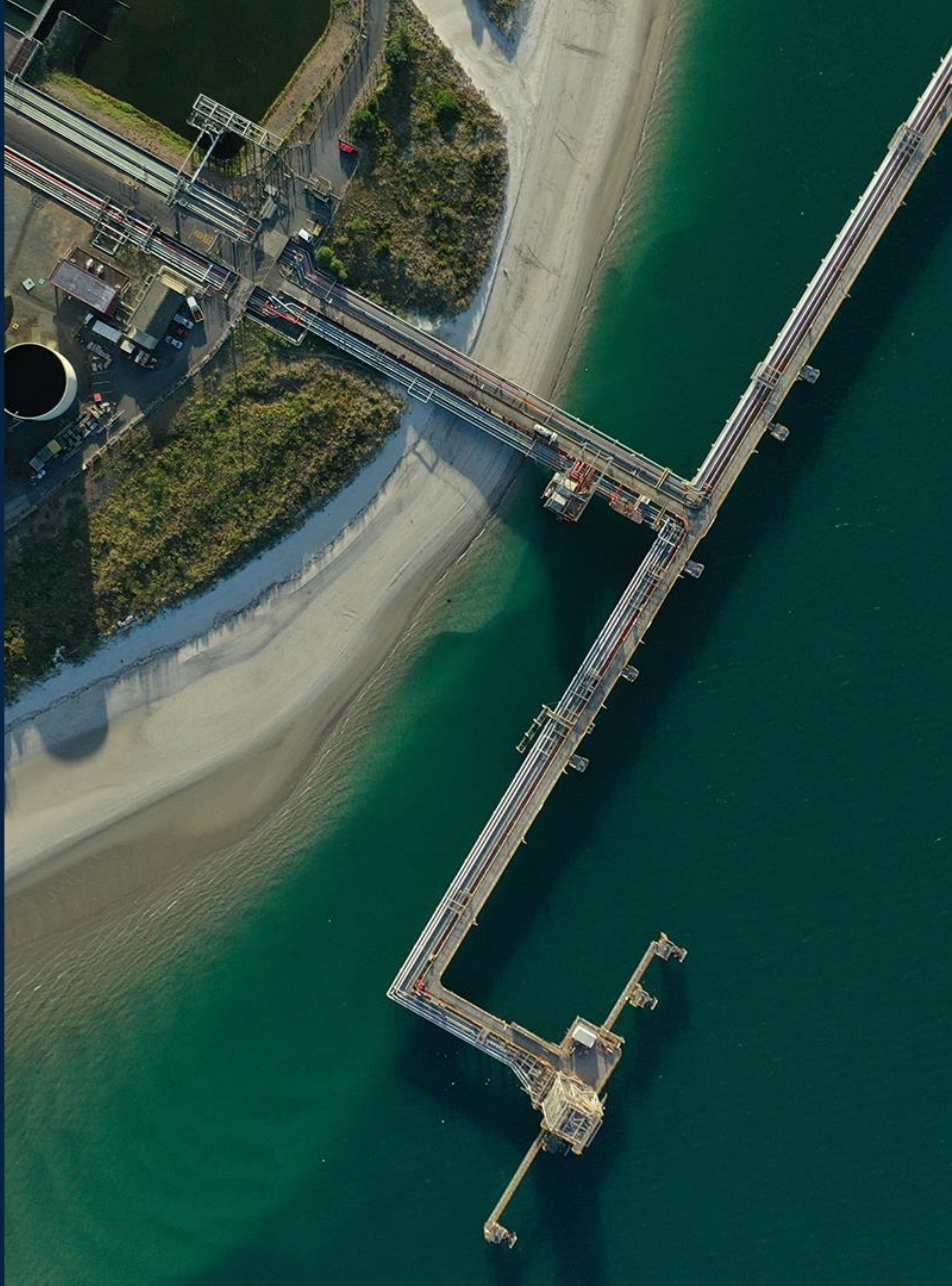
Channel

Infrastructure NZ

Financial Results

For the six months ended 30 June 2023

23 August 2023



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- Each forward-looking statement speaks only as of the date of this announcement, 23 August 2023.

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Highlights and Operating Update

