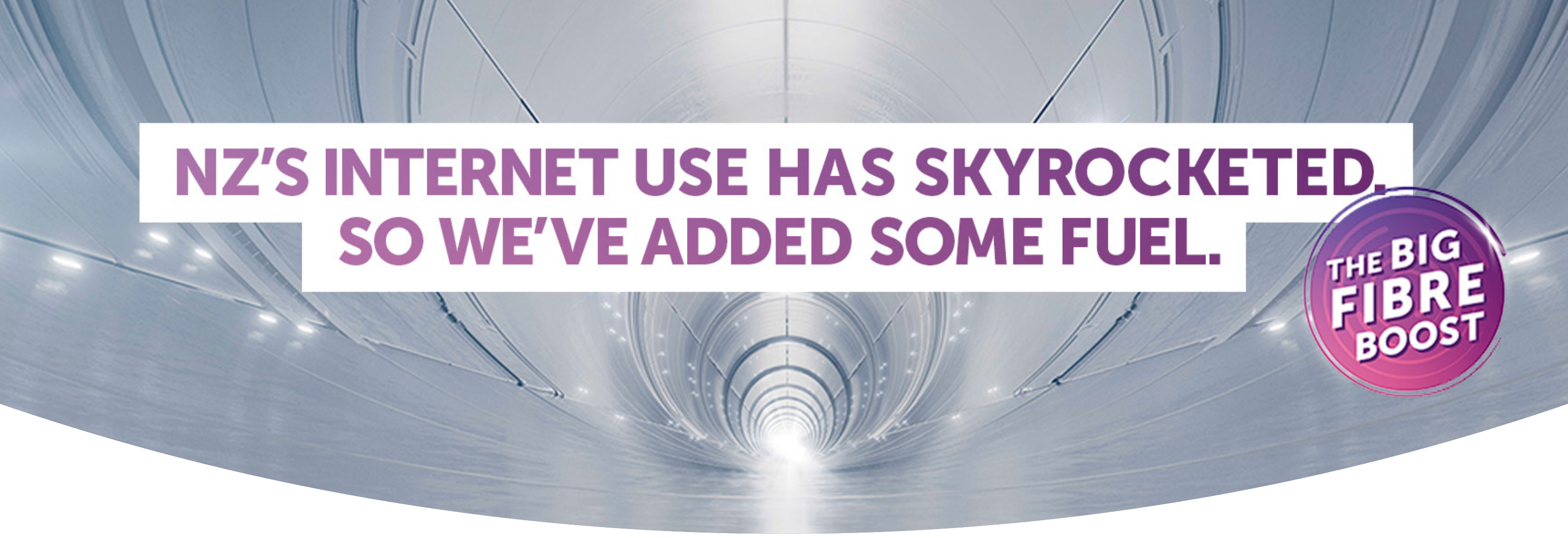


NZ'S INTERNET USE HAS SKYROCKETED. SO WE'VE ADDED SOME FUEL.

FY22 half year results

dear investors

Solid financial result and regulatory clarity provide platform for dividend growth

We reported EBITDA of $347 million for HY22. A strong performance on operating costs underpinned an increase of $19 million on restated EBITDA of $328 million[1] in the same six months in FY21 (HY21).

Revenues of $483 million were up slightly on HY21 largely due to gains from our ongoing network optimisation programme. Network maintenance costs reduced significantly compared to the prior period and a $9 million holiday pay provision was released in December. Net profit after tax increased by $15 million compared to HY21.

Given this solid financial result, we've increased EBITDA guidance for the year to $665 million to $685 million from a prior range of $640 million to $660 million.

Half year result overview

Fibre connections[2]	HY22: 918,000	FY21: 871,000
Broadband connections[2]	HY22: 1,187,000	FY21: 1,180,000
Fixed line connections[2]	HY22: 1,325,000	FY21: 1,340,000
EBITDA[3]	HY22: $347m	HY21[1]: $328m
Net profit after tax	HY22: $42m	HY21: $27m
Dividend	HY22: 14cps	HY21: 10.5cps

HY22: The six months ending 31 December 2021
HY21: The six months ending 31 December 2020
FY21: The 12 months ending 30 June 2021

FY22 dividend outlook lifted to 35 cents per share

The Board recognises that investors have had constrained returns through the decade long ultra-fast broadband (UFB) investment cycle. This was extended by the delayed implementation of the new regulatory framework, and included two years of no dividends during the copper pricing review. In that time, shareholders have also helped further fund the fibre rollout by providing $279 million through the dividend reinvestment plan.

Consistent with our capital allocation framework, our focus is on returning surplus capital to shareholders where that provides greater shareholder value than further discretionary investment.

In August we announced initial dividend guidance of 26 cents per share for the current financial year (FY22) and said we expected to provide more detail once the Commerce Commission had finalised key regulatory inputs for the new fibre framework.

