

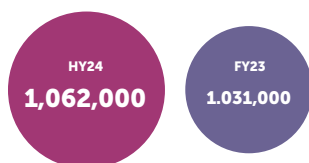
FY24 half year results

dear investors

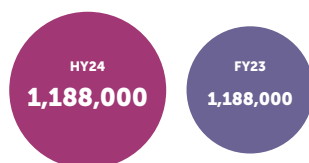
Our financial results for the six months ended 31 December 2023 show a solid result in our first normal operating period following the pandemic, workforce and weather challenges of the last few years. Demand for fibre broadband continues to grow, with uptake passing 70% and data consumption back at levels last seen during the pandemic lockdowns.

Half year result overview

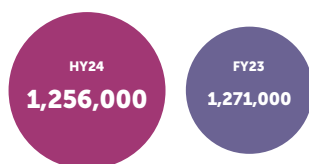
Fibre connections¹



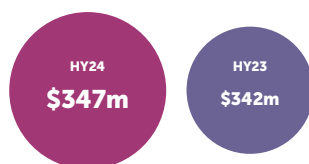
Broadband connections¹



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.

Growth in fibre uptake drives simplification

The growth in fibre uptake is driving Chorus' evolution towards becoming a simpler, pure fibre digital infrastructure company. Over the last 12 months, fibre grew from 78 per cent of Chorus' connections to 85 per cent. This reflects both the growth in fibre uptake and copper connections dropping by 94,000 lines. This shift has seen network fault volumes drop by 15 per cent because fibre connections require much less maintenance than our legacy copper connections. We expect these fault volumes to fall further as we look to fully retire copper in urban fibre areas by the end of 2026.

Our objective remains to achieve 80 per cent fibre uptake, and we are continuously refining our active wholesaler strategy to help achieve this. Our 50 Mbps 'Home Fibre Starter' plan has seen impressive uptake, doubling connections in the half year. This plan has been a key part of our strategy, particularly in addressing cost-of-living pressures and providing a superior alternative to wireless technologies. It also provides an entry point for consumers to experience fibre and to upgrade to higher speed plans in the future.

"We're also pleased to see the continued growth in uptake of our gigabit and multi-gigabit plans, now comprising 25 per cent of our customer base. This shift underscores New Zealanders' growing appetite for high-speed, reliable connectivity.

EBITDA was \$347 million for the six months ending 31 December 2023 (HY24), a \$5 million increase on HY23 EBITDA of \$342 million. Operating revenues were up \$16 million from the prior period to \$503 million. Operating expenses were \$156 million, up \$11 million from HY23, largely reflecting inflation-linked cost increases and some one-off costs for operating model changes.

Net profit after tax (NPAT) decreased by \$4 million to \$5 million compared to HY23 at \$9 million, primarily due to higher interest rates and the accelerated depreciation of copper assets in areas where fibre is available.

We've confirmed we'll pay an unimputed interim dividend of 19 cents per share on 16 April 2024. The dividend reinvestment plan remains suspended.

We completed our \$150 million share buyback in September. There are now just under 434 million shares on issue, with about 19 million shares cancelled through the buyback.

Extending the fibre footprint

In early February, we announced that we are continuing to reduce the digital connectivity divide between urban and non-urban areas. Work has begun to build fibre to 10,000 more homes and businesses across 59 communities nationwide.

About 60 per cent of the homes and businesses we intend to pass are not on the Chorus network.

We're already seeing strong interest in fibre through a pre-registration initiative targeting some of the initial communities in our rollout plan.

We believe that fibre should and could go further, and we'll keep investigating ways to do more. But for now, any further investment is contingent on pricing, market and regulatory changes that make a commercial case for further investment.



An underground directional drilling machine in Waiau Pa, South Auckland, for the recently announced fibre rollout.

Thinking ahead for network resilience

This time last year our network teams were busy restoring services in areas devastated by Cyclone Gabrielle. In the wake of that event, our team has been busy considering how we might make our network more resilient for the future.

One initiative is the development of two mobile exchanges on wheels, or MEOWs. Repairing and reinstating an entire exchange building could take months, depending on the damage. Using six metre long 'datablok' containers, a MEOW can be transported by road and can connect up to 25,000 fibre connections. This means we can get services back up and running within a few days of a disaster affecting one of our existing exchange buildings.



Two containerised emergency exchanges have been built and are on standby for future disasters. One is stored in the North Island and the other in the South Island.

Keeping ahead of the game on bandwidth

The proportion of “power users” consuming more than one terabyte of data – 1,000 gigabytes in a month – was 16% in December.