Rob Buchanan

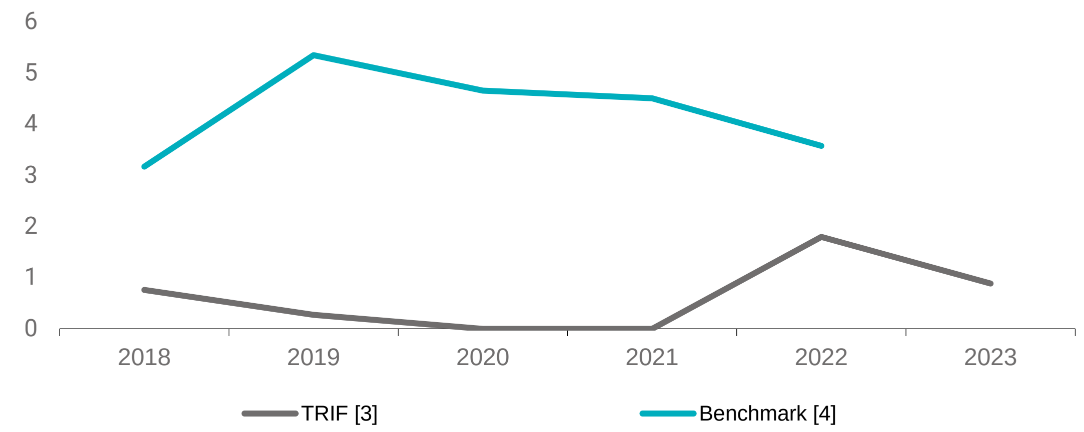
Chief Executive Officer

Continue to deliver on our strategy

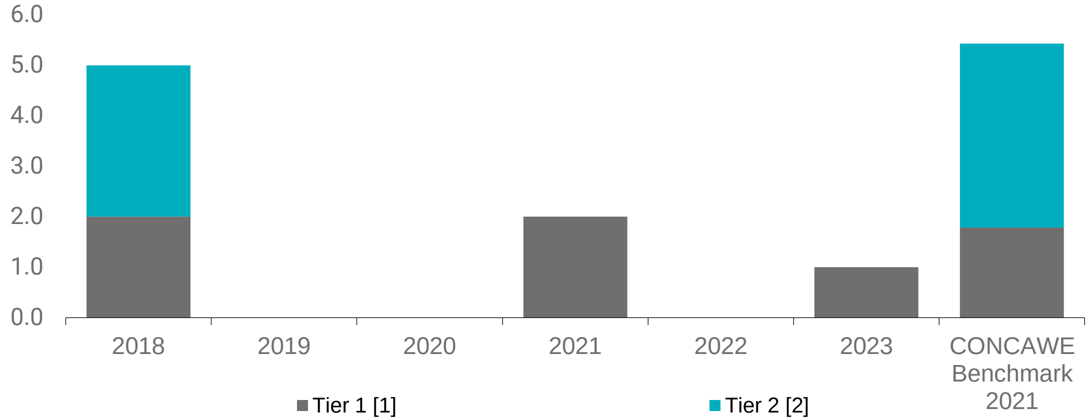
- Permanent decommissioning of the refinery process plant safely completed to plan and to budget
- Fully imputed ordinary interim dividend of 4.2 cents per share declared
- FY23 EBITDA, Normalised Free Cash Flow and Dividend guidance lifted
- Strong recovery in jet fuel volumes, to c.76% of pre-COVID levels
- Private storage and terminal upgrade works progressing well, despite extreme weather
- Making progress on realising value from decommissioned refinery plant
- FFI progressing its study into the production of e-SAF at Marsden Pt to the pre-feasibility phase

A continued focus on safety

Total Recordable Incidents



Process Safety Incidents



- Revised Health, Safety, Environmental and Operations board sub-committee was established during 1H23, demonstrating Channel's on-going commitment to safety
- No Lost Time Incidents, and one recordable incident in 1H23
- Tier 1 incident during 1H23 from corrosion of an ex-refinery product line. Full inspection of other susceptible piping has been completed and inspection and maintenance schedules updated to address this risk going forward
- Focused on continuous improvement, we commissioned an independent peer review of our site safety management system by Australian Terminals Operations Management to ensure we continue to have best practice systems and processes as a terminal

[1] Tier 1 Process Safety Event (API 754) – A tier 1 Process Safety Event (PSE) is an unplanned or uncontrolled release of any material, including non-toxic and non-flammable, from a process which results in one or more of the following: A LTI and/or fatality; A fire or explosion resulting in greater than or equal to $100,000 of direct cost to the company; A release of material greater than the threshold quantities given in Table 1 of API 754 in any one-hour period; An officially declared community evacuation or community shelter-in-place

