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Companies Announcement Office
Australian Securities Exchange
4th Floor, 20 Bridge Street
Sydney, NSW 2000
Australia

24 February 2014

Dear Sir/Madam,

Chorus half year report: Supplementary documents

Further to the filing of the Appendix 4D, please find attached the following documentation for release to the market:

1. Media Release
2. Investor Presentation
3. NZX Appendix 1

These documents will also be released to the NZX.

Yours sincerely

Vanessa Oakley
General Counsel & Company Secretary
Chorus Limited

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STOCK EXCHANGE ANNOUNCEMENT

24 February 2014

Chorus interim FY14 result - Reshaping the business to be sustainable

- **$78m NPAT; no dividend for the six months**
- **Moving the business model to move towards full cost recovery and utility-style operation**
- **UFB and RBI rollouts being delivered successfully**

Chorus Limited has today reported a net profit after tax (NPAT) of $78 million and earnings before interest, tax, depreciation and amortisation (EBITDA) of $329 million for the six months ended 31 December 2013.

Operating revenue for the period was $535m and operating expenses were $206m. Depreciation and amortisation for the period was $162m, delivering earnings before interest and tax (EBIT) of $167m.

"Since Chorus came into being from being part of a vertically integrated telecommunications company, we have been shifting our business model to a utility-style operation," said Mark Ratcliffe, Chorus CEO.

"This shift has been hastened by our new environment and the immediate things within our control are cost initiatives we can implement quickly. We have already begun reshaping the business to secure a sustainable operating framework for Chorus in the context of a substantial reduction in revenue. We have made good progress, but the UBA pricing decision will reduce revenues by $142m from 1 December 2014 so this progress must be accelerated."

"To that end we have undertaken a fundamental review of the entire business to identify an extensive range of operating cost out, capital expenditure out and revenue initiatives.

"Many initiatives are in train for implementation from July 2014, and some smaller initiatives have already been implemented.

"We are getting on with managing our costs and revenues without reliance on any regulatory outcomes. The reality of our situation is that like all of the telecommunications industry we are adapting our business to significantly lower revenues," he said.

Operating performance

Broadband continued to grow during the period, with total broadband connections increasing by 20,000 during the period, which also saw substantial growth in VDSL. Fibre broadband connections have doubled.

"Chorus has spent more than $1.1 billion on fibre networks and capability in the two years since demerger," said Mark Ratcliffe, Chorus CEO. "Both the UFB and RBI initiatives are comfortably on track."

24% of Chorus' UFB rollout is now complete, meaning 259,000 end users are now within reach of Chorus UFB. The period also saw steady progress on initiatives to reduce UFB build costs. Cost per premises passed was approximately 4% below targeted cost.

Crown Fibre Holdings discussions

"We have been discussing a number of potential initiatives with CFH and this work is ongoing. We hope to be in a position to announce a conclusion to the first tranche of initiatives shortly," said Mark Ratcliffe.

Regulation

The industry has requested the second phase of the UCLL and UBA pricing reviews, known as the Final Pricing Principle (FPP).

"Chorus analysis suggests the UCLL price from the FPP could be significantly higher than it is today, and that there is a clear judicial precedent for backdating.

"The FPP is a new phase and timelines and outcomes are uncertain. As such, Chorus will progress these in parallel but will not wait for processes to be completed," said Mark Ratcliffe.

The High Court has also been asked to review whether the Initial Pricing Principle was applied correctly in relation to the UBA benchmarked price.

FY14 Guidance

FY14 EBITDA: Chorus now expects to be at the top end of our FY14 guidance range of flat to low single digit percentage decline in EBITDA, relative to underlying FY13 EBITDA of $654 million.

Capex: Chorus' FY14 gross capital expenditure guidance of $660 to $690 million remains unchanged. However, Chorus is updating guidance for our capital expenditure categories to be: Fibre $550m to $570m; Copper $55m to $65m; Common $50m to $60m.

Interim Dividend

Following on from the withdrawal of dividend guidance on 18 November 2013, Chorus has elected not to pay an interim dividend.

Chorus is focussed on delivering on initiatives to manage for key debt metrics. Chorus' broader capital management objectives are:

- maintain an investment grade rating with headroom. In the longer term, the Board continues to consider a "BBB" rating appropriate for a business like Chorus; and
- setting a financially sustainable dividend policy once sufficient certainty is achieved.

Capital management decisions will be communicated when there is sufficient certainty around the outcome of Chorus initiatives, CFH discussions, and regulatory reviews.

Results summary for the six months ending 31 December 2013

- Net Profit After Tax of $78 million
- EBITDA of $329 million
- Revenue of $535 million
- Total fixed line connections largely stable at 1,776,000
- UFB and RBI fibre rollouts being delivered successfully with more than 320,000 end users within reach of better broadband
- Steady progress on initiatives to reduce the cost of UFB deployment
- Following on from the withdrawal of dividend guidance on 18 November 2013, Chorus has elected not to pay an interim dividend

ENDS

Chorus Chief Executive, Mark Ratcliffe, and Chief Financial Officer, Andrew Carroll, will discuss the final results at a briefing in Wellington from 10.00am (NZ time). The webcast will be available at www.chorus.co.nz/webcast.

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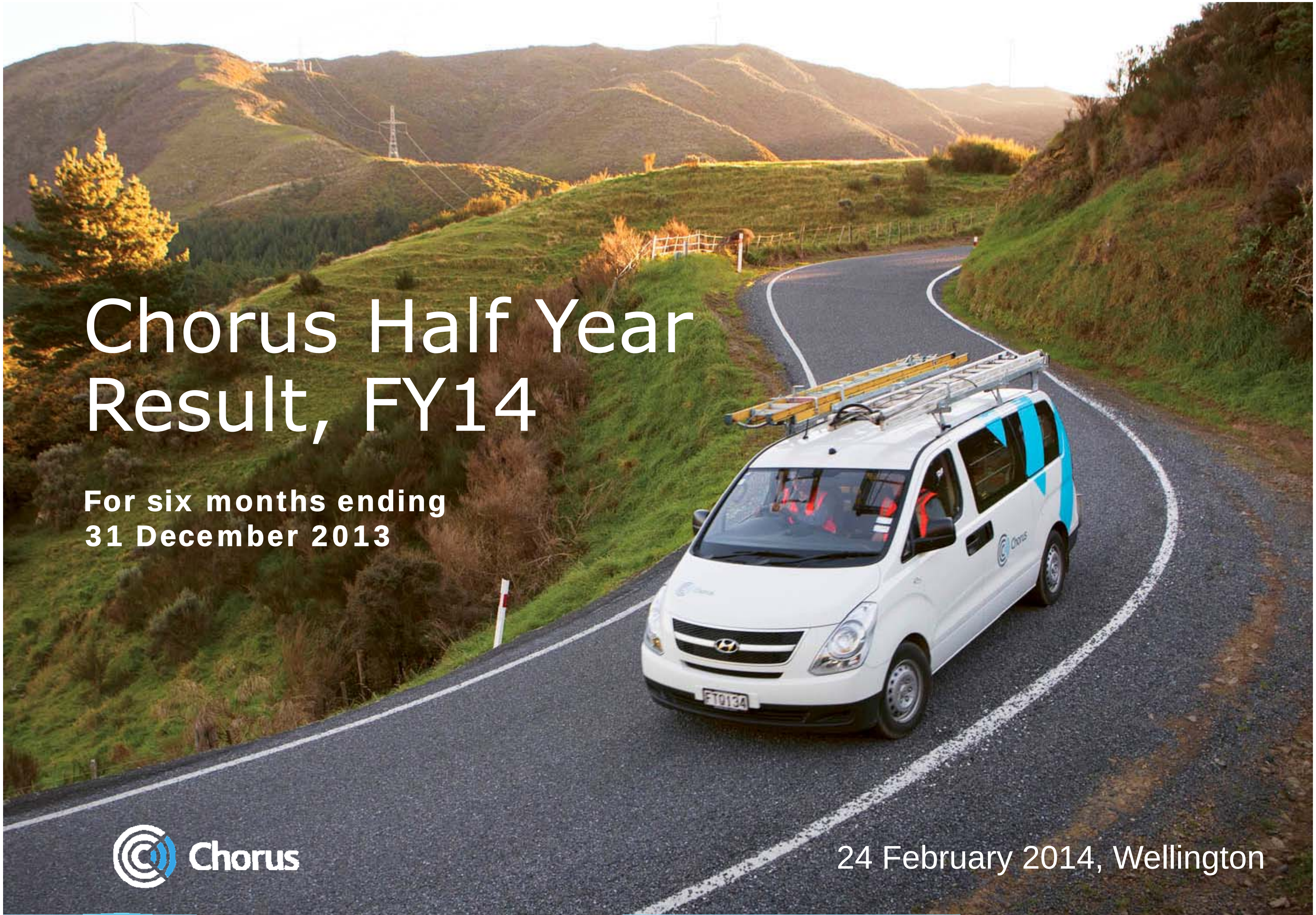

