333)
Amortisation	2, 3	(48)	(45)	(94)
Earnings before interest and income tax		132	118	230
Finance income		–	–	1
Finance expense		(71)	(77)	(153)
Net earnings before income tax		61	41	78
Income tax expense		(19)	(14)	(27)
Net earnings for the period		42	27	51
Earnings per share				
Basic earnings per share (dollars)		0.09	0.06	0.11
Diluted earnings per share (dollars)		0.07	0.05	0.09

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

Condensed consolidated statement of comprehensive income

For the six months ended 31 December 2021

		SIX MONTHS ENDED 31 DECEMBER 2021 UNAUDITED \$M	SIX MONTHS ENDED 31 DECEMBER 2020 UNAUDITED RESTATED \$M	YEAR ENDED 30 JUNE 2021 AUDITED RESTATED \$M
Net earnings for the period		42	27	51
Other comprehensive income				
Items that will be reclassified subsequently to the income statement when specific conditions are met				
Movements in effective cash flow hedges	9	42	17	62
Amortisation of de-designated cash flow hedges transferred to Income statement	9	3	–	5
Movement in cost of hedging reserve	9	3	(10)	(7)
Other comprehensive income net of tax		48	7	60
Total comprehensive income for the period net of tax		90	34	111

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

Condensed consolidated statement of financial position

As at 31 December 2021

	Notes	31 DECEMBER 2021 UNAUDITED \$M	31 DECEMBER 2020 UNAUDITED RESTATED \$M	30 JUNE 2021 AUDITED RESTATED \$M
Current assets				
Cash and call deposits		84	268	53
Income tax receivable		21	25	23
Trade and other receivables		125	139	122
Derivative financial instruments	9	3	2	4
Total current assets		233	434	202
Non-current assets				
Derivative financial instruments	9	86	66	71
Trade and other receivables		1	2	2
Deferred tax receivable		71	114	93
Customer retention assets	3	65	55	59
Software and other intangibles	2	154	166	164
Network assets	1	5,247	5,186	5,269
Total non-current assets		5,624	5,589	5,658
Total assets		5,857	6,023	5,860
Current liabilities				
Trade and other payables		254	263	278
Income tax payable		12	12	13
Lease payable		14	10	10
Derivative financial instruments	9	–	3	1
Debt	4	170	400	140
Total current liabilities excluding Crown funding		450	688	442
Current portion of Crown funding	6	27	24	25
Total current liabilities		477	712	467
Non-current liabilities				
Trade and other payables		14	5	11
Deferred tax payable		383	359	374
Derivative financial instruments		99	146	106
Lease payable		177	261	254
Debt	4	2,188	2,256	2,233
Total non-current liabilities excluding CIP and Crown funding		2,861	3,027	2,978
Crown Infrastructure Partners (CIP) securities	5	580	495	545
Crown funding	6	900	830	881
Total non-current liabilities		4,341	4,352	4,404
Total liabilities		4,818	5,064	4,871
Equity				
Share capital		714	689	689
Reserves		(3)	(104)	(51)
Retained earnings		328	374	351
Total equity		1,039	959	989
Total liabilities and equity		5,857	6,023	5,860

The accompanying notes are an integral part of these financial statements.
The financial statements are approved and signed on behalf of the Board.



Patrick Strange
Chair



Mark Cross
Chair, Audit and Risk Management Committee

Authorised for issue on 21 February 2022

Condensed consolidated statement of changes in equity

For the six months ended 31 December 2021

	Notes	Share capital \$M	Retained earnings \$M	Reserves \$M	Total \$M
Balance at 1 July 2020 (RESTATED)		666	409	(111)	964
Comprehensive income					
Net earnings for the period		–	51	–	51
Other comprehensive income					
Movement in cash flow hedge reserve		–	–	62	62
Amortisation of de-designated cash flow hedges transferred to income statement		–	–	5	5
Movement in cost of hedging reserve		–	–	(7)	(7)
Total comprehensive income		–	51	60	111
Contributions by and (distributions to) owners					
Dividends	8	–	(109)	–	(109)
Supplementary dividends		–	(12)	–	(12)
Tax credit on supplementary dividends		–	12	–	12
Dividend reinvestment plan		23	–	–	23
Total transactions with owners		23	(109)	–	(86)
Balance at 30 June 2021 (AUDITED, RESTATED)		689	351	(51)	989
Comprehensive income					
Net earnings for the period		–	42	–	42
Other comprehensive income					
Movement in cash flow hedge reserve		–	–	42	42
Amortisation of de-designated cash flow hedges transferred to income statement		–	–	3	3
Movement in cost of hedging reserve		–	–	3	3
Total comprehensive income		–	42	48	90
Contributions by and (distributions to) owners					
Dividends	8	–	(65)	–	(65)
Supplementary dividends		–	(7)	–	(7)
Tax credit on supplementary dividends		–	7	–	7
Dividend reinvestment plan		25	–	–	25
Total transactions with owners		25	(65)	–	(40)
Balance at 31 December 2021 (UNAUDITED)		714	328	(3)	1,039