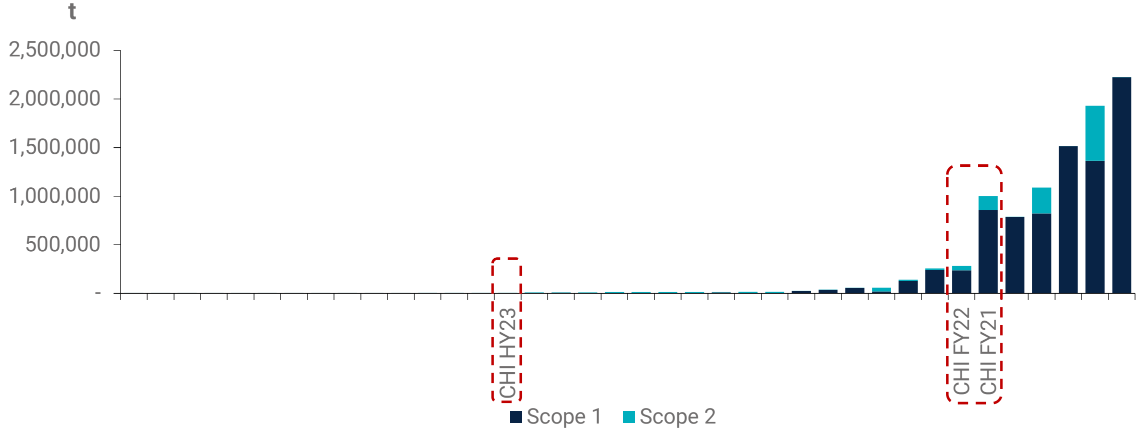
[2] Tier 2 Process Safety Event (API 754) – A tier 2 Process Safety Event (PSE) is an unplanned or uncontrolled release of any material, including non-toxic and non-flammable, from a process which results in one or more of the following: a recordable injury; a fire or explosion resulting in greater than or equal to $2,500 of direct cost to the company; a release of material greater than the threshold quantities given in Table 2 of API 754 in any one-hour period

[3] TRIF – Total Recordable Injury Frequency per 200,000 hours (rolling 12-monthly average)

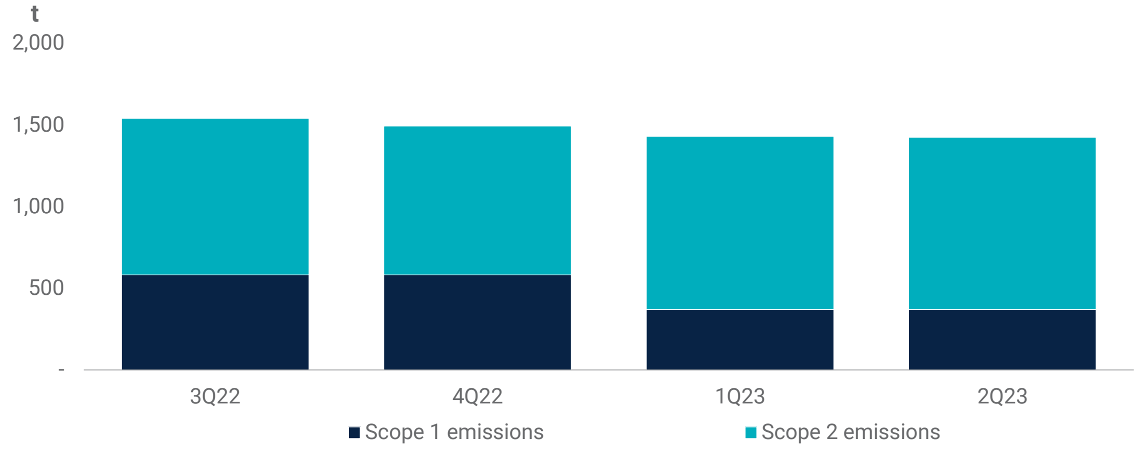
[4] NZ Business Leaders Health & Safety Forum Benchmark (injuries per 200,000 hrs)

Investing to maintain strong environmental performance

CO_2 emissions of included NZX50 companies [3]



CO_2 Emissions

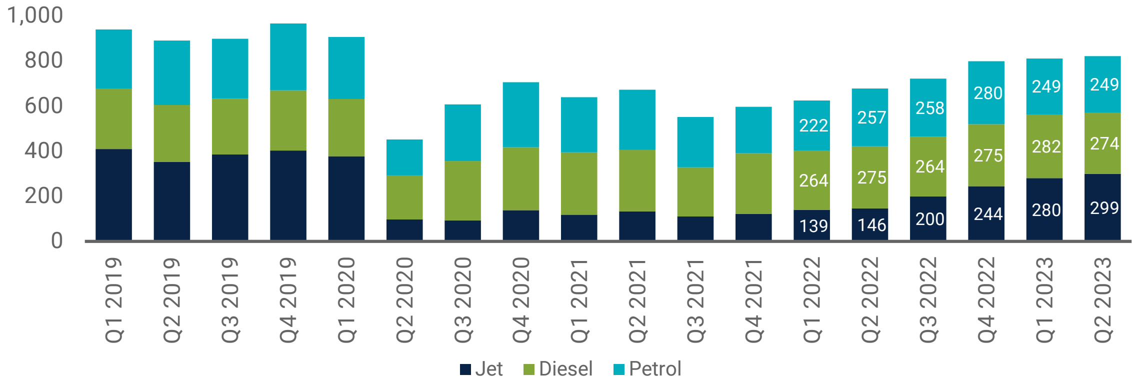


- Following transition, CHI is expected to account for less than 0.1% of scope 1 and 2 CO_2 emissions on the NZX50[3] in FY23
  - On target to have largely eliminated scope 1 and 2 emissions from 2024, some 6 years ahead of the Company's target[2]
- Preparations well advanced to meet mandatory reporting under Climate Reporting Standards in 1Q24
- Coastal Hazard Management Plan under development, based on three temperature pathways
- Continued investment[1] in wastewater collection and treatment systems, provided strong site resilience to recent weather events:
  - c.$1 million invested in 1H23 to dredge the stormwater basin, removing c.295 tonnes of waste material
  - Program in place to redevelop groundwater extraction wells
  - c.30% reduction in legacy groundwater contamination achieved in the past six years