Chorus Half Year Result, FY14

For six months ending 31 December 2013

Chorus

24 February 2014, Wellington

Disclaimer

Forward-Looking Statements

- This presentation may contain forward-looking statements regarding future events and the future financial performance of Chorus, including forward looking statements regarding industry trends, strategies, capital expenditure, the construction of the UFB network, possible business and capital management initiatives in response to recent regulatory and governmental decisions, credit ratings and future financial and operational performance. These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond Chorus' control, and which may cause actual results to differ materially from those expressed in the statements contained in this presentation. No representation, warranty or undertaking, express or implied, is made as to the fairness, accuracy or completeness of the information contained, referred to or reflected in this presentation, or any information provided orally or in writing in connection with it. Please read this presentation in the wider context of material previously published by Chorus and released through the NZX and ASX.
- Except as required by law or the NZX Main Board and ASX listing rules, Chorus is not under any obligation to update this presentation at any time after its release to you, whether as a result of new information, future events or otherwise.

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Investment Advice

- This presentation does not constitute investment advice or a securities recommendation and has not taken into account any particular investor's investment objectives or other circumstances. Investors are encouraged to make an independent assessment of Chorus.

Mark Ratcliffe

Chorus CEO

Chorus

Agenda

Mark Ratcliffe, CEO

> Business performance overview
> Connections trends
> UFB and RBI programmes

Andrew Carroll, CFO

> Financial results
> Capex, CPPP and CPPC
> Guidance update

The new reality – Mark Ratcliffe and Andrew Carroll

> The way forward
> Workstreams
> Capital management
> A regulatory and policy puzzle
> Q and A

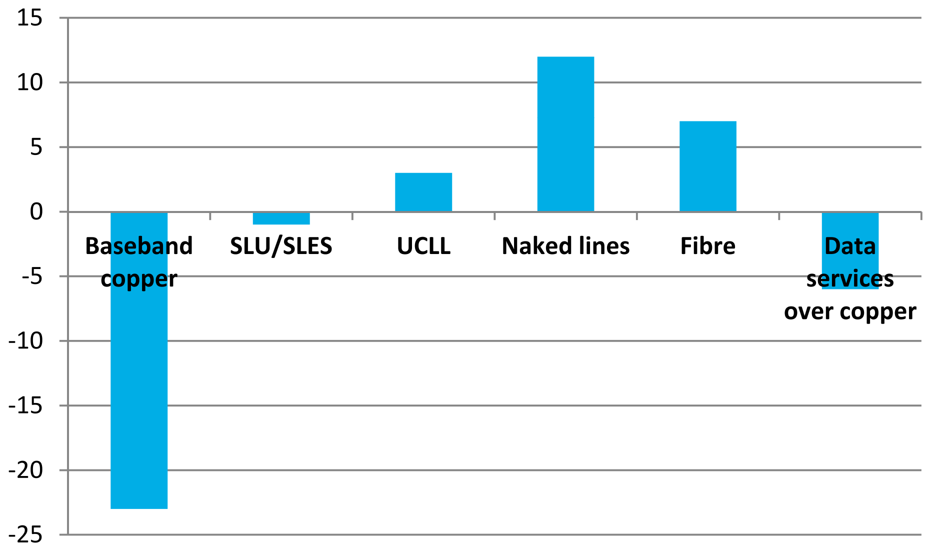
Pleasing business performance

- Net Profit After Tax of $78 million
- EBITDA of $329 million
- Revenue of $535 million
- Total fixed line connections largely stable at 1,776,000
- Solid progress on UFB rollout with a quarter of a million end users now within reach

Fixed line connections

Fixed line connections	31 Dec 2013	30 June 2013
Baseband copper	1,497,000	1,521,000
UCLL	125,000	122,000
SLU/SLES	5,000	6,000
Naked Basic/Enhanced UBA and Naked VDSL	103,000	91,000
Data services over copper	19,000	25,000
Fibre	27,000	19,000
Total fixed line connections	**1,776,000**	**1,784,000**

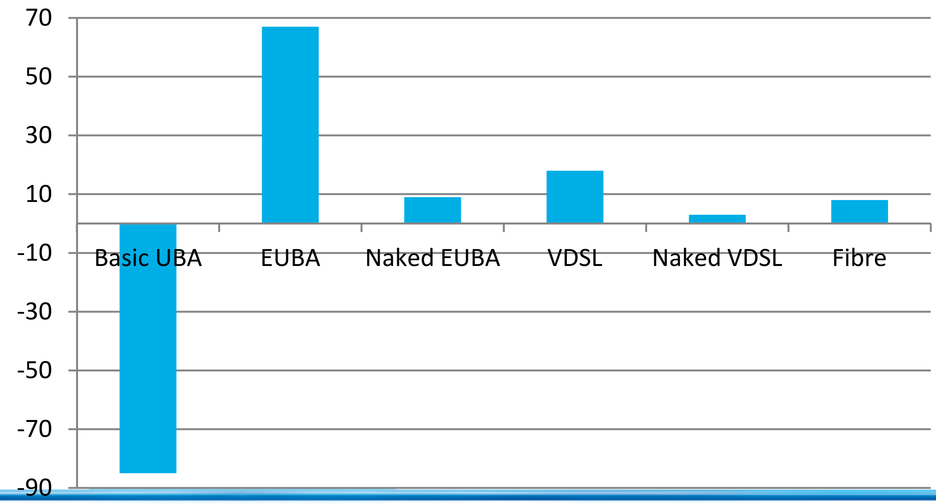
- Total connections down by 8,000 lines (note: H1 subject to seasonal variation; e.g. university summer holidays)
- Shift from baseband copper to other connection types continues
- 42% increase in fibre connections
- 13% growth in 'Naked' connections



Continuing broadband growth

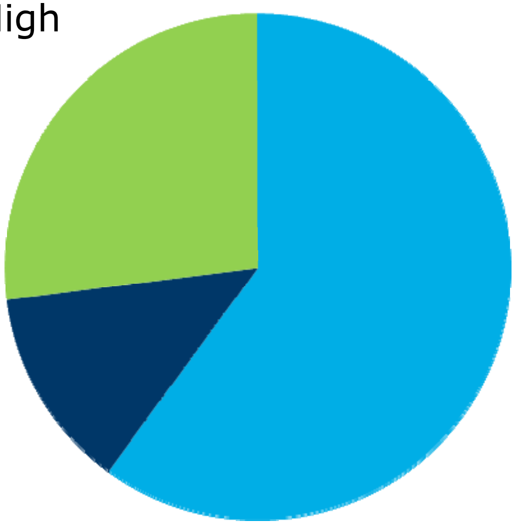
Broadband connections	31 Dec 2013	30 June 2013
Basic UBA	246,000	331,000
Naked Basic UBA	11,000	11,000
Enhanced UBA	747,000	680,000
Naked Enhanced UBA	87,000	78,000
VDSL	20,000	2,000
Naked VDSL	5,000	2,000
Fibre (Bitstream 2, 3 and fibre subdivisions)	16,000	8,000
Total broadband connections	**1,132,000**	**1,112,000**

> Increase of 20,000 broadband connections
- Substantial growth in VDSL
- Fibre broadband connections doubled
- 64% of copper lines now have Chorus broadband