The Commission's decisions on 16th December were broadly in line with our expectations and paved the way for our credit ratings agencies to update their credit thresholds for Chorus in early 2022. Moody's Investors Service and S&P recognise that the new regulatory regime now provides Chorus with some certainty over the revenues that can be earned from the fibre network. As such, they've lifted the amount of debt that Chorus can carry without impacting our credit ratings.

With Chorus now on the cusp of becoming free cash flow positive and beginning to earn more than it is investing in the network, we've provided updated dividend guidance for the next three years. The FY22 dividend guidance has been increased to 35 cents, with 14 cents to be paid in April. We expect the FY23 dividend to be a minimum of 40 cents per share and the FY24 dividend a minimum of 45 cents.

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 Excludes partly subsidised broadband connections provided to student homes as part of Chorus' COVID-19 response.
3 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.

Share buyback announced

In addition to the increased dividend, we've announced a share buyback of up to $150 million. Following the increase in the credit rating thresholds and consistent with our capital allocation framework, we believe this is the most tax efficient allocation of surplus capital.

The buyback will also help boost future earnings per share and our imputation credit reserves. The buyback may be suspended if we identify more accretive opportunities for shareholder value to be realised.

A new year, a new regulatory framework

1 January 2022 was a watershed moment for Chorus because it marked our transition from the contractual framework for fibre agreed with government for the initial fibre rollout to the new utility-style framework. This new framework was first approved by Parliament back in late 2018 and it has taken a substantial amount of work across Chorus to help develop and implement the new framework in the years since.

Key elements of the Commerce Commission's final decisions included:

- a regulated asset base of $5.425 billion, with some final transitional adjustments expected in mid-2022 to account for actual values for 2021 and 2022 and further consideration of the allocation of central office space between copper and fibre.
- maximum allowable revenue (MAR) of $690.2 million to $789.5 million (nominal) for the first regulatory period for fibre (2022– 2024) with total revenue of $2.227 billion.

While we're pleased to finally have clarity on the regulatory framework, our strong view remains that the regulated asset base is too low. It doesn't fully reflect the true investment and risks over the course of the fibre public private partnership.

Some of the regulatory settings for the next three years, such as a very low weighted average cost of capital and cost allocations for fibre, raise significant questions over ongoing discretionary investment. In particular, the implied allocation of greater costs to our non-fibre business has highlighted that the nationwide copper service obligations we inherited a decade ago need to be revisited. Large urban areas have since been allocated to other fibre companies and rural wireless networks are being subsidised by government.

Together these regulatory and market developments mean we can no longer cross-subsidise rural costs. Yet, unlike other rural network providers, we're still required to provide services at urban prices. Clearly this is unsustainable and will only entrench a digital divide. We'll keep looking for ways to work with the Government to help meet New Zealand's increasing connectivity needs beyond our fibre footprint.

Dividend reinvestment plan for shareholders

A dividend reinvestment plan is available to our Australian and New Zealand resident shareholders who prefer to increase their shareholding rather than receive a cash dividend. There will be **no discount rate** applied for the 12 April 2022 dividend payment.

If you haven't previously registered to participate and wish to do so, you'll need to have registered your participation by 5:00pm (NZ time) on 16 March 2022.

You can register, or deregister, by logging into your Computershare profile at www.investorcentre.com/nz or downloading the Participation Notice at company.chorus.co.nz/financials and returning it to Computershare.

The full terms of the reinvestment plan can be read in our Offer Document dated February 2016 at company.chorus.co.nz/financials, or you can request a copy free of charge. Our most recent audited financial statements, and auditor's report, are included in our 2021 annual report, which is available free of charge on request and at company.chorus.co.nz/reports.

Fibre uptake passes two-thirds mark

The fibre rollout is close to completion with just 30,000 or so premises left to pass. Of the more than 1.3 million homes and businesses that have fibre at their doorstep, 67% have now chosen to connect. Combine that with the other fibre connections we have around the country and we're now at 918,000 total fibre connections, up 47,000 connections in the six months to the end of December.

The continued growth in fibre demand is testament to the reliability fibre broadband is delivering through the challenges of the ongoing COVID pandemic. We saw the lockdowns and other public restrictions in HY22 ramp up average data usage on fibre to new record highs of more than 600 gigabytes (GB) per month. In the first six weeks of the last lockdown, Chorus' fixed networks carried more than an exabyte of data. That's one billion gigabytes and is more than all the data carried in 2015, the year Netflix launched in New Zealand.

Consumer adoption of online streaming services has accelerated and working from home is a change in behaviour that isn't going to return to pre-pandemic norms. This growing need for high capacity and low latency connections to support bandwidth intensive applications is reflected in the continued increase in demand for our 1 gigabit per second product. It has grown from 19% to 23% of our mass market fibre connections in the last six months with many consumers upgrading from lower speed plans.