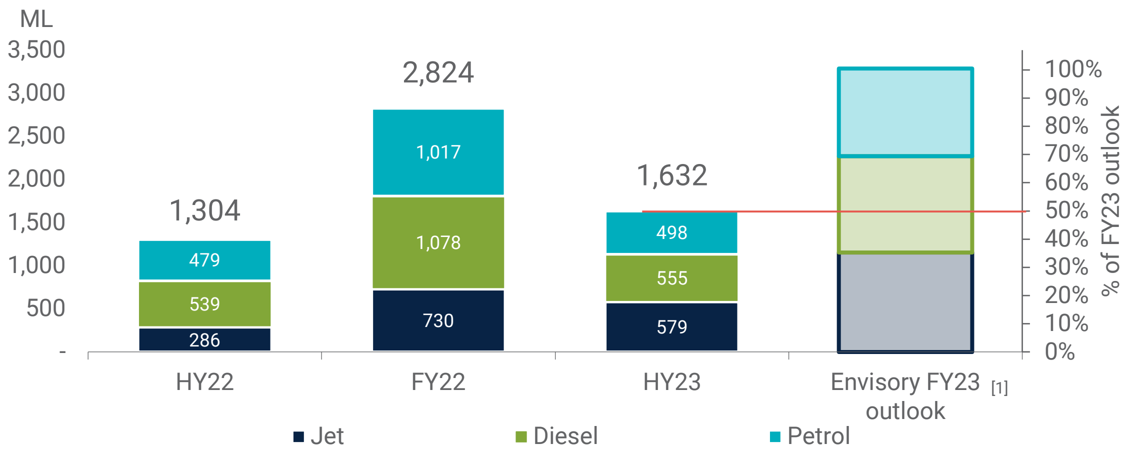
[1] c.$25 million invested in the last 10 years to improve wastewater collection and treatment systems.
[2] Assuming all electricity supplied from 2024 under the new long-term electricity supply agreement is sourced from renewable generation, as validated by Energy Attribute Certificates.
[3] Based on Forsyth Barr Research data (April 2023) and available company reports; CHI's HY23 data annualised to estimate FY23 CO_2 emissions.