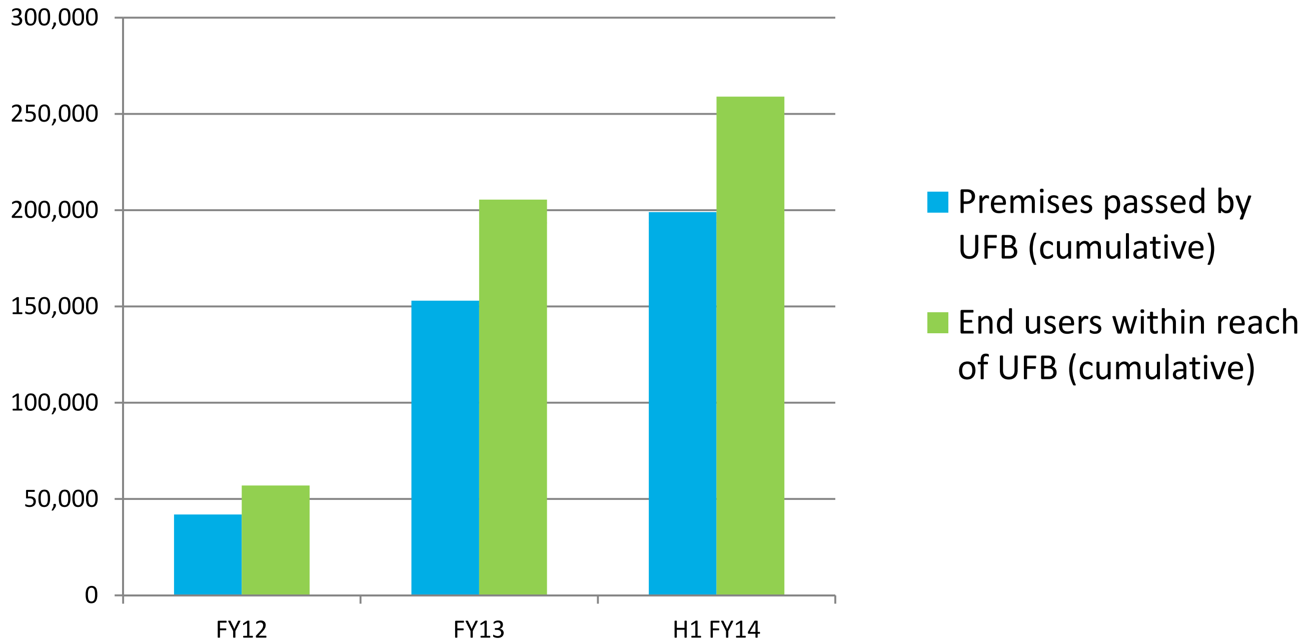
Chorus fibre connections

> 13,100 fibre connections within UFB deployed footprint
> 78% of residential end users on 30Mbps plans; 22% on 100Mbps
> 27,000 total fibre connections comprise:



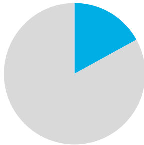
UFB build on track

- **24%** of way through rollout
  - **259,000** end users now with reach of Chorus UFB
  - Build complete for **199,000 premises;** includes **45,000 (58%)** priority premises
  - **160,704** premises tested and paid at 31 December
  - FY14 target: Build complete for 46,000 of 106,000 premises

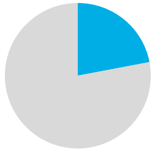


UFB rollout progress by area

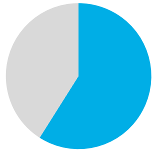
Auckland (incl. Waiheke, Waiuku, Pukekohe)
372,000 premises
17% complete



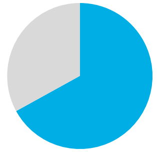
Whakatane
5,500 premises
22% complete



Rotorua
20,900 premises
59% complete

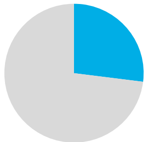


Taupo
9,900 premises
67% complete



Gisborne
12,300 premises
10% complete

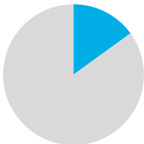
Napier/Hastings
40,900 premises
27% complete



Feilding
5,600 premises
0% complete

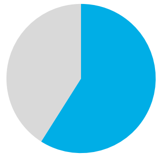
Palmerston North
27,900 premises
47% complete

Levin
7,100 premises
15% complete

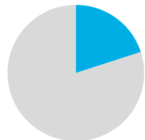


Kapiti
16,400 premises
12% complete

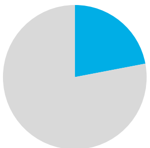
Masterton
8,500 premises
60% complete



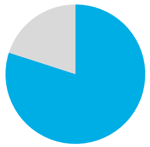
Wellington
126,200 premises
20% complete



Nelson
23,500 premises
22% complete

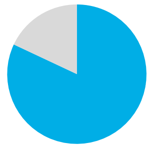


Blenheim
11,100 premises
82% complete

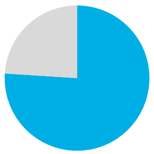


Greymouth
3,500 premises
0% complete

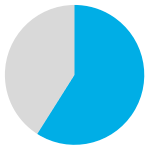
Ashburton
8,100 premises
82% complete



Timaru
12,800 premises
76% complete



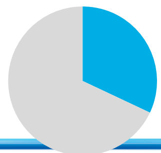
Oamaru
5,800 premises
59% complete



Queenstown
4,900 premises
48% complete

Dunedin
44,500 premises
28% complete

Invercargill
19,700 premises
32% complete



Premises = total UFB premises in Candidate Area, excluding greenfields

Focus on reducing UFB costs

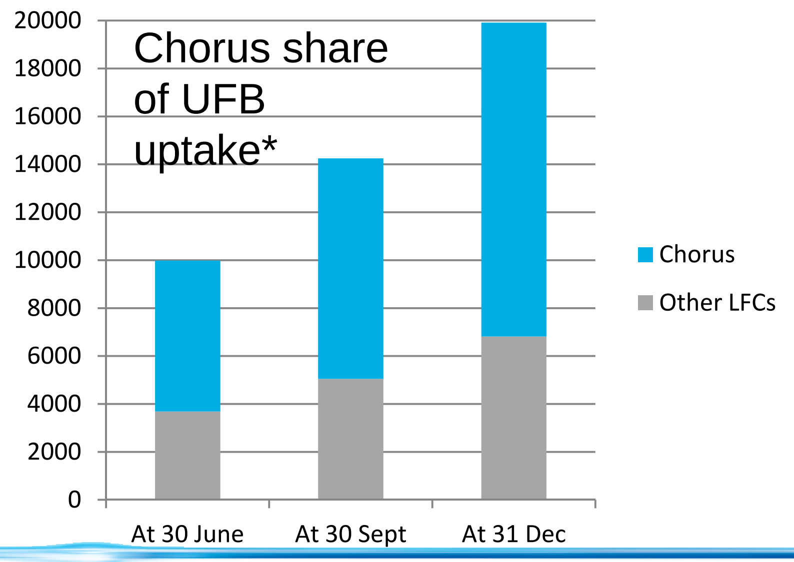
> Steady progress on initiatives

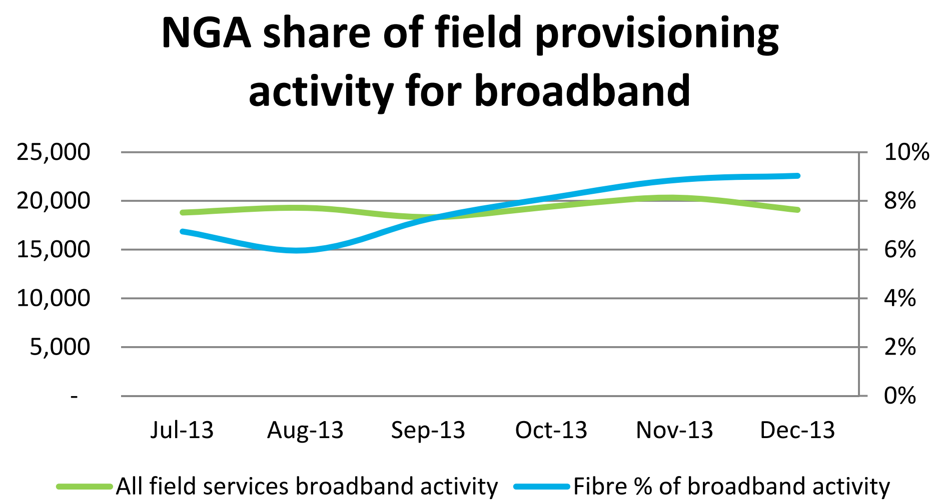
- Targeted cost contracts implemented to incentivise service company cost performance through benefit and risk sharing
- Competitive tendering in selected deployment areas
- First aerial communal network deployed in Greymouth. Target ~20% nationally
- Network technology evolution delivering savings
- Working with Councils to address local requirements and trial deployment techniques such as micro-trenching
- Build mix change in FY15

First aerial deployment began in Greymouth in December in association with local lines company.

