

Connecting Aotearoa

so that we can all live,
learn, work and play



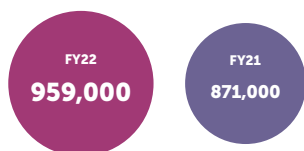
dear investors

Our network and our people proved resilient in another operationally challenging year. Data demand and fibre uptake continued to grow, underpinning a solid financial performance. With the fibre rollout programme drawing to a close, Chorus returned to earning more than it is investing in the network for the first time in a decade.

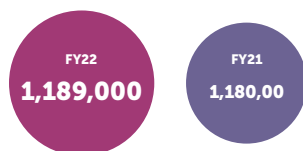
Continued strong growth in demand for fibre broadband delivered underlying revenue of \$959 million, up from restated \$955 million in FY21.² Careful cost management partly mitigated inflationary and COVID pressures to achieve underlying operating expenses of \$299 million, up \$1 million from FY21.

FY22 result overview

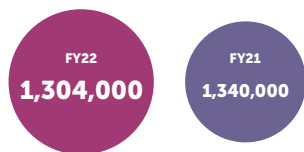
Fibre connections¹



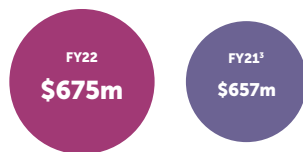
Broadband connections¹



Fixed line connections¹



EBITDA²



Net profit after tax



Dividend



Employee engagement score⁴



Customer satisfaction



This produced underlying FY22 EBITDA of \$660 million, up \$3 million from restated FY21 EBITDA of \$657 million.²

A further \$6 million of revenue from our network optimisation programme and a legal settlement, together with the release of a \$9 million holiday pay provision, achieved reported EBITDA of \$675 million. Net profit after tax was \$64 million compared to a restated total of \$51 million in FY21.²

Our move to positive free cash flow enables us to increase dividend payments to shareholders. We'll pay a final unimputed dividend of 21 cents per share on 11 October 2022, bringing total dividends for FY22 to 35 cents per share. For FY23 we're increasing dividend guidance from a minimum of 40 cents per share to 42.5 cents per share. FY24 guidance has increased to a minimum of 47.5 cents per share.

Dividend reinvestment plan for shareholders

A dividend reinvestment plan is available to our Australian and New Zealand resident shareholders. There will be no discount rate applied for the 11 October 2022 dividend payment.

If you haven't previously registered to participate and wish to do so, you'll need to register your participation by 5:00pm (NZ time) on 14 September 2022.

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

The full terms of the reinvestment plan can be read in our Offer Document dated February 2016 at www.chorus.co.nz/dividends, 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 www.chorus.co.nz/financial-results.

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

2 Earnings before interest, income tax, depreciation and amortisation (EBITDA) is a non-GAAP profit measure. We monitor this as a key performance indicator and we believe it assists investors in assessing the performance of the core operations of our business.

3 Previously reported FY21 EBITDA and net profit after tax have been restated to reflect an ongoing change in accounting treatment of field services revenue for roadworks. Refer to page 34 of the 2022 Annual Report for the detailed accounting adjustments.

4 Based on the average response to four key engagement questions.

FY22 overview

Our objective heading into FY22 was to keep unlocking the potential of fibre by continuing to connect more people and technology to our network. COVID continued to make that difficult with lengthy lockdowns, followed by the ongoing effects of illness on our workforce and consumer activity.

Despite this, we added another 88,000 fibre connections and fibre uptake grew from 65% to 69% of addresses within our Ultra-Fast Broadband (UFB) fibre footprint. With direct contact with householders curtailed, we pivoted from suburban fibre installation campaigns to promoting activation of pre-installed fibre sockets. This helped win back a growing number of connections and kept us on track to reach one million fibre connections by the end of December.

Our 11-year public-private partnership with the Government is fast approaching its conclusion. Just 17,000 or so homes and businesses remain to have fibre built past them and this will be done by the end of December. During the year we were pleased to complete another project, largely funded by the Government's Provincial Growth Fund, to extend fibre backhaul along 250 kilometres of the South Island's West Coast. This has opened up fibre and mobile network connectivity for remote but key communities like Haast, as well as strengthening the resilience of the regional network.

Increased consumer reliance on broadband for working, streaming and learning continued to drive demand for reliable high-capacity broadband. The number of 1 gigabit per second (Gbps) connections increased to 23% of our consumer fibre connections, up from 19% last year. In December, we gave more than 600,000 homes and businesses a speed boost. Residential consumers on our most popular 100 megabit per second (Mbps) plans were able to upgrade to 300Mbps at no additional wholesale charge. We're also starting to see momentum in the number of consumers taking our next generation Hyperfibre services of 2, 4 and 8Gbps. Together, these developments are catapulting Aotearoa New Zealand up global fixed line broadband rankings.