Continued strong recovery in jet fuel

Pipeline and TLF volumes



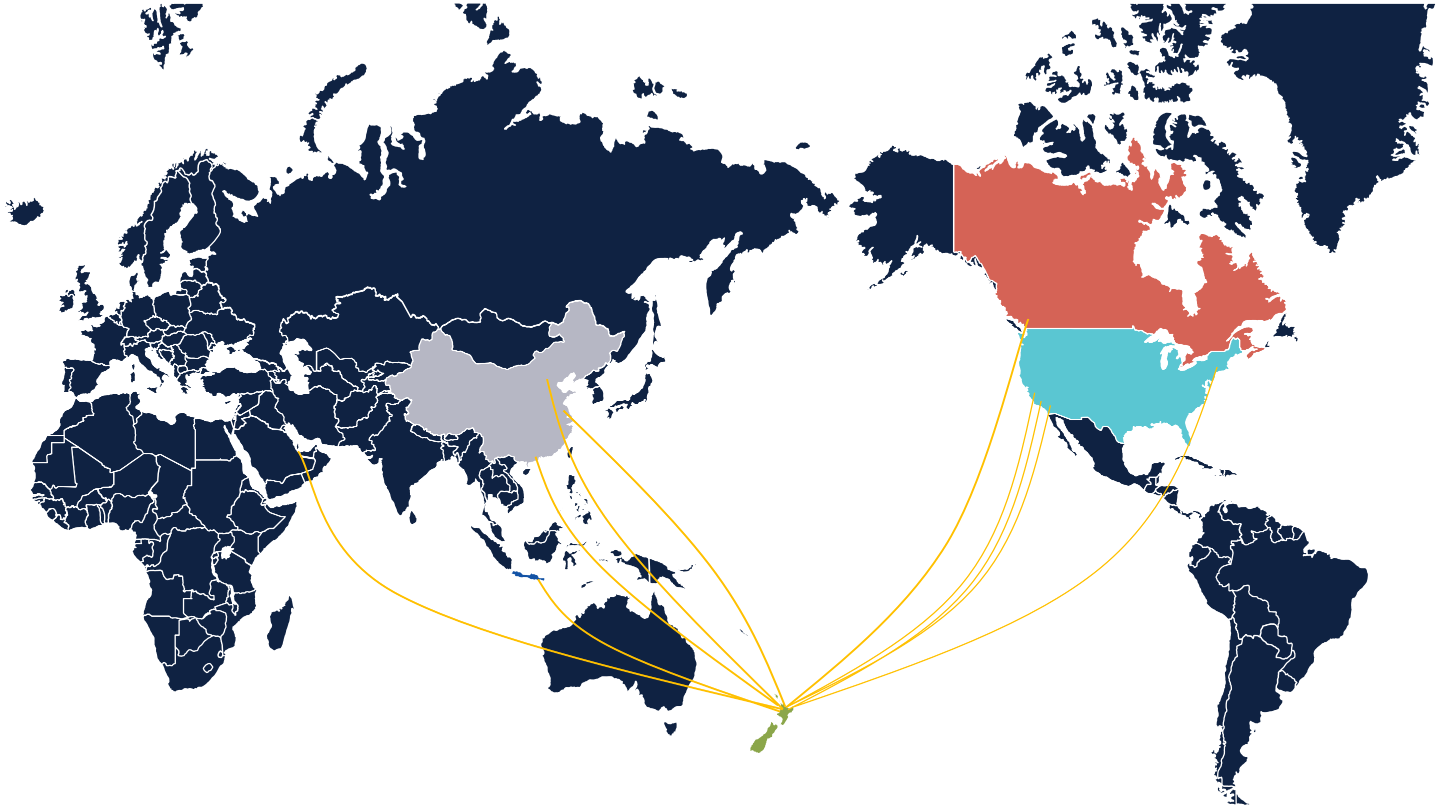
Pipeline and TLF volumes



- Pipeline and TLF Volumes up 7% on 2H22 across all fuel types:
  - Jet fuel volumes up 30%, reflecting a strong recovery in aviation demand; now at c.76% of pre-COVID volumes
  - Diesel and petrol volumes relatively stable
  - 1H23 volumes tracking in line with Envisory's[2] outlook for the full year
  - Significant pipeline capacity available to meet recovering and growing demand, with 1H23 utilisation at c.80%
- 36 import shipments received and discharged at Marsden Point in 1H23 (FY22: 56[3])

[1] Based on Envisory's (formerly known as Hale & Twomey) 2023 outlook
[2] Formerly known as Hale & Twomey
[3] 9 months of terminal operations

Demand for jet fuel expected to increase in 2H23, with new long-haul flights announced



Additional 2023 Long-Haul flights[1, 2 and 3]:

- Air Canada increasing Vancouver to Auckland summer flights by 20%

- American Airlines resuming Los Angeles to Auckland flights from 21 December until 3 March 2024
- United Airlines launching a Los Angeles to Auckland flight from 28 October 2023
- Qantas launched Auckland to New York flights, 3x a week from 14 June 2023
- Delta Airlines launching Auckland to Los Angeles flight, daily from 28 October 2023

- Air China resuming Auckland to Beijing flights, 4x a week from 2 May 2023
- Hainan Airlines resumed from Shenzhen to Auckland, 2x a week from 17 June 2023
- Air New Zealand increased flights to Shanghai from 3x to 4x per week from 4 February 2023

- Qatar Airways resuming flights non-stop between Doha and Auckland (rather than via Australia), from September 2023

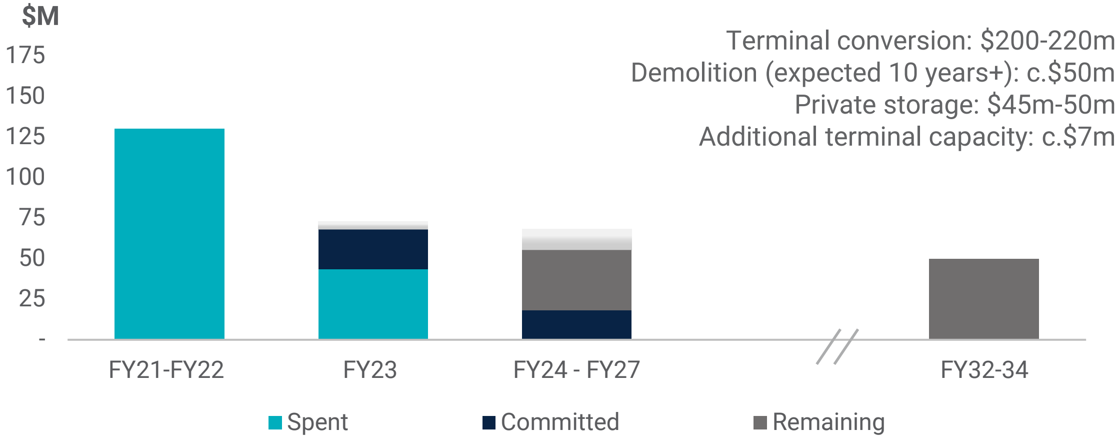
- Air New Zealand launched Auckland to Bali flights, 3x a week from 29 March until 27 October 2023