UFB uptake

- 5% uptake vs end users within reach
- Vodafone launched residential UFB in October
- MyRepublic (Singapore) to enter market later in 2014
- 200/50Mbps fibre service in trial
- #Gigatown driving fibre awareness





* Based on Chorus and Govt published data. Note: Chorus does not include existing fibre connections outside its UFB deployed areas in uptake to date.

Rural Broadband rollout

> About 3,000 km fibre now laid; 837 schools complete
> 61,700 lines within reach of better broadband; 78% uptake

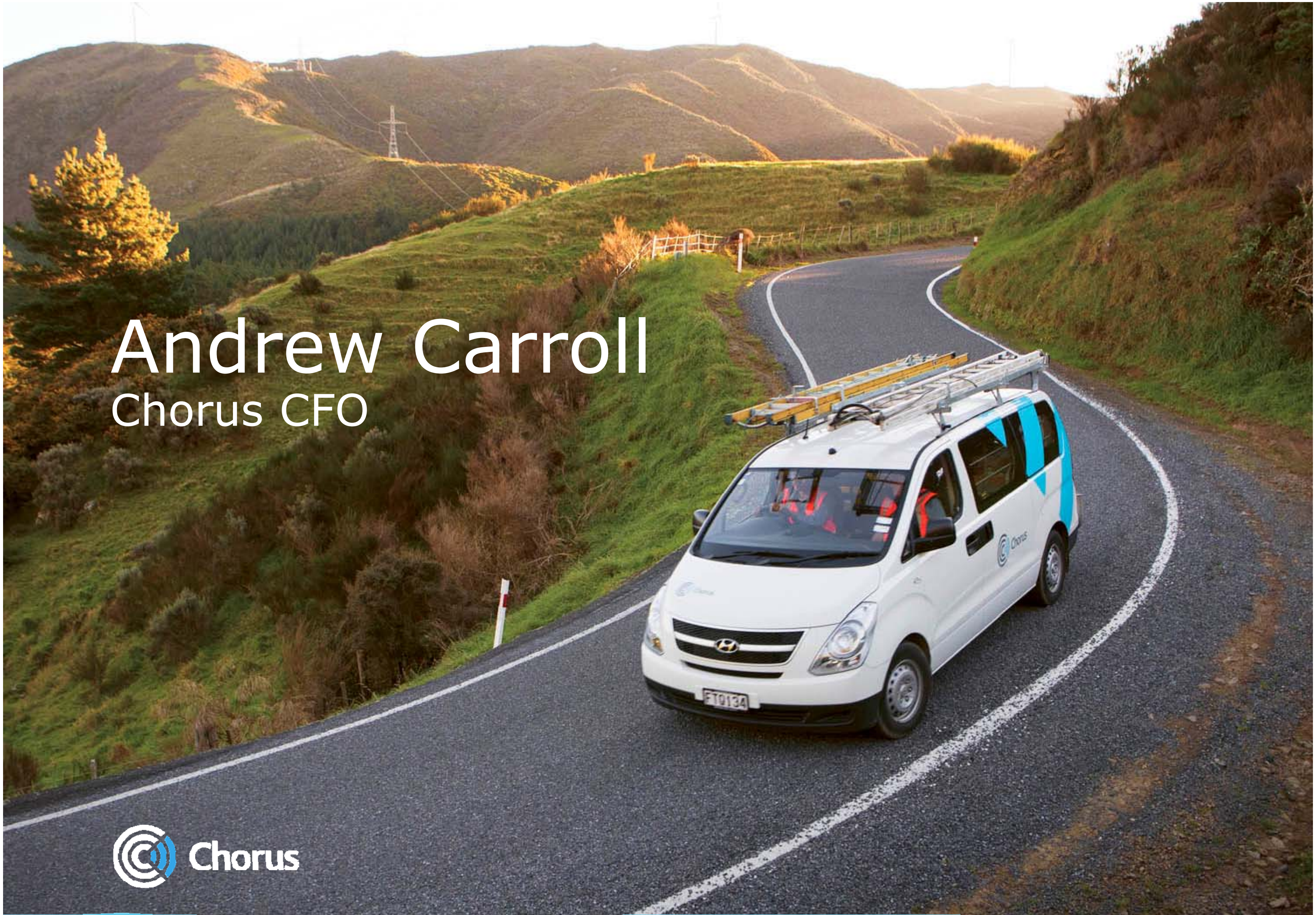
	Complete			To be completed		
	FY12	FY13	FY14 H1	FY14 H2	FY15	FY16
Schools	473	306	58	110	61	3
Hospitals	4	17	3	13		
Fibre to RBI tower sites	13	40	21	19	48	13
FTTN cabinets	192	320	149	158	221	179
Fixed lines served	20,400	30,800	10,500	11,700	18,000	10,700
Total $m	$59m	$106m	$32m			

Chorus performance summary

> More than $1.1 billion spent on fibre networks and capability in two years since demerger
  - UFB on track: 199,000 premises passed and 259,000 end users within reach of UFB
  - RBI on track: 61,700 lines within reach of better broadband
  - fibre to 1,700 schools for UFB and RBI

> Copper broadband network capability world-class with VDSL reach to about 60% of lines

> NZ now at 15th in OECD for fixed broadband penetration (up from 16th) and ahead of USA



Andrew Carroll

Chorus CFO

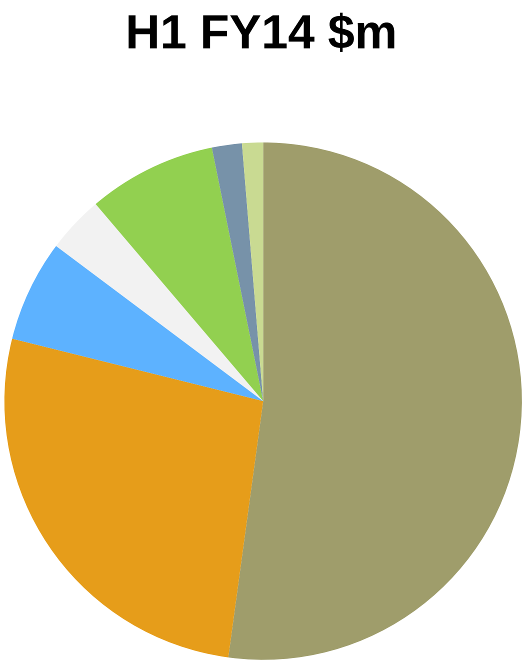
Income statement

	H1 FY14 $m	H1 FY13 $m	FY13 $m
Operating revenue	535	525	1,057
Operating expenses	206	194	394
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**329**	**331**	**663**
Depreciation and amortisation	162	160	319
Earnings before interest and income tax	167	171	344
Net interest expense	59	54	108
Net earnings before income tax	108	117	236
Income tax expense	30	33	65
Net earnings for the period	78	84	171

- H1 FY13 underlying EBITDA $323m
- FY13 underlying EBITDA $654m
- H1 FY13 and FY13 adjusted for $8m UCLFS pricing reduction
- FY13 adjusted for $1m insurance proceeds

Revenue

Revenue category	H1 FY14 $m	H1 FY13 $m	FY13 $m
Basic copper	279	321	623
Enhanced copper	143	94	215
Fibre	34	26	60
Value Added Network Services	19	19	37
Field Services	43	41	85
Infrastructure	10	9	17
Other	7	7	11
Total revenue	**535**	**517**	**1,048**