Fibre's operational electricity needs and associated carbon emissions are lower than other broadband technologies, particularly at higher data speeds. This enabled us to support a 23% increase in data traffic with only a small uplift in total network electricity usage during the year. Total traffic across our network rose the equivalent of 1.3 billion gigabytes, to 7,140 petabytes, while monthly average household data usage for fibre consumers grew from 500GB to 567GB.

In our planned fibre areas broadband connections grew by 27,000. This helped us to grow total fibre and copper broadband connections nationally by 9,000 to 1,189,000. This total excludes the 9,000 school student households we continue to support with partly subsidised broadband connections as part of a Ministry of Education COVID response. We ended the year with 1,304,000 fixed line connections, down 36,000 lines compared with a reduction of 75,000 lines in FY21. Predictably, most of this reduction was again in areas where our copper network competes with alternative fibre networks.

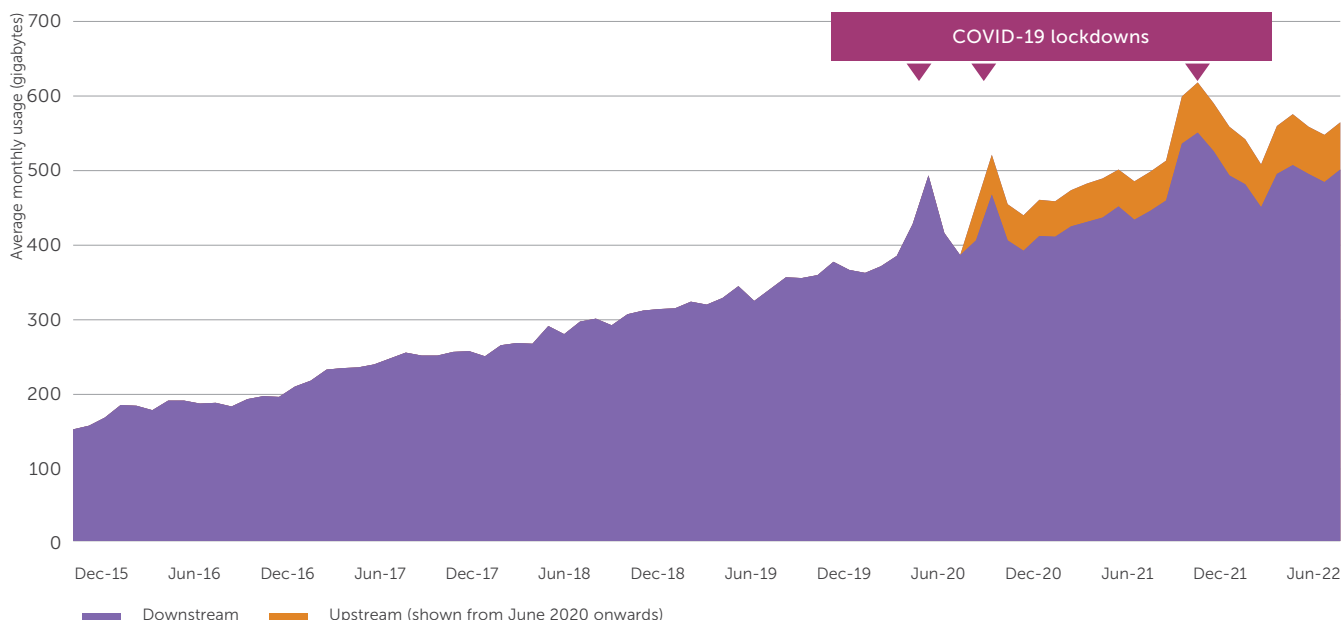
1 January 2022 marked our transition to a utility-style regulatory framework for fibre, replacing the contractual framework with government that had applied through the fibre rollout. After many years of discussion and implementation we now have clarity on the parameters that will shape our investment choices. These include the starting regulated asset base of \$5.4 billion¹ and our maximum allowable revenue for the next three years, which includes some allowance for inflation.

The new framework also brings a regulatory focus on quality of service and customer satisfaction. Customer experience has been a priority we've worked to embed within our organisation for many years. In FY22 this included implementing a new fibre fault restoration measure and continuing to work on improving the fibre connection experience for homes with an existing or 'intact' fibre socket. While we achieved a strong result on the first measure at 8.2 out of 10, there's plenty more to do to lift the intact experience from 7.3 out of 10.

¹ Currently subject to a Commerce Commission finalisation process.

Figure 1 :

Average monthly usage per connection on our fibre network



Outlook

With the core elements of our regulatory framework now settled and the finish line for our fibre rollout in sight, we're shifting focus to a more operational future. Connecting Aotearoa so that we can all live, learn, work and play is our refreshed organisational purpose. Achieving this means continuing to grow uptake of our network so its socio-economic benefits help power the country's digital future.

By the end of 2022 we'll have brought fibre to the last community under our public-private partnership with the Government and we expect to have reached our target of one million fibre connections. That still leaves just under 30% of homes and businesses that have yet to choose fibre within our fibre footprint.