[1] Source: Auckland Airport 'Onwards & upwards: Long-haul flights taking off from Auckland Airport' media release
[2] Source: Routes online news releases, key search 'Auckland Airport'
[3] Source: Stuff article 'All the new routes Kiwis can fly on in 2023 - and what's still missing'

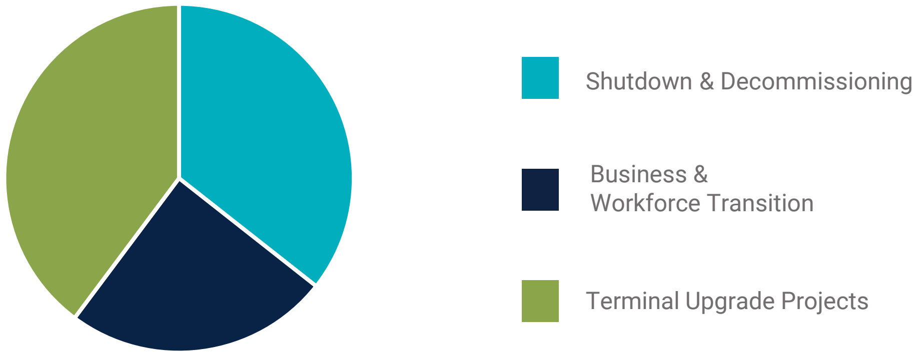
Conversion and private storage projects on track

- Conversion costs remain within budget:
    - c.$174 million spent on terminal and private storage conversion projects to 30 June 2023
    - c.80% of the budget[1] is spent or contracted/committed
- The Projects are now significantly de-risked:
    - Permanent decommissioning of the refinery plant complete
    - Workforce transition substantially complete
    - The terminal upgrade and private storage tank conversion works are ongoing and well progressed
- Marsden Point terminal capacity will soon increase to 280ML:
    - c.45ML of jet private storage capacity due to be commissioned in Q3 2023 with firefighting systems and bund upgrades to continue into FY24
    - Private storage income[2] expected to be at a full run rate from Q4 2023

Terminal and private storage conversion cost phasing

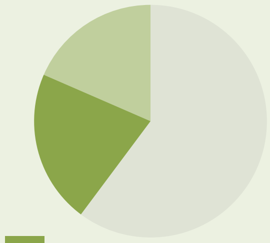


Allocation of Conversion Budget ($200 - $220m)



[1] Budget includes: Conversion project budget (opex and capex) of $200 to $220 million, private storage $45-$50 million and additional terminal capacity of c.$7 million.
[2] Contracted private storage income of $9 million (2021 real)

Conversion projects substantially complete

	Status	Still to complete	Spent vs committed
Shutdown and Decommissioning	• Permanent decommissioning of the refinery plant complete	Complete	
Business & Workforce Transition	• Substantially complete[1]	• Full shutdown of refinery IT systems & infrastructure expected within the next 12 months	
Terminal Upgrade Projects		• Upgrade of: - tank fire fighting system - tank bunds (secondary containment systems) • Private storage tank conversion • Modifications to site utilities	

[1] Substantially complete indicates the overarching project (i.e. shutdown and decommissioning, and Business & Workforce Transition) is sufficiently complete for its intended use, but some outstanding tasks which do not inhibit the projects intended use

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Financial Update

Denise Jensen

Chief Financial Officer

Financial Highlights

- Continuing operations delivered an NPAT of $14.5 million in 1H23, up 32% from the last full 6 months of terminal operations (2H22)
- Fixed and variable terminal fees marginally exceed the pro rata "Take or Pay", reflecting strong volumes and higher ancillary charges
- EBITDA margin[1] up 3% to 68%, and normalised free cash flow[1,2] up 21% to $34 million
- Long term electricity agreement signed to secure future cost savings
- Board declared a fully imputed ordinary interim dividend of 4.2 cents per share
- FY23 guidance increased from $82 - $86 million to $84 - $88 million EBITDA

[1] Compared to the results from the last full six months of terminal operations, being the six months ended 31 December 2022 (2H22)
[2] Normalised Free Cashflow comprises cashflow generated from operations less maintenance capex (excluding conversion costs and growth capex)

Strong financial result, with EBITDA margin of 68% (up 3% on 2H22)