Condensed consolidated statement of changes in equity (continued)

For the six months ended 31 December 2021

	Notes	Share capital \$M	Retained earnings \$M	Reserves \$M	Total \$M
Balance at 1 July 2020 (RESTATED)		666	409	(111)	964
Comprehensive income					
Net earnings for the period		–	27	–	27
Other comprehensive income					
Movement in cash flow hedge reserve		–	–	17	17
Movement in cost of hedging reserve		–	–	(10)	(10)
Total comprehensive income		–	27	7	34
Contributions by and (distributions to) owners					
Dividends	8	–	(62)	–	(62)
Supplementary dividends		–	(7)	–	(7)
Tax credit on supplementary dividends		–	7	–	7
Dividend reinvestment plan		23	–	–	23
Total transactions with owners		23	(62)	–	(39)
Balance at 31 December 2020 (UNAUDITED, RESTATED)		689	374	(104)	959

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

Condensed consolidated statement of cash flows

For the six months ended 31 December 2021

	SIX MONTHS ENDED 31 DECEMBER 2021 UNAUDITED \$M	SIX MONTHS ENDED 31 DECEMBER 2020 UNAUDITED RESTATED \$M	YEAR ENDED 30 JUNE 2021 AUDITED RESTATED \$M
Cash flows from operating activities			
<i>Cash was provided from/(applied to):</i>			
Receipts from customers	491	493	982
Interest received	–	–	1
Payments to suppliers and employees	(146)	(181)	(322)
Taxation paid	(4)	(7)	(1)
Interest paid	(51)	(57)	(116)
Net cash flows from operating activities	290	248	544
Cash flows applied to investing activities			
<i>Cash was applied to:</i>			
Purchase of network and intangible assets	(278)	(345)	(647)
Disposal of network and intangible assets	3	–	–
Capitalised interest paid	(1)	(1)	(2)
Net cash flows applied to investing activities	(276)	(346)	(649)
Cash flows from financing activities			
<i>Cash was provided from/(applied to):</i>			
Payment of lease liabilities	(7)	(6)	(8)
Crown funding (including CIP securities)	40	46	147
Proceeds from debt	30	400	510
Repayment of debt	–	(30)	(400)
Dividends paid	(46)	(39)	(86)
Net cash flows from financing activities	17	371	163
Net cash flows	31	273	58
Cash at the beginning of the period	53	(5)	(5)
Cash at the end of the period	84	268	53

Notes to the financial statements

Reporting entity and statutory base

Chorus includes Chorus Limited together with its subsidiaries as at and for the six months ended 31 December 2021.

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

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

The condensed consolidated interim financial statements (financial statements) have been prepared in accordance with the New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting and Generally Accepted Accounting Practice in New Zealand (NZ GAAP). These financial statements do not include all of the information required for the full annual financial statements and should be read in conjunction with the consolidated financial statements of Chorus as at and for the year ended 30 June 2021.

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

The measurement basis adopted in the preparation of these financial statements is historical cost, modified by the revaluation of financial instruments as identified in the specific accounting policies disclosed in the notes to the consolidated financial statements for the year ended 30 June 2021 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 2021 and comparative information for the six months ended 31 December 2020 are unaudited. The comparative information for the year ended 30 June 2021 is audited.

Reclassification and re-statement of comparatives

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

Prior period restatement - Crown funding

Adjustments have been made to the financial statements in relation to funding towards the cost of relocation of communications equipment. This funding has historically been recognised as a liability within Crown Funding and 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, which is consistent with the treatment of other Crown Funding such as RBI. Upon review of funding streams and the accounting treatment of these streams during the period, Chorus have identified that the purpose of the funding is not for the construction of an asset, and therefore should be recognised upon completion of relocation.

