

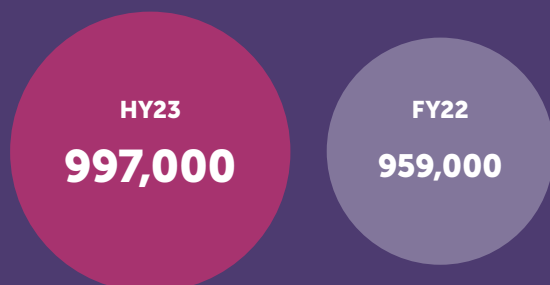
Half Year Results

For the six months ended 31 December 2022

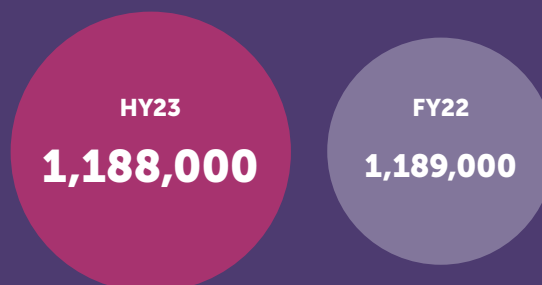
- 01** Half year result overview
- 02** Management commentary
- 04** Financial statements

Half year result overview

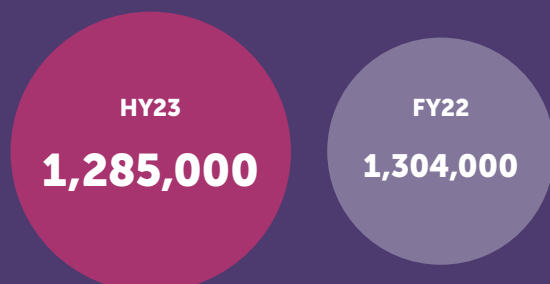
Fibre connections¹



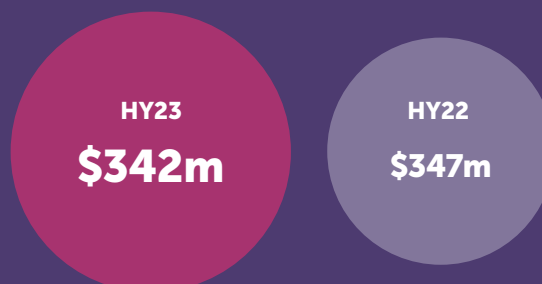
Broadband connections¹



Fixed line connections¹



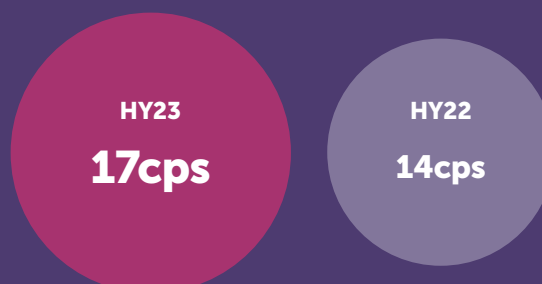
EBITDA²



Net profit after tax



Dividend



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

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

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

HY23 Management commentary

We report earnings before interest, income tax, depreciation, and amortisation (EBITDA) of \$342 million for the six months ended 31 December 2022 (HY23). This was a \$10 million increase on underlying HY22 EBITDA¹ of \$332 million. Reported HY22 EBITDA was \$347 million when including \$15 million of one-off operating revenue and expense gains in that period.

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

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

Operating Revenue

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

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

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

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

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

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

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

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

Expenses

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

Labour

Labour costs of \$38 million represent staff costs that are not capitalised and were up \$10 million from HY22. HY22 included the release of a \$9 million provision for holiday pay and reduced labour capitalisation due to COVID restrictions of approximately \$2 million. At the end of HY23 we had 810 permanent and fixed term employees, up from 797 at the

end of HY22 and from 799 at the end of FY22. The increase reflects additional resourcing to support implementation of the new regulatory framework for fibre and IT contractors becoming full-time employees.