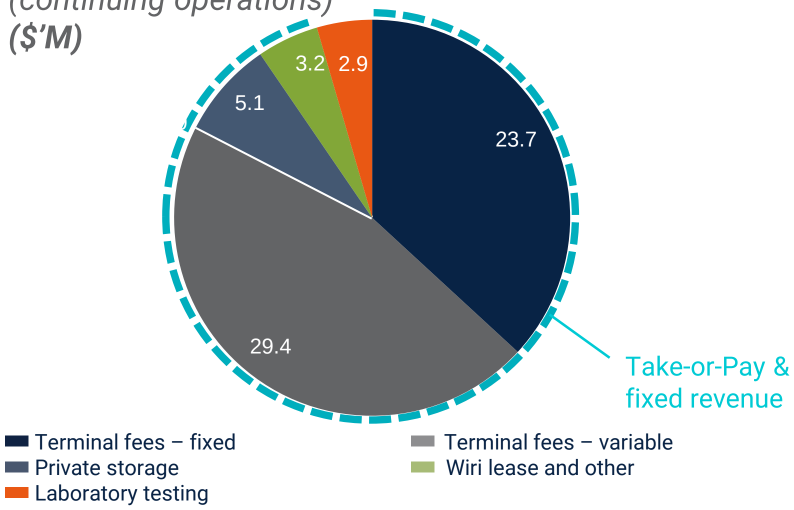
Profit & Loss from continuing operations			
$'m	**1H23**	**2H22**	**1H22**
Revenue	64.4	58.4	29.8
Operating costs	(20.9)	(20.7)	(10.1)
EBITDA	**43.5**	**37.7**	**19.7**
Non-operating costs			
Depreciation	(16.2)	(16.3)	(8.3)
Financing costs	(7.2)	(6.1)	(3.6)
Non-operating costs	(23.4)	(22.4)	(11.9)
Net profit before tax	**20.1**	**15.3**	**7.8**
Income tax	(5.6)	(4.4)	(2.1)
Net profit after tax	**14.5**	**10.9**	**5.6**
EBITDA Margin	68%	65%	66%

- Terminal operations commenced on 1 April 2022
- For comparative purposes, we report the results for the last 6 months of 2022, as well as the 3-month pcp
- Increased revenue[1] primarily driven by PPI escalation (c.$3 million), and additional private and other terminal storage (c.$3 million)
- A 3% increase on 2H22 EBITDA margin to 68%, due to the increased revenue and effective cost management

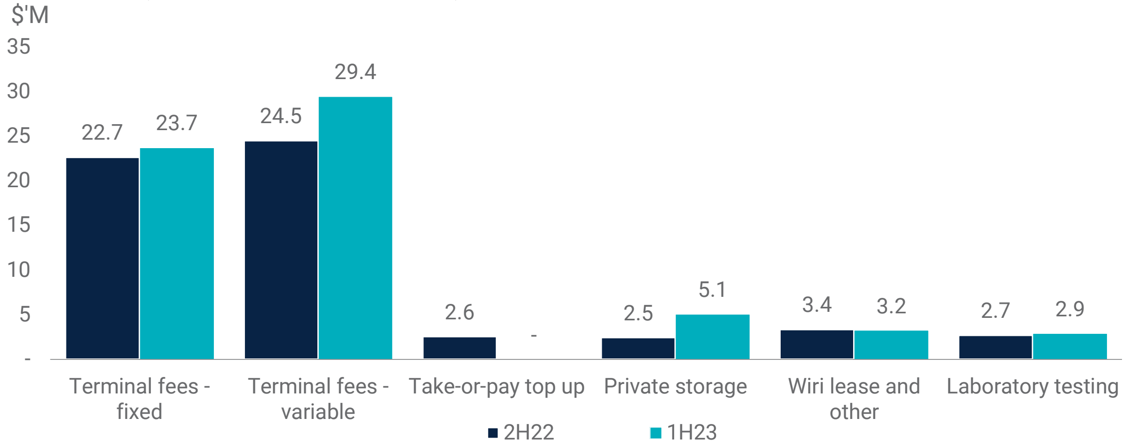
[1] Comparison for six months – 1H23 compared to 2H22

Revenue underpinned by take-or-pay commitments with growth from private storage

Revenue 1H23
(continuing operations)
($'M)



Revenue (continuing operations)