While there has not been a material error in net earnings in any one year, the prior period has been restated to reflect the appropriate accounting treatment.

Classification of interest paid on leases and revenue in advance within the statement of cash flows

During the period interest paid on leases and revenue in advance charged were reclassified within the statement of cash flows. The changes provide more reliable and relevant information and better reflect the nature of the cash flows. There has been no impact on net cash flows.

The impact of the restatement and reclassifications on the prior periods is as follows:

Six months ended 31 December 2020	SIX MONTHS ENDED 31 DECEMBER 2020 \$M	RESTATEMENT INCREASE/ (DECREASE) \$M	RECLASSIFICATION INCREASE/ (DECREASE) \$M	SIX MONTHS ENDED 31 DECEMBER 2020 RESTATED \$M
Income statement				
Field services products	31	5	–	36
Depreciation	(164)	(1)	–	(165)
Income tax expense	(13)	(1)	–	(14)
Net earnings for the year	24	3	–	27
Basic earnings per share	0.05			0.06
Diluted earnings per share	0.04			0.05

Statement of financial position

Crown funding	903	(49)	–	854
Income tax payable	3	9	–	12
Retained earnings	334	40	–	374

Statement of cash flows

Cash received from customers	478	5	10	493
Payments to suppliers and employees	(171)	–	(10)	(181)
Interest paid	(49)	–	(8)	(57)
Payment of lease liabilities	(14)	–	8	(6)
Crown funding (including CIP securities)	51	(5)	–	46

Year ended 30 June 2021	YEAR ENDED 30 JUNE 2021 \$M	RESTATEMENT INCREASE/ (DECREASE) \$M	RECLASSIFICATION INCREASE/ (DECREASE) \$M	YEAR ENDED 30 JUNE 2021 RESTATED \$M
Income statement				
Field services products	62	8	–	70
Depreciation	(331)	(2)	–	(333)
Income tax expense	(25)	(2)	–	(27)
Net earnings for the year	47	4	–	51
Basic earnings per share	0.11			0.11
Diluted earnings per share	0.08			0.09

Statement of financial position

Crown funding	955	(49)	–	906
Income tax payable	5	8	–	13
Retained earnings	310	41	–	351

Statement of cash flows

Cash received from customers	954	8	20	982
Payments to suppliers and employees	(302)	–	(20)	(322)
Interest paid	(96)	–	(20)	(116)
Payment of lease liabilities	(28)	–	20	(8)
Crown funding (including CIP securities)	155	(8)	–	147

Accounting estimates and judgements

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

In preparing the financial statements, the significant judgements made in applying Chorus' accounting policies were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2021.

Interest Rate Benchmark Reform

Interbank offered rates ("IBORs") play an important role in global financial markets. Market developments relating to the reliability and robustness of some interest rate benchmarks has resulted in the global regulatory community initiating various programmes to develop alternative benchmarks (risk free rates) within certain jurisdictions. These reforms have led to uncertainty about the long-term viability of some interest rate benchmarks beyond 1 January 2022.

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

Note 1 – Network assets

	31 DECEMBER 2021 UNAUDITED \$M	31 DECEMBER 2020 UNAUDITED \$M	30 JUNE 2021 AUDITED \$M
Cost			
Opening balance	11,407	10,841	10,841
Additions	226	314	581
Disposals	(77)	(7)	(15)
Closing balance	11,556	11,148	11,407
Accumulated depreciation			
Opening balance	(6,138)	(5,789)	(5,789)
Depreciation	(181)	(178)	(360)
Disposals	10	5	11
Closing balance	(6,309)	(5,962)	(6,138)
Net carrying amount	5,247	5,186	5,269

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.

Disposals

Disposals includes movements in the right of use asset as a result of any significant modifications to leases recognised during the period. During the six months ended 31 December 2021 modifications were recognised in relation to Chorus' lease arrangement with Spark for commercial co-location space.

Capital commitments

At 31 December 2021 the contractual commitment for acquisition of network assets was \$91 million (31 December 2020: \$172 million, 30 June 2021: \$119 million), primarily relating to Ultra-Fast Broadband (UFB) build activity.