Auckland, with about a third of the national population, has shown that more than 80% uptake is achievable. To keep driving uptake we need to keep refining our fibre value proposition and continue making the customer experience as seamless as possible for our retailers and consumers. This isn't simple when we don't have the direct relationship with consumers, but our retail service provider survey shows the improvements we've made over FY22 are heading in the right direction. Our new service company structure is an opportunity to simplify and enhance our operations further.

In the short term, COVID will continue to cast a shadow over our business and the wider economy. Although our pipeline of new housing developments remains strong given historical housing shortages, population growth has slowed with net migration trending to negative. We're seeing inflationary pressures, particularly in our direct labour costs and through our service companies. We're also conscious of the pressure on consumers, so we've chosen not to apply the full inflationary increases we're permitted across all products from October. On our most popular 300Mbps service we're holding the increase at 5.5% while our 1Gbps service will only increase 3.6% after no price changes for several years.

At the same time, we're reducing the pricing of our multi-gigabit Hyperfibre services. Of the almost 1,000 Hyperfibre connections to date, more than three-quarters are residential consumers. This points to the continued consumer appetite for better broadband. Schools have also begun to adopt Hyperfibre services so they can provide enhanced bandwidth and reliability across multiple users as more student learning moves online.

Our confidence in fibre's future proof capability keeps growing. International investment in fibre is surging and in 2021 fibre became the most prevalent broadband technology in the OECD, with New Zealand ranked eighth for fibre uptake. Like here, multi-gigabit fibre services are emerging in overseas markets. There's no doubt that future consumer applications, whether cloud-based gaming or virtual reality in the metaverse, are going to drive demand for higher speeds and consistency. When these propositions develop mass market followings, the network demands will be substantial. Fibre is easily scalable for that demand and our 25Gbps trial demonstrated a clear roadmap for even better capability.

While COVID-19 has accelerated digital adoption, we need to work hard to ensure this doesn't widen the socio-economic digital divide and reinforce the multiple barriers to digital inclusion.

We're committed to achieving true digital equity through understanding, collaboration, and effort so that no one gets left behind. During the pandemic we've focussed our support on student connections, digital skills uplift for seniors and helping the charitable sector embrace digital. These initiatives are continuing into FY23 and we're holding pricing flat on our low-cost Home Fibre Starter service.

As broadband capacity and reliability needs grow, so too will the digital divide between rural and urban Aotearoa. There's a growing body of evidence that broadband penetration needs a high-quality broadband connection to maximise the socio-economic benefits. Fibre offers a path to reliable high-capacity broadband that doesn't need recurring government funding top-ups and supports national carbon emissions reduction goals. That's why other countries are extending fibre as far as they can.

We believe that rather than kicking the can down the road with piecemeal solutions, pragmatic policy settings are available to enable us to reach 90% of Kiwis with fibre. That three percent increase represents 65,000 customers located relatively close to rural centres. Perhaps we can go even further.

In urban areas, growing fibre uptake means we're moving from trialling the withdrawal of copper services to a more production-like process. Of the approximately 2,500 copper broadband cabinets in our fibre areas, a quarter have now been notified for withdrawal because they have few remaining connections. The electricity savings from cabinet shutdowns will become a growing contributor to our carbon reduction goals. Our new emissions reduction plan forecasts a 25% electricity reduction by 2030, assisted by the potential expansion of solar generation on our exchanges.

Embedding sustainability in our business strategy has included a close look at our future organisational needs. Like many businesses, recruiting and retaining people is increasingly challenging. We're continuing to evolve to be a more adaptive, diverse and inclusive organisation as we transition from a focus on building to operating the fibre network. This includes working on developing the capability needed to thrive in our new regulatory and dynamic market environment.



Please visit <https://company.chorus.co.nz/sustainability> to read our Sustainability Report 2022.

We know that competition will keep growing as mobile network operators seek to recover their 5G investments. With more than 90% of fibre connections now on 300Mbps plans or higher, we believe we're providing consumers with the best broadband technology. We'll keep developing our role as an active wholesaler and explore new and potentially innovative ways to leverage our fibre network and our network infrastructure. Our new PowerSense product is a good example of this approach.

I will retire from the Board at the next annual meeting in late October. Mark Cross, currently chair of the Audit and Risk Management Committee, will be our new Board chair. As a director since 2016, Mark has a strong understanding of our role as an essential infrastructure provider and the balance needed to encourage ongoing investment that delivers future consumer benefits and value to shareholders.

With our return to positive free cash flow, we're now in a position where we can make choices about discretionary investment. This may include close adjacent opportunities that offer better returns than the regulatory WACC. Whatever opportunities arise, at our core we'll remain a regulated utility focussed on providing shareholders with stable returns.

Thank you for your support of Chorus.

Kind Regards,



Patrick Strange
Chair



Figure 2:

Our strategic focus



① If you'd like more detail on our financial results, the annual report and a recorded webcast of our results briefing will be available on our website at www.chorus.co.nz/reports