- H1 FY13 and FY13 adjusted for $8m UCLFS pricing reduction
- FY13 adjusted for $1m insurance proceeds

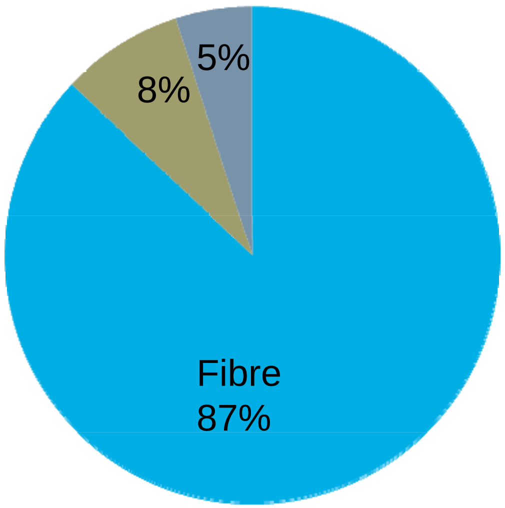
Operating expenses

	H1 FY14 $m	H1 FY13 $m	FY13 $m
Labour costs	41	33	67
Provisioning	27	26	51
Network maintenance	49	50	100
Other network costs	20	17	37
Electricity	6	6	13
Rents, rates and property maintenance	12	11	24
IT costs	25	24	52
Consultants	3	3	6
Insurance	2	2	4
Other	21	22	40
Total operating expenses	**206**	**194**	**394**

H1 FY14 gross capex summary

> **Total capex of $332m for six month period**

Fibre capex	$287m
UFB communal	179
UFB connections & fibre layer 2	26
Fibre products & systems	23
Other fibre connections & growth	27
RBI	32



Copper capex	28
Network sustain	14
Copper connections	8
Copper layer 2	6
Product	0

Common capex	17
Information technology	13
Building & engineering services	3
Other	1

Cost per premises passed – on track

- FY14 guidance of **$2,900 to $3,200** average cost per premises passed
- In H1 FY14 actual costs received for ~9,000 premises and these costs were approx 4% below targeted cost
- Targeted cost for all FY14 premises is ~$3,100 per premises, before any "pain" or "gain" sharing with service companies
- H1 FY14 UFB communal spend of $179m includes:
  - $5m for UFB greenfields not yet counted in CPPP
  - $1m for 'synergy' build ahead of planned rollout

FY12	FY13	H1 FY14
CPPP: **$3,567**	CPPP for UFB 'new build' premises: **$3,048** Blended CPPP: **$2,935** (includes existing Broadband Over Fibre premises and new subdivisions)	Actual costs received for ~9,000 premises and these costs were approx 4% below targeted cost

Cost per premises connected

- CPPC data from July-December for single dwelling units:
  - $1,700 for standard connections vs $1,600 from prior sample data, excluding $100 long run average for Layer 2 investment
  - connection mix required more civil work this period
- longer term installation model in development to achieve programme view of $900 to $1,100 (real) average cost to connect standard residential premises

	% of installs: Standard	% of installs: Non-standard
Lead-in	88%	12%
In-home wiring	32%	68%
Average cost	$1,700 (includes all non-standard in-home wiring and excludes Layer 2)	$620 (incremental cost of external lead-in)
Average time taken	16 hours	19 hours

FY14 guidance update

> **EBITDA**: now expected to be at top end of FY14 guidance range of flat to low single digit percentage decline in EBITDA, relative to underlying FY13 EBITDA of $654 million

> **CAPEX**: FY14 gross capex guidance of $660-690 million is unchanged. However, we are updating guidance for capex categories :

	Updated FY14 guidance $m	Prior FY14 guidance $m
Copper capex	55 – 65	70 – 75
Common capex	50 – 60	60 - 65
Fibre capex	550 – 570	530 – 550
Gross capex	**660 - 690**	**660 – 690**

Note: The individual ranges presented above are not necessarily additive

> Copper and common capex reduced as investment reduced or deferred

> Fibre capex increased due to higher than budgeted demand and increase in school connection work (fully funded)

Net Debt / EBITDA

> Leverage ratio reduced with improved FCF for period
  - Key financial covenants require senior debt ratio less than 3.75 times
  - Chorus policy not to materially exceed 3.5 times

	As at 31 Dec 2013 $m
Borrowings	1,867
+ PV of CFH debt securities (senior)	21
+ Net Finance leases	122
Sub total	2,010
- Cash	(170)
Total net debt	**1,840**
Net debt/EBITDA	2.8 times

Note: Standard & Poor's treatment includes Operating leases

The new reality

The way forward

- Reshaping business to secure a sustainable operating framework for Chorus in the context of a substantial reduction in revenue
  - Chorus is not relying on High Court and Commerce Commission FPP processes to reduce the need for changes
- Close focus on profile of annual initiatives and management of key leverage metrics
- General principles of changes are:
  - manage for cash
  - pursue revenue opportunities
  - continue to meet regulatory and contractual requirements
  - minimise non-essential and non-regulated/contracted activity
  - accelerate shift to utility-like market practice for incremental investment

UBA and UCLL revenue cuts are a huge challenge

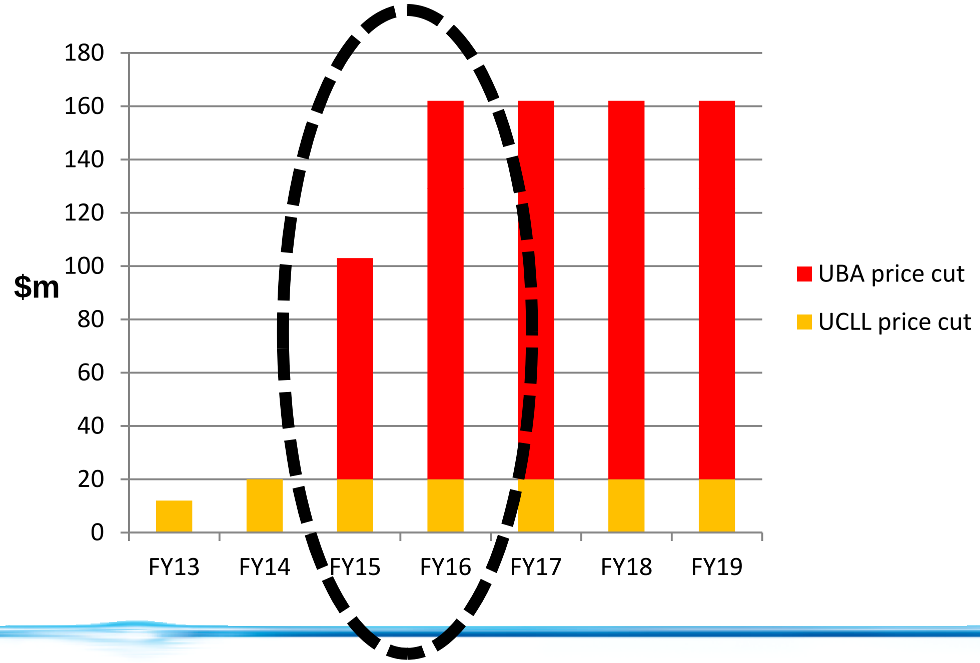
> Chorus has $1.8 billion debt and is borrowing to help fund UFB investment
  - bank covenants triggered at Net Debt/EBITDA ratio of 3.75x

> $142m EBITDA impact from UBA decision and earlier UCLL decision creates challenging funding gap to solve when:
  - majority of Chorus revenues are capped by regulation or CFH contract
  - most capex contractually committed (UFB/RBI) and initiatives to reduce UFB/RBI capex already in train
  - TSO and other requirements require capex/opex
  - large proportion of opex is activity related
  - Chorus is a standalone business only two years old with limited legacy costs to reduce
  - simplistically, sustainable EBITDA initiatives are 3.5x more valuable than capex savings from a leverage perspective

Regulatory impacts on financing

> Chorus had provided for debt headroom at demerger, but extent of regulatory price/revenue cuts overwhelms this