Data usage across all our fibre customers averaged 599 gigabytes. That’s back near the record usage levels we last saw during COVID lockdowns in late 2021 and shows the ongoing growth in everyday data usage. That growth is happening even with much lower data users joining fibre from copper.

As we’ve noted before, average usage would double if all current video streaming traffic was in 4K quality. For now, we’re lagging other countries when it comes to things like the broadcast of mainstream sports in 4K quality.

The average data usage doesn’t tell you the full story. More and more usage is happening in evening peak times. This means our network capacity is having to flex a lot more. If you look at the chart on the right, you can see how an average evening – the dark red line – peaks around 3.8 terabits per second downloads.

That is well and truly eclipsed on evenings when applications like Fortnite require upgrades that drive record peaks of 5.3 terabits per second. The peak in December 2023 was 35% higher than the peak in December 2022. For fibre consumers, that Fortnite update should have taken about five minutes on a one gigabit plan or less than 15 minutes on a 300 megabits plan. Compare that to about one and a half hours on an average 4G fixed wireless plan.

Leadership transition

JB Rousselot, who has served as Chorus’ CEO since November 2019, will step down from his role on 15 April 2024. JB has been instrumental in steering Chorus through a period of substantial growth and simplification of the company’s operating model.

JB has been an exceptional leader for Chorus and fully embraced New Zealand’s culture during his time. Under his guidance, Chorus completed the government-supported Ultra-Fast Broadband programme, saw fibre reach more than one million New Zealand homes and businesses, and he led the company through its greatest test, COVID-19. We are grateful for his passionate advocacy of both fibre and consumer transparency.

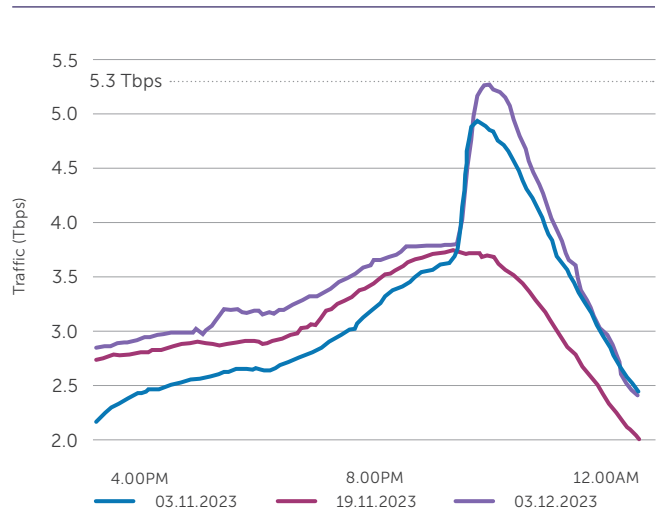
Taking over from JB is Mark Aue, currently Chief Operating Officer; he will start as the new CEO on 15 April 2024. Mark joined Chorus in April 2023, having been most recently the CEO of 2Degrees and, before this, the CFO of Vodafone NZ (now One NZ).

We’re delighted to be passing the leadership of Chorus to a Kiwi. Mark’s appointment as CEO comes at a pivotal time. His deep understanding of Chorus and the telecommunications industry and his proven leadership and innovation track record make him the ideal person to lead Chorus into its next chapter. Mark’s focus on the customer and growing fibre connections will be a core part of Chorus’ future.

JB leaves Chorus in great shape and well-prepared to adapt to the challenges and opportunities of the future, and we thank him for this. He will work closely with Mark in the weeks ahead to ensure a seamless leadership handover.

We invest in capacity to keep ahead of this demand, maintaining at least 50 per cent headroom above the average to meet forecast peak usage. Fibre’s advantage over other technologies is that we can achieve significantly greater capacity relatively easily by changing out the electronics on either end of the fibre cable to a home or business. With 99.999% reliability and latency below five milliseconds, fibre is the leading technology to meet the increasing demands of an ultra-digital future.

Peak time traffic – Terabits per second



Looking ahead

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.

Chorus’ next four-year regulatory period starts in January 2025, and we’ve lodged an expenditure proposal of approximately \$1.3 billion with the Commerce Commission. A draft decision on this is expected by the end of March, and a final decision on the revenue we’re allowed to earn from the fibre network is due towards the end of the year.

I look forward to updating you in August on Chorus’ continuing progress in enabling New Zealand’s digital future.

Thank you for your ongoing support of Chorus.

Mark Cross, Chair



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