

C H ● R U S

Half Year Results 2024

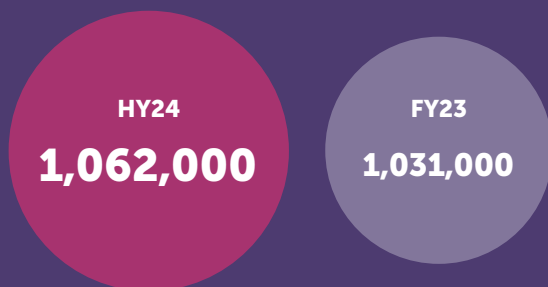
For the six months ended 31 December 2023

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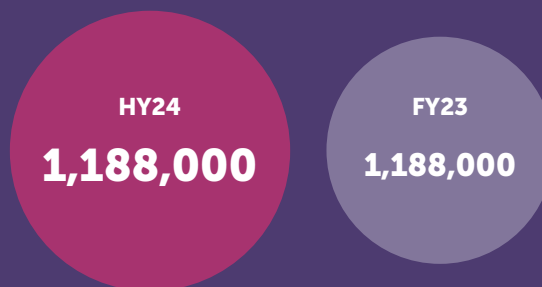


Half year result overview

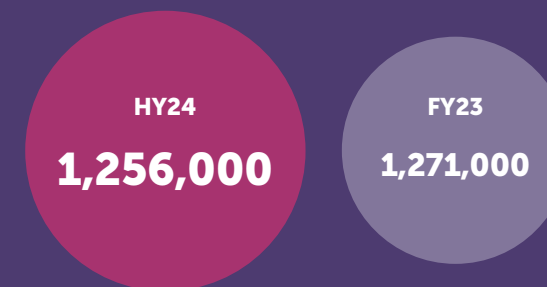
Fibre connections¹



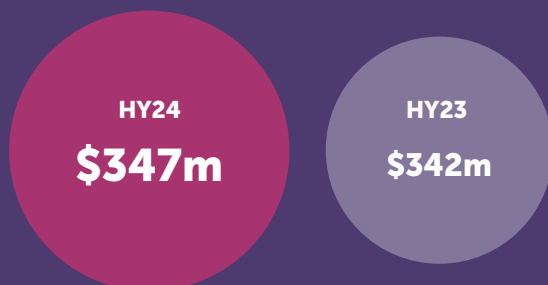
Broadband connections¹



Fixed line connections¹



EBITDA²



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

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.

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
Total fixed line connections*	1,256,000	1,285,000	1,271,000

* 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.

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
Total operating revenue		503	487	980
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)
Total operating expenses		(156)	(145)	(308)
Earnings before interest, income tax, depreciation and amortisation		347	342	672
Depreciation	1, 6	(185)	(175)	(355)
Amortisation	2, 3	(43)	(47)	(91)
Earnings before interest and income tax		119	120	226
Finance income		2	1	4
Finance expense		(109)	(104)	(199)
Net earnings before income tax		12	17	31
Income tax expense		(7)	(8)	(6)
Net earnings for the period		5	9	25
Earnings per share				
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.

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
Net earnings for the period	5	9	25
Other comprehensive income			
Movements in effective cash flow hedges	9	(22)	12
Amortisation of de-designated cash flow hedges transferred to Income statement	9	3	3
Movement in cost of hedging reserve	9	(8)	(5)
Items that will be reclassified subsequently to the income statement when specific conditions are met, net of tax	(27)	10	5
Net revaluation of land and buildings		-	-
Items that will not be reclassified subsequently to the income statement when specific conditions are met, net of tax		-	-
Total comprehensive income for the period net of tax	(22)	19	265

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

Condensed consolidated statement of financial position

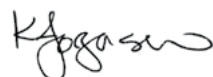
For the six months ended
31 December 2023

