

**FIBRE
ROLLOUT
COMPLETED
DECEMBER
2022**

FY23 half year results

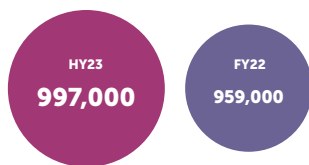
dear investors

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

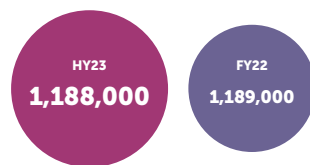
We've been working closely with other network providers and our service companies to reconnect many communities in challenging conditions. Our thoughts are with all those impacted, including our employees, and our teams are committed to restoring services as quickly as they can.

Half year result overview

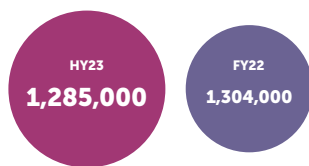
Fibre connections¹



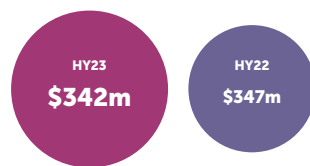
Broadband connections¹



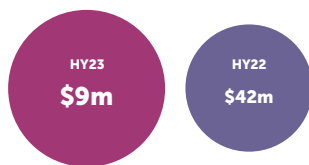
Fixed line connections¹



EBITDA²



Net profit after tax



Dividend



Steady HY23 financial result despite workforce constraints

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

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

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

We reported EBITDA of \$342 million for the six months ended 31 December 2022 (HY23). This was a \$10 million increase on underlying HY22 EBITDA of \$332 million³. Reported HY22 EBITDA was \$347 million when including \$15 million of one-off operating revenue and expense gains in that period. In light of this steady financial performance, we've increased EBITDA guidance for the year to \$675 million to \$690 million from a prior range of \$655 million to \$675 million. This guidance update does not include potential flood and cyclone-related impacts.

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

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

Interim dividend and capital management

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

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

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

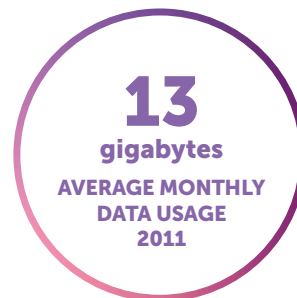
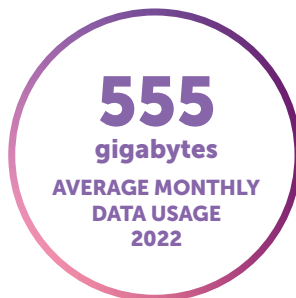
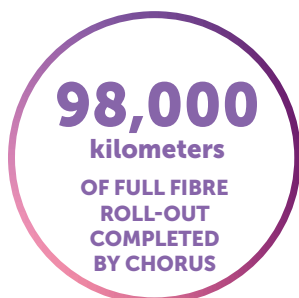
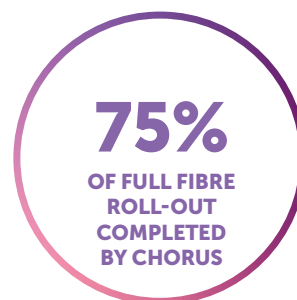
Fibre rollout completed, just in time for Christmas

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

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

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

Fibre rollout facts



Bridging the digital divide

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

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



Responding to Cyclone Gabrielle

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

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

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

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



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

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

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

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

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

Workforce challenges

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

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

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

Looking ahead – where to for fibre?

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

www.chorus.co.nz/glio

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

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

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

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

The NZIER report is available at:

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

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

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

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

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

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



Mark Cross, Chorus Chair