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

Note 2 – Software and other intangibles

	31 DECEMBER 2021 UNAUDITED \$M	31 DECEMBER 2020 UNAUDITED \$M	30 JUNE 2021 AUDITED \$M
Cost			
Opening balance	901	836	836
Additions	23	35	65
Closing balance	924	871	901
Accumulated amortisation			
Opening balance	(737)	(677)	(677)
Amortisation	(33)	(28)	(60)
Closing balance	(770)	(705)	(737)
Net carrying amount	154	166	164

Capital commitments

At 31 December 2021, the contractual commitment for acquisition of software and other intangible assets was \$12 million (31 December 2020: \$8 million; 30 June 2021: \$4 million).

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

Note 3 – Customer retention assets

	31 DECEMBER 2021 UNAUDITED \$M	31 DECEMBER 2020 UNAUDITED \$M	30 JUNE 2021 AUDITED \$M
Opening balance (net carrying amount)	59	56	56
Additions	23	18	41
Amortisation to amortisation expense	(15)	(17)	(34)
Amortisation to operating revenue	(2)	(2)	(4)
Closing balance (net carrying amount)	65	55	59

Amortisation of customer retention assets

Customer retention assets are amortised to the 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 2021 UNAUDITED \$M	31 DECEMBER 2020 UNAUDITED \$M	30 JUNE 2021 AUDITED \$M
Syndicated bank facilities	Jan 2022	170	–	140
Euro medium term notes (EMTN) EUR	Oct 2023	838	862	858
Euro medium term notes (EMTN) EUR	Dec 2026	495	518	511
Fixed rate NZD Bonds	May 2021	–	400	–
Fixed rate NZD Bonds	Dec 2027	200	200	200
Fixed rate NZD Bonds	Dec 2028	500	500	500
Fixed rate NZD Bonds	Dec 2030	171	196	182
Less: facility fees		(16)	(20)	(18)
Total debt		2,358	2,656	2,373
Current		170	400	140
Non-current		2,188	2,256	2,233

Syndicated bank facility

As at 31 December 2021 Chorus had a \$350 million committed syndicated facility on standard market terms and conditions. The facility is comprised of a single tranche that expires in April 2024, and is held with banks that are rated A to AA-, based on Standard & Poor's ratings.

Euro Medium Term Note

The Euro Medium Term Note debt of EUR 500 million has been swapped to a hedged amount of \$785 million, and EUR 300 million has been swapped to a hedged amount of \$514 million, both using cross currency interest rate swaps (see note 9).

Note 5 – Crown Infrastructure Partners (CIP) securities

	31 DECEMBER 2021 UNAUDITED \$M	31 DECEMBER 2020 UNAUDITED \$M	30 JUNE 2021 AUDITED \$M
Fair value on initial recognition			
Opening balance	410	360	360
Additional securities recognised at fair value	16	17	50
Closing balance	426	377	410
Accumulated notional interest			
Opening balance	135	101	101
Notional interest	19	17	34
Closing balance	154	118	135
Total CIP securities	580	495	545

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 2021 UNAUDITED \$M	31 DECEMBER 2020 UNAUDITED RESTATED \$M	30 JUNE 2021 AUDITED RESTATED \$M
Fair value on initial recognition			
Opening balance	1,062	965	965
Additional funding recognised at fair value	35	31	97
Closing balance	1,097	996	1,062
Accumulated amortisation			
Opening balance	(156)	(129)	(129)
Amortisation	(14)	(13)	(27)
Closing balance	(170)	(142)	(156)
Total Crown funding	927	854	906
Current	27	24	25
Non-current	900	830	881

Ultra-Fast Broadband (UFB)

Chorus receives funding from the Crown to finance construction costs associated with the development of the UFB network. During the six months to 31 December 2021 Chorus recognised funding for 17,100 premises where the premises were passed and tested by CIP. This brings the total number of premises passed and tested by CIP at 31 December 2021 to approximately 994,000.

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

Note 7 – Segmental reporting

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

Note 8 – Equity

Dividends

On 12 October 2021 a fully imputed final dividend of 14.5 cents per share, totalling \$65 million, was paid to shareholders. 3,852,235 shares were issued to shareholders under the Dividend Reinvestment Plan.