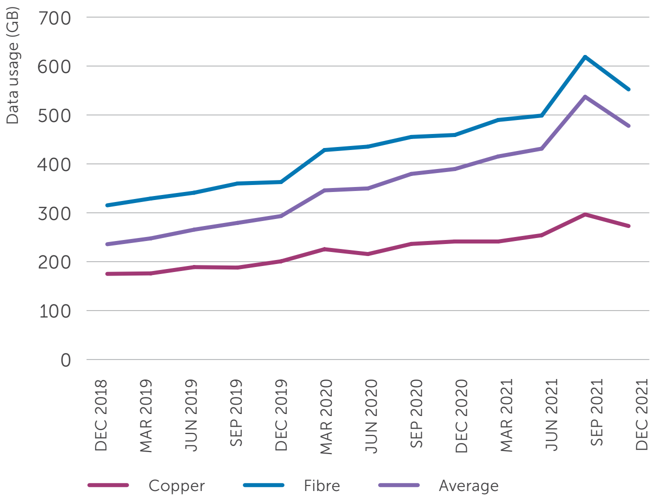
These trends aren't unique to New Zealand. A recent report from Sandvine, an international application and network intelligence company, says the number of "power users" consuming more than 1 terabyte of data a month is growing. They expected the average household to use as much as 650–750 GB per month by the end of 2021. Over half of this bandwidth traffic is being generated by streaming video.[4]

4 The Global Internet Phenomena Report, Sandvine, January 2022

Monthly average data usage exceeded 600 GB in September. The average Auckland home and small business increased their data usage by 63 per cent, from 379 GB in October 2019 to 619 GB in October this year, a month that Aucklanders spent entirely in lockdown.

Figure 1:

Monthly average data usage per connection on our network*



** includes upstream traffic from June 2020 onwards*

Big fibre boost

In 2011, at the start of the Ultra-Fast Broadband build, 30 Mbps was considered a great broadband speed. In 2015, as Kiwis took streaming to heart, great broadband increased to 100 Mbps. With the demand for data showing no signs of slowing, we've just completed our largest-ever performance upgrade for fibre customers.

In December we worked closely with broadband retailers to upgrade more than 600,000 homes and businesses to even better speeds:

- Residential customers on the 100 Mbps fibre plan can now access 300Mbps from retailers while the upload speed increased five-fold from 20 Mbps to 100 Mbps.
- Kiwi businesses have also benefited with 'Business Evolve' 100/100 Mbps plans and 'Small Business Fibre' 100/100 Mbps plans moving to download and upload speeds of 300/300 Mbps and 500/500 Mbps, respectively.

Chorus provided these increased services with zero increase in the wholesale charges. This performance upgrade builds on our purpose to ensure that New Zealanders have access to the best internet connectivity.

When we first started building the fibre network in New Zealand, we had the ambition to be envied globally for our broadband. As retailers have made the upgrade available to their customers, New Zealand has catapulted up the world's fixed line broadband rankings, from 22nd place 11th based on the Ookla Global Speed Test Index in December.

#		Country	Mbps
1	–	**Singapore**	192.17
2	–	**Chile**	187.50
3	–	**Thailand**	175.93
4	–	**Hong Kong (SAR)**	168.66
5	+2	**Monaco**	165.47
6	-1	**Denmark**	156.04
7	-1	**China**	153.33
8	–	**United States**	136.53
9	–	**Spain**	130.86
10	+1	**Macau**	126.42
11	+11	**New Zealand**	121.91

Fibre broadband's low emissions benefit

In December we released research undertaken by Sapere Research Group that confirmed fibre is the best broadband option for consumers concerned about carbon emissions. Sapere found fibre broadband has lower emissions than copper-based VDSL, Hybrid Fibre Coaxial (HFC) and fixed wireless networks. The research is consistent with findings from other international studies and used local network data provided by Chorus and the three other New Zealand local fibre companies.

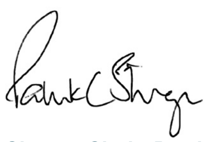
The study is an important step in empowering consumers to make buying decisions based on what's best for the planet. An entry-level fibre plan, operating at 50 Mbps, is up to 41 per cent more efficient than copper VDSL and up to 56 per cent more efficient than 4G fixed wireless. For higher speed plans, around 300 Mbps, fibre is up to 29 per cent more efficient than HFC, and up to 77 per cent more efficient than 5G fixed wireless.

The research also clarifies that the emissions profile of fibre stays consistent as speeds increase while the emissions for alternative technologies increase with speed. This means fibre will likely continue to be the best option in the future as consumers increasingly demand high-capacity broadband services to do all the things they want online.

Real-world network data was used to assess the emissions impact of fibre and VDSL, while a mix of actual and theoretical data was used for other technologies. The full report can be found at the bottom of our sustainability webpage **company.chorus.co.nz/sustainability**

Thank you for your support of Chorus.

Kind regards,



Chorus Chair, Patrick Strange