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

Network maintenance

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

Information Technology

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

Property maintenance

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

Depreciation and amortisation

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

Finance income and expenses

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

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

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

Capital expenditure

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

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

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

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

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

Dividends, equity and capital management

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

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

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

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

Financial statements

Condensed consolidated income statement

For the six months ended 31 December 2022

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

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

Condensed consolidated statement of comprehensive income

For the six months ended 31 December 2022

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

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

Condensed consolidated statement of financial position

As at 31 December 2022

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

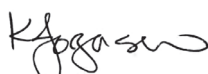
The accompanying notes are an integral part of these consolidated financial statements.

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



Mark Cross
Chair

Authorised for issue on 20 February 2023



Kate Jorgensen
Chair, Audit and Risk Management Committee

Condensed consolidated statement of changes in equity

For the six months ended 31 December 2022

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

Condensed consolidated statement of changes in equity (continued)

For the six months ended 31 December 2022

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

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

Condensed consolidated statement of cash flows

For the six months ended 31 December 2022

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

Notes to the financial statements

Reporting entity and statutory base

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

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

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

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

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

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

Accounting policies and standards

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

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

Reclassification and re-statement of comparatives

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

Accounting estimates and judgements

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

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

Interest Rate Benchmark Reform

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

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

Net current liability position

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

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

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

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

Note 1 – Network assets

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

Crown funding

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

Additions

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

Capital commitments

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

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

Note 2 – Software and other intangibles

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

Capital commitments

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

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

Note 3 – Customer retention assets

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

Amortisation of customer retention assets

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

Note 4 – Debt

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

Syndicated bank facility

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

EMTN 2023 tender

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

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

EMTN 2029 issuance

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

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

Note 5 – Crown Infrastructure Partners (CIP) securities

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

Note 6 – Crown funding

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

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

Ultra-Fast Broadband (UFB)

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

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

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

Note 7 – Segmental reporting

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

Note 8 – Equity

Dividends

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

Share buyback

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

Long-term performance share scheme

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

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

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

Note 9 – Derivative financial instruments

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

Cross-currency interest rate swaps

In conjunction with the two Euro Medium Term Notes (EMTNs) issued in prior years, Chorus entered into cross-currency interest rate swaps to hedge the foreign currency and foreign interest rate risks associated with the EMTNs. Using the cross-currency interest rate swaps, Chorus pay floating interest rates and receive EUR nominated fixed interest with coupon payments matching the underlying notes. Chorus designated the EMTN

and cross-currency interest rates swaps into three part hedging relationships for issue: a fair value hedge of EUR benchmark interest rates, a cash flow hedge of the margin and a cash flow hedge of the principal exchange.

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

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

Interest rate swaps

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

Restructured interest rate swaps

Three interest rate swaps have been restructured. Two interest rate swaps restructured in December 2018 were reset in conjunction with the resettable NZD fixed rate bond issued

on 6 December 2018 to hedge interest rate exposure from December 2023. The forward dated interest rate swap restructured in February 2020 was reset in conjunction with the EUR 300 million EMTN issued on 5 December 2019, to hedge interest rate exposure from April 2020.

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

Note 10 – Related party transactions

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

Note 11 – Post balance date events

Dividends

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

CIP securities and Crown funding

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

Cyclone Gabrielle

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

Independent review report



To the shareholders of Chorus Limited

Report on the consolidated interim financial statements

Conclusion

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

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

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

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated income statement, consolidated statements of comprehensive income, changes in equity and cash flows for the 6 month period then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.

Basis for conclusion

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

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

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

Use of this Independent Review Report

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

Responsibilities of the Directors for the consolidated interim financial statements

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

- the preparation and fair presentation of the consolidated interim financial statements in accordance with NZ IAS 34 Interim Financial Reporting;
- implementing necessary internal control to enable the preparation of consolidated interim financial statements that are free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

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

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

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

This description forms part of our Independent Review Report.

KPMG
Wellington
20 February 2023