Indicative annual EBITDA impact from benchmarked pricing decisions

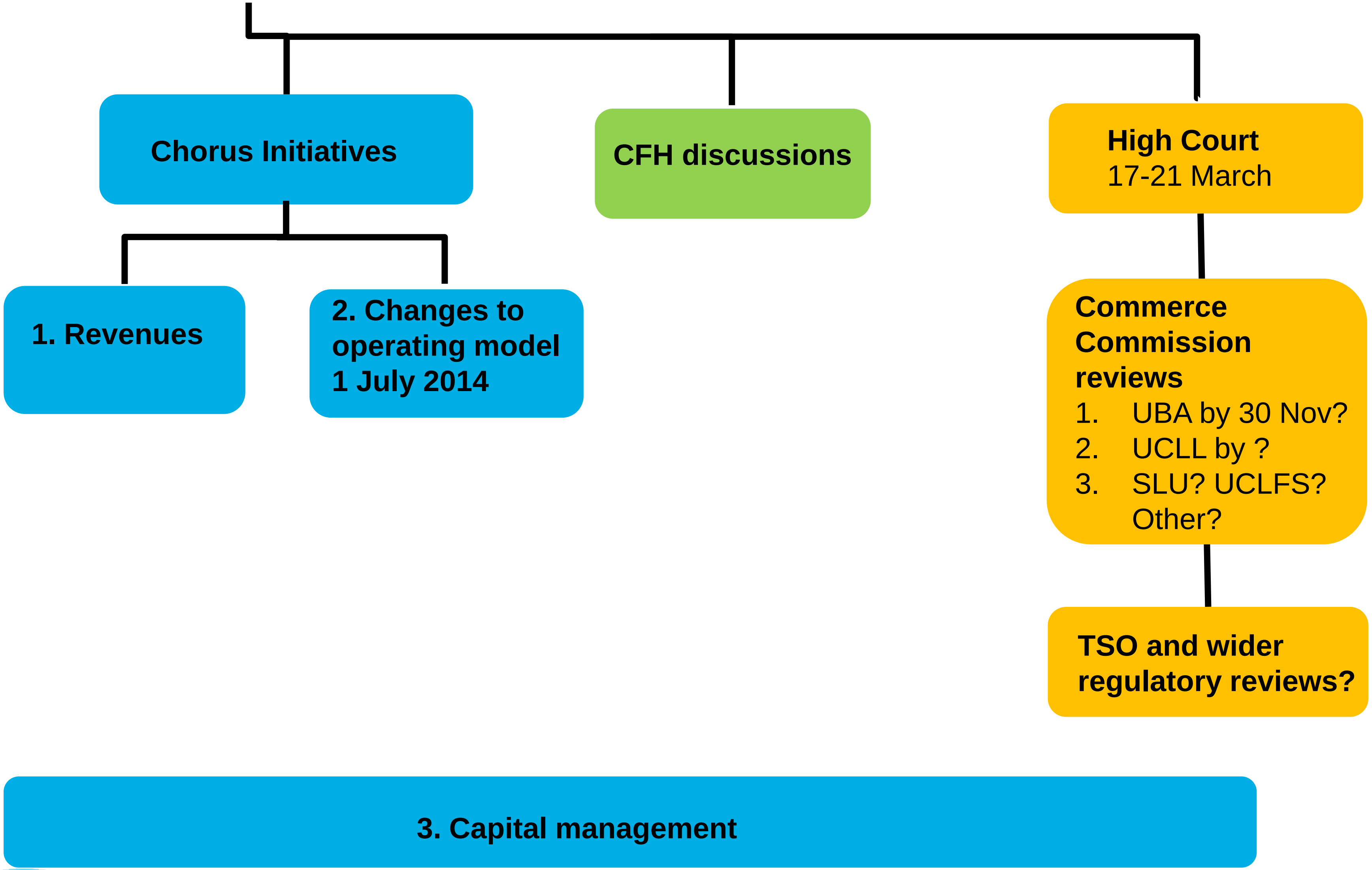


Event	Indicative impact per annum	Indicative total impact across UFB build period
UCLL price cut: Dec 2012	$20m	$130m (subject to UCLL review outcome)
UBA price cut: Dec 2014	$142m	$651m (subject to UBA review outcome)

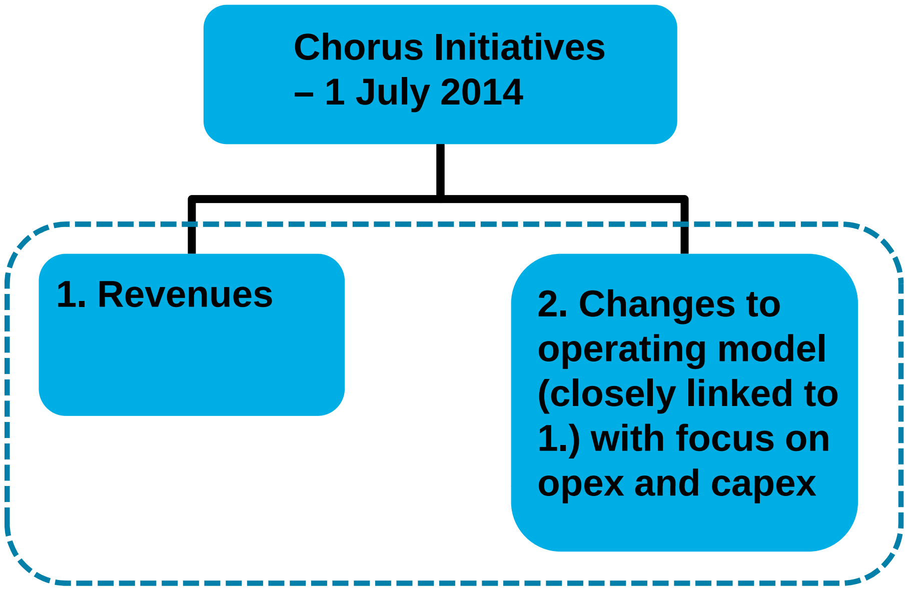
What we've done so far

- Fundamental review of entire business to identify extensive range of operating cost out, capex out and revenue initiatives
  - many initiatives in train for implementation from mid 2014
  - some smaller initiatives already implemented
- Dividend guidance withdrawn. No FY14 interim dividend
- Proactively engaging with lenders and ratings agencies
- Engaged with CFH
- Interest rate swaps reset to realise $30m cash in Dec 2013
- UBA appeal lodged with High Court
- Requested UBA final pricing principle review (UCLL application also made Feb 2013)
  - UBA and UCLL submissions ongoing

Workstreams



Chorus initiatives



- Many initiatives from mid 2014
- Changes to the business model are expected to reduce the funding gap* by around $400m to FY20
  - This excludes the impact of commercial revenue prospects, CFH discussions and capital management initiatives
- Potentially important trade-off between incremental revenues that might be realised and extent of cost out initiatives

*Funding gap refers to the $1 billion funding shortfall identified by Chorus following the UBA decision of 5 November 2013, as confirmed by the EY report of 14 December 2013

Chorus initiatives: revenues

Revenues

Vast majority of Chorus revenues contracted or regulated

- Reviewing all non-contracted and non-regulated wholesale products for re-pricing to recover costs
- Removing legacy subsidies and shifting to utility-like market practice for new build to infill premises, non-UFB subdivisions/businesses etc

Commercial Broadband Product Revenues

Evaluating extension of broadband portfolio

- Evaluating commercial broadband products that could sit alongside regulated broadband products
  - If these revenues are significant, may facilitate less extensive changes under other initiatives
  - Subject to customer choices and regulatory framework/decisions

Indicative range $10m to $15m p.a. excluding any new commercial broadband revenues

Chorus initiatives: operating expenses

Operating expenses

$394m in FY13 with key components:

- $100m Network maint.
- $51m Provisioning
- $67m Labour costs
- $52m IT costs
- $40m Other

> Reviewing all facets of expenditure, with a close focus on largest categories

> Change from ongoing programmes to enhance service levels to a maintain only focus

> Revisit service company operating model to identify economies of scale (e.g. shared services and procurement) and other cost economies
  - capex initiatives also likely to reduce provisioning demands

> Review Chorus labour costs with an initial focus on non-operational resourcing

Indicative range $20m to $30m p.a. from FY16. Circa $5m to $10m savings in FY15 as some opex initiatives take time to implement

Chorus initiatives: capital expenditure

Capital expenditure

$681m in FY13 with key components:
- $420m UFB
- $106m RBI
- $53m Other fibre & growth
- $69m Copper
- $33m Common

> All non-UFB/RBI capex under review

- growth spend expected to reduce as align to utility-like market practice of cost recovery for new build
- shift to fixing network faults on reactive basis rather than investing in proactive maintenance
- defer replacement of legacy equipment (e.g. multi-access radio systems)
- limited new broadband network investment outside of RBI/UFB
- selective exchange and cabinet maintenance
- demerger programmes for systems and network (e.g. shared fibre) revisited for possible delay

Indicative gross range $300m to $350m up to and including FY20. Trade-off to factor into analysis is circa $100m to $150m of foregone growth revenues through period.