Long-term performance share scheme

Chorus operates a long-term performance share scheme for selected key management personnel. Under the legacy option plan, selected key management personnel were issued shares. This was superseded by new long-term performance share scheme in July 2019 under which key senior management are issued share-rights instead of shares.

Legacy share scheme

The final grant issued under the legacy share scheme vested on 27 August 2021, with the absolute performance hurdle of actual total shareholder return equalling or being greater than 10.4% per annum compounding met.

New share scheme

In August 2021, Chorus issued a new tranche of share rights. The shares have a vesting date of 27 August 2024 and an expiry date of 27 August 2025. The grant has an absolute performance hurdle (Chorus' actual total shareholder return equalling or being greater than 6.20% per annum compounding) ending on the vesting date, with provision for monthly retesting in the following twelve month period.

The combined option cost for the six months to 31 December 2021 of \$272,000 has been recognised in the Income statement (31 December 2020: \$191,000; 30 June 2021: \$399,000).

Note 9 – Derivative financial instruments

Ineffectiveness

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

Cross-currency interest rate swaps

In conjunction with the two Euro Medium Term Notes (EMTNs) issued in prior years, Chorus entered into cross-currency interest rates swaps to hedge the foreign currency and foreign interest

rate risks associated with the EMTNs. Using the cross-currency interest rate swaps, Chorus pay floating interest rates and receive EUR nominated fixed interest with coupon payments matching the underlying notes. Chorus designated the EMTN and cross-currency interest rates swaps into three part hedging relationships for issue: a fair value hedge of EUR benchmark interest rates, a cash flow hedge of the margin and a cash flow hedge of the principal exchange.

	Due Date	Aggregate amount (M)	Pay leg (M)	Receive leg (M)
Hedged item				
Euro medium term notes EUR	Oct 2023	EUR 500	NZD 785	EUR 500
Euro medium term notes EUR	Dec 2026	EUR 300	NZD 514	EUR 300

Interest rate swaps

As at 31 December 2021 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 of these swaps was recognised in the cash flow hedge reserve. The initial fair values will flow to finance expense as ineffectiveness over the life of the derivatives.

Note 10 – Related party transactions

The gross remuneration of directors and key management personnel during the six months to 31 December 2021 was \$4.6 million (31 December 2020: \$5.8 million, 12 months to 30 June 2021: \$8.8 million).

Note 11 – Post balance date events

Dividends and share buyback

On 21 February 2022 Chorus declared an interim dividend in respect of the six month period ended 31 December 2021. The total amount of the dividend is \$63 million, which represents a fully imputed dividend of 14 cents per ordinary share.

Additionally, Chorus has advised its intention to undertake an on-market share buyback of up to \$150 million, to commence in late February 2022. The programme may run up to 12 months, with Chorus acquiring shares through the NZX and ASX.

CIP securities and Crown funding

There was one call notice issued on 18 January 2022 to CIP in respect to 3,824 premises (UFB2) with a total aggregate issue price of \$7.3 million. These premises had been passed and tested by CIP before 31 December 2021 and were accrued for in these financial statements.

Independent review report



To the shareholders of Chorus Limited

Report on the condensed consolidated interim financial statements

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of Chorus Limited and its subsidiaries ("the Group") on pages 4 to 16 do not:

- i. present fairly in all material respects the Group's financial position as at 31 December 2021 and its financial performance and cash flows for the 6 month period ended on that date; and
- ii. comply with NZ IAS 34 Interim Financial Reporting.

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

- the condensed consolidated statement of financial position as at 31 December 2021;
- the condensed consolidated income statement, statements of other 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 the condensed 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.

Emphasis of Matter – prior period restatement

We draw attention to the prior period restatement note in the condensed consolidated interim financial statements, which describes the adjustments that have been made to the condensed consolidated interim financial statements in relation to funding towards the cost of relocation of communications equipment.

Our conclusion on the condensed consolidated interim financial statements is not modified in respect of this matter.

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.

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 condensed consolidated interim financial statements

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

- the preparation and fair presentation of the condensed consolidated interim financial statements in accordance with NZ IAS 34 Interim Financial Reporting;
- implementing necessary internal control to enable the preparation of condensed consolidated interim financial statements that are fairly presented and 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 condensed consolidated interim financial statements

Our responsibility is to express a conclusion on the condensed 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 condensed 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
21 February 2022