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

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
Balance at 1 July 2022		682	-	60	287	1,029
Comprehensive income						
Net earnings for the period		-	-	-	25	25
Other comprehensive income						
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
Total comprehensive income		-	265	5	25	295
Contributions by and (distributions to) owners						
Dividends	8	-	-	-	(169)	(169)
Dividend reinvestment plan		9	-	-	-	9
Share buy-back		(101)	-	-	-	(101)
Shares issued under LTI scheme		(1)	-	1	-	-
Total transactions with owners		(93)	-	1	(169)	(261)
Balance at 30 June 2023 (AUDITED)		589	265	66	143	1,063
Comprehensive income						
Net earnings for the period		-	-	-	5	5
Other comprehensive income						
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)
Total comprehensive income		-	-	(27)	5	(22)
Contributions by and (distributions to) owners						
Dividends	8	-	-	-	(111)	(111)
Share buy-back		(11)	-	-	-	(11)
Total transactions with owners		(11)	-	-	(111)	(122)
Balance at 31 December 2023 (UNAUDITED)		578	265	39	37	919

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

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
Balance at 1 July 2022		682	-	60	287	1,029
Comprehensive income						
Net earnings for the period		-	-	-	9	9
Other comprehensive income						
Movement in cash flow hedge reserve		-	-	12	-	12
Amortisation of de-designated cash flow hedges transferred to income statement		-	-	3	-	3
Movement in cost of hedging reserve		-	-	(5)	-	(5)
Total comprehensive income		-	-	10	9	19
Contributions by and (distributions to) owners						
Dividends	8	-	-	-	(93)	(93)
Dividend reinvestment plan		9	-	-	-	9
Share buy-back		(34)	-	-	-	(34)
Shares issued under LTI scheme		(1)	-	1	-	-
Total transactions with owners		(26)	-	1	(93)	(118)
Balance at 31 December 2022 (UNAUDITED)		656	-	71	203	930

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

Condensed consolidated statement of cash flows

For the six months ended
31 December 2023

	SIX MONTHS ENDED 31 DECEMBER 2023 UNAUDITED \$M	SIX MONTHS ENDED 31 DECEMBER 2022 UNAUDITED \$M	YEAR ENDED 30 JUNE 2023 AUDITED \$M
Operating cash flows			
<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)
Net operating cash flows	243	238	524
Investing cash flows			
<i>Cash was provided from/(applied to):</i>			
Purchase of network and intangible assets	(259)	(238)	(495)
Capitalised interest paid	(1)	-	(1)
Net investing cash flows	(260)	(238)	(496)
Financing cash flows			
<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)
Net financing cash flows	28	84	(40)
Net cash flows	11	84	(12)
Cash at the beginning of the period	76	88	88
Cash at the end of the period	87	172	76

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

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)
EBIT	119	120	226
Add back: depreciation	185	175	335
Add back: amortisation	43	47	91
EBITDA	347	342	672

Note 1 – Network assets

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

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
Cost			
Opening balance	989	941	941
Additions	28	24	55
Disposals	(4)	(7)	(7)
Closing balance	1,013	958	989
Accumulated amortisation			
Opening balance	(843)	(789)	(789)
Amortisation	(28)	(32)	(61)
Disposals	4	7	7
Closing balance	(867)	(814)	(843)
Net carrying amount	146	144	146

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).

Note 3 – Customer acquisition assets

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

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)
Total debt		2,676	2,412	2,528
Current		150	344	368
Non-current		2,526	2,068	2,160

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
Fair value on initial recognition			
Opening balance	478	439	439
Additional securities recognised at fair value	-	26	39
Closing balance	478	465	478
Accumulated notional interest			
Opening balance	219	174	174
Notional interest	24	21	45
Closing balance	243	195	219
Total CIP securities	721	660	697

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
Fair value on initial recognition			
Opening balance	1,160	1,119	1,119
Additional funding recognised at fair value	10	27	41
Closing balance	1,170	1,146	1,160
Accumulated amortisation			
Opening balance	(212)	(183)	(183)
Amortisation	(16)	(14)	(29)
Closing balance	(228)	(197)	(212)
Total Crown funding	942	949	948
Current	27	27	28
Non-current	915	922	920

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
Hedged item				
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.

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.

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.

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:

- i. 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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ARBN 152 485 848