Capital management

> Following on from the withdrawal of dividend guidance on 18 November 2013, Chorus has elected not to pay an interim dividend
> Chorus is focussed on delivering on initiatives to manage for key debt metrics
> Chorus' broader capital management objectives are:
  - maintain an investment grade rating with headroom. In the longer term, the Board continues to consider a "BBB" rating appropriate for a business like Chorus; and
  - setting a financially sustainable dividend policy once sufficient certainty is achieved
> Capital management decisions will be communicated when there is sufficient certainty around the outcome of Chorus initiatives, CFH discussions, and regulatory reviews

FPP requires first time look at costs

High Court
17-21 March

Commerce Commission reviews
1. UBA by 30 Nov?
2. UCLL by ?
3. SLU? UCLFS? Other?

TSO and wider regulatory reviews?

> Industry has requested second phase of pricing review under existing framework
  - Chorus analysis suggests UCLL could be significantly higher than today
  - clear judicial precedent for backdating
  - cabinetisation investment hasn't been accounted for, as recognised by RSPs

    "The potential increases to wholesale UBA prices (depending on whether averaging unbundled services includes SLU) will mean higher retail broadband prices for end-users." – Vodafone submission on Telco Amendment Bill, 2011

> But FPP process a new phase, timeline and outcome is uncertain
  - Commission has discretion around modelling choices and other assumptions e.g. WACC
  - December timeline achievable…?

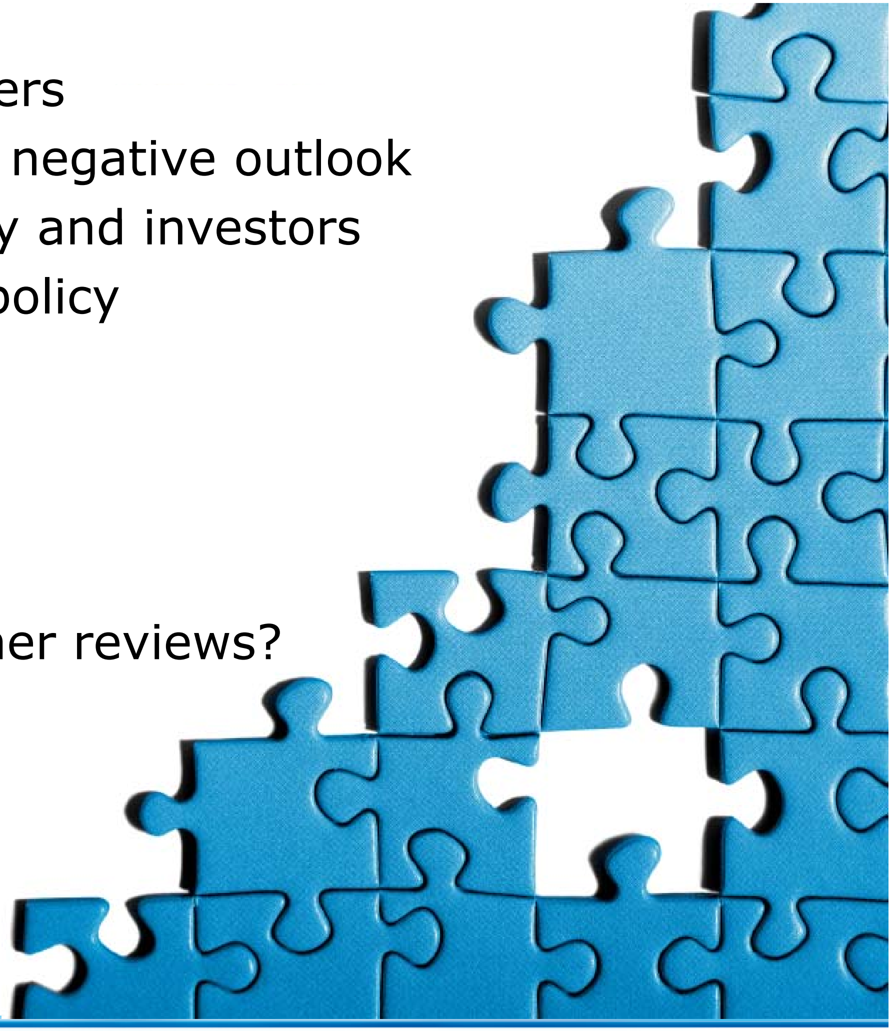
A regulatory and policy puzzle

Consequences to date:

- Massive loss of value for shareholders
- Increased Chorus' cost of debt and negative outlook
- Uncertainty for all: Chorus, industry and investors
- No clear copper to fibre migration policy

Missing pieces of the puzzle:

- UCLL price review and timeline?
- UBA price review and links with other reviews?
- TSO review?
- Wider framework review?
- Post 2020 framework?



Any questions?

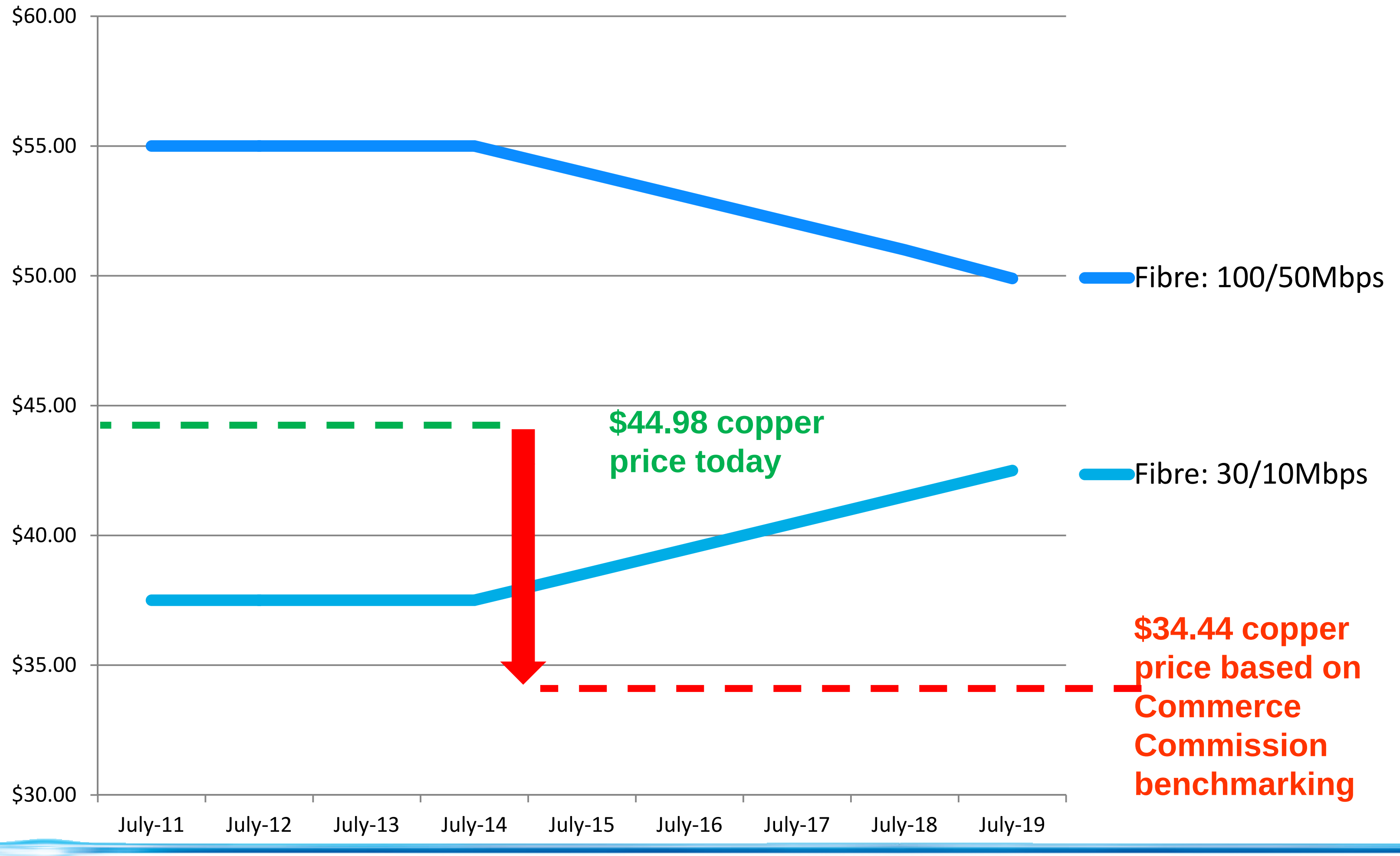
Appendix A: Overview of Crown Funding for UFB

> Below is an overview of how Crown funding for UFB is recognised in the financial statements. These numbers include rounding.

For the half year to 31 Dec 13	Statement of financial position		Income statement		Cashflow statement
	CFH Securities	Crown Funding	Interest Expense	Amortisation	Crown funding (incl CFH securities)
Cumulative premises passed to FY13- 119,194 premises @ $1,118*	30	104			
Premises passed for HY14 - 41,510	10	36			62
Initial recognition	**40**	**140**			
Cumulative notional interest to FY13	1				
Notional interest (HY14)	1		1		
Cumulative release against depreciation to FY13		(1)			
Released against depreciation (HY14)		(1)		(1)	
Carried forward or total	**42**	**138**	**1**	**(1)**	**62**

- Note: In FY13, $15 million was accrued for areas where user acceptance testing was complete at 30 June 2013, but funds were received post 30 June 2013.

Appendix B: Copper vs fibre wholesale pricing



Appendix C: Revenue categories

Basic Copper	• core regulated products that are earlier technology or products with limited scope for further development e.g Baseband copper (UCLFS), Basic UBA, Naked UBA, UCLL, SLU, SLES
Enhanced Copper	• products enhanced to deliver higher speed capability and better customer experience e.g. Enhanced UBA, VDSL2, Baseband IP, HSNS Lite Copper
Fibre	• existing business fibre and new UFB services. Also includes UFB backhaul and direct, or 'dark', fibre
Value Added Network Services	• products and expertise for higher value or specialist services. Includes carrier network services which provide connectivity across backhaul links
Field Services	• field force in provisioning, maintaining and installing copper or fibre products
Infrastructure	• services that provide access to Chorus' network assets, principally exchange co-location space.

Appendix D: Capex categories

Fibre capex categories

UFB communal	• cost of building UFB network along street to pass premises
UFB connections & fibre layer 2	• UFB connections are subject to demand via RSPs • Layer 2 electronics
Fibre products & systems	• Fibre- related product and system development
Other fibre connections & growth	• Demand driven by greenfield & business fibre growth. • Regional backhaul to enable RSP traffic • Fibre lifecycle investment
RBI	• Layers 0, 1 - network duct and fibre; Layer 2 cabinet electronics • Expect total 5 year programme to cost around $280 - 295 million. Spend weighted to front end of programme

Copper capex categories

Network sustain	• Upgrading or replacing plant (e.g. poles, cabinets, cables) where risk of failure or degraded service • Proactive network replacement more cost effective than reactive maintenance
Copper connections	• Demand for copper connections for residential / business customers (e.g. infill housing, new buildings)
Copper layer 2	• Demand driven layer 2 investment in broadband capacity and growth. Expected to reduce slowly as customers migrate to fibre
Product fixed	• Largely RSP driven investment in copper-related products

Common capex categories

Information technology	• Investment in future Chorus IT platforms, in part to meet June 2014 deadline to move from Telecom enterprise systems
Building and engineering services	• Spend for growth and plant replacement (e.g. power, air conditioning) at Chorus exchange, building and remote sites
Other	• Items such as office accommodation and equipment

Appendix E: Contributions to capex

UFB

- CFH funds up to $929 million over course of programme, at a rate of $1,118 per premises

RBI

- Government grant funding of ~$236 million over 5 years to cover most layer 0 and 1 capex spend
- Layer 2 is not covered by the grant
- Grant is payable on completion of build work
- Annual grant around 80 - 85% of annual RBI capex spend

Other

- Central & local government contribute to cost (often 100%) when requesting Chorus to relocate or rebuild existing network.

Appendix F: Cost per premises connected

> Programme view: $900 to $1,100 (real) average cost to connect standard residential premises; cost expected to be higher in early years of deployment

	Deployment method	Standard Install – Chorus funded up to non standard distance	Non Standard install
Lead-in	New underground	Up to 15m	15m – 200m
	Existing conduit or open trench	Up to 100m	100m-200m
	Aerial	1 span	Any additional spans required
In-home wiring	To ONT	Up to 5m	Over 5m*

Chorus $20m fund

* Chorus currently installing ONT at point of highest data usage. Incremental in-home wiring ~10% of standard install cost.

Chorus Limited	
Results for announcement to the market	
Reporting Period	Six months ended 31 December 2013
Previous Corresponding Period	Six months ended 31 December 2012

	Amount (000s)	Percentage change
Revenue from ordinary activities	$535,000	Up 1.9%
Profit (loss) from ordinary activities after tax attributable to security holders.	$78,000	Down 7.1%
Net profit (loss) attributable to security holders.	$78,000	Down 7.1%

Interim/Final Dividend	Amount per security	Imputed amount per security
No interim dividend will be paid in respect of the six months ended 31 December 2013.		

Record Date	N/A
Dividend Payment Date	N/A

Audit	This report is based on unaudited condensed consolidated interim financial statements. KPMG has provided a review report on these financial statements which includes the following “We draw your attention to page 17 of the condensed consolidated interim financial statements which explains that significant uncertainties exist in relation to future regulatory, legal and political outcomes that may impact the assessment of the carrying value of Chorus’ assets. Our opinion is not qualified in respect of this matter.”

Comments:	This announcement should be read in conjunction with the attached Half Year Report, financial statements for the six months ended 31 December 2013 contained in that report, media release and investor presentation.

2.3 (f)	31 December 2013	31 December 2012
Net tangible assets per security	$1.29	$1.03

2.3 (a) Statement of Financial Performance:
Refer to Half Year Report.

2.3 (b) Statement of Financial Position
Refer to Half Year Report.

2.3 (c) Statement of Cash Flows
Refer to Half Year Report.

2.3 (d) Dividends
No interim dividend will be paid in respect of the six month period ended 31 December 2013.
Additional dividend information:

Dividend	Amt per share(cps)	Supplementary dividend (cps)
FY13 final dividend	15.5	2.7353
FY13 interim dividend	10.0	1.7647

2.3 (e) Dividend Reinvestment Plan
N/A

2.3(g) Control of Entities gained or lost during year
N/A

2.3(h) Details of associates or joint ventures
N/A

3.1 Accounting Standards
The condensed consolidated interim financial statements set out in the attached Half Year Report have been prepared in accordance with the New Zealand equivalent to International Accounting Standard No. 34: “Interim Financial Reporting” and Generally Accepted Accounting Practice in New Zealand.

3.2 Critical accounting policies

Refer to attached Half Year Report.

3.3 Changes in accounting policies

The condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of computation as the financial statements for the year ended 30 June 2013, except for a change in the valuation methodology for derivative financial instruments which now reflects credit risk as required by New Zealand International Financial Reporting Standard Number 13 (NZ IFRS 13): Fair Measurement which is applicable for accounting periods beginning on or after 1 January 2013.