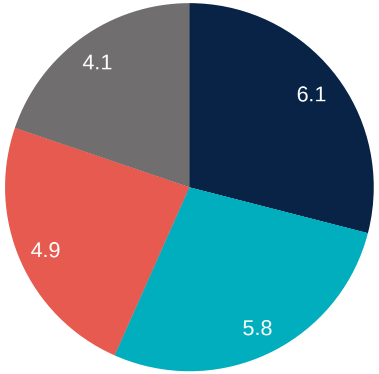


[1] Wiri lease of $6m p.a. continues until February 2025 when the lease expires

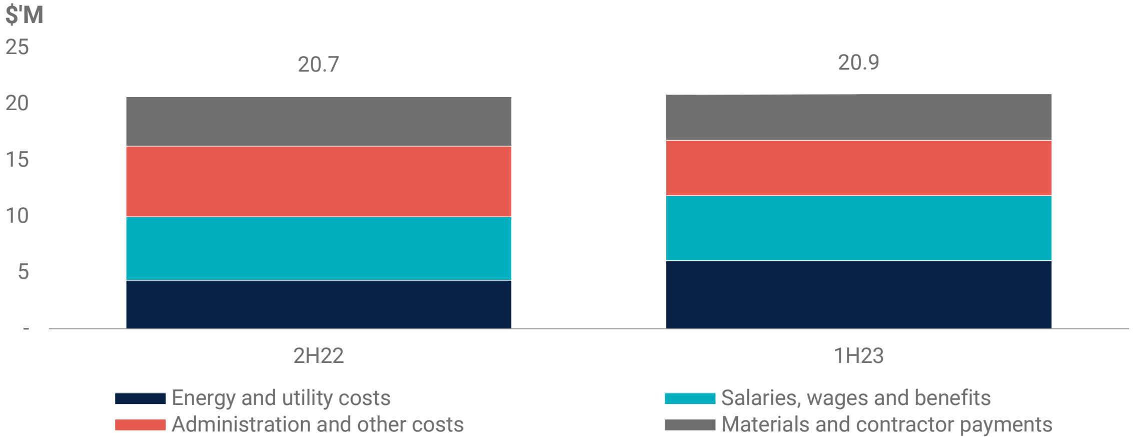
- Terminal Fees of $53.1 million (fixed plus variable) marginally exceeded the pro rata Take-or-Pay due to strong volumes and ancillary charges
- PPI adjustment of 6.3% applied to terminal and private storage fees from 1 January 2023
  - Private storage and terminal revenue account for c.90% of the Group's total revenue
  - A further PPI adjustment will be applied from 1 January 2024
  - Nine months PPI to 30 June 2023 currently tracking at 1.3%
- Together with private storage fees and Wiri lease[1], 95% of the Group's total revenue is fixed or underpinned by Take-or-Pay commitments in 1H23

Costs well controlled, with future savings secured through new electricity contracts

Operating costs 1H23
(continuing operations)
($'M)



Operating costs (continuing operations)



Electricity costs

- Energy and utility costs comprise c.29% of our total costs
- Transmission and supply costs reset during the year
- A new long-term fixed price variable supply contract from 1 January 2024 secured, with Energy Attribute Certificates
  - Term: 6 years and includes the option to extend for a further 2.25 years
  - Savings: over $2 million per annum (over the initial contract term) compared to the 2023 contracted supply price
- Focus now on options to reduce our connection costs

Other costs

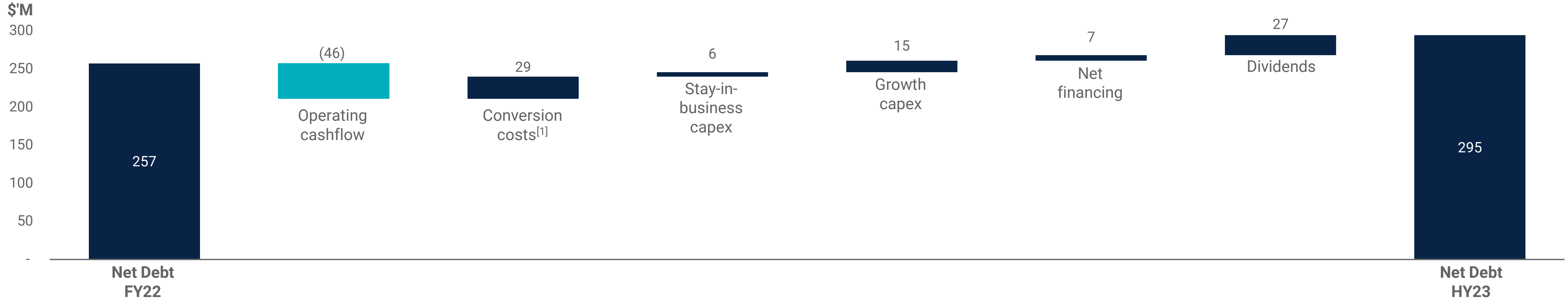
- **Salary, wages and benefit** costs reflect c.74 import terminal staff and laboratory employees[1]
- **Administration and other** costs (including corporate and governance, insurance, rates, facilities management, IT) are largely fixed and independent of activity levels or terminal volumes

[1] Note, employees involved in refinery decommissioning, and transition are included in conversion costs (refer to 'Discontinued operations' and Provisions notes in the financial statements). Also excludes employees involved in capital projects

Leverage remains within the targeted range

- Strong cash flows from operations, funded 93% conversion spend and capex
- Net debt increased to $295 million as expected with the conversion spend and FY22 dividend
- Leverage at 3.6x[2] within the targeted range of 3-4x
- Gearing at 37%[3] (vs covenants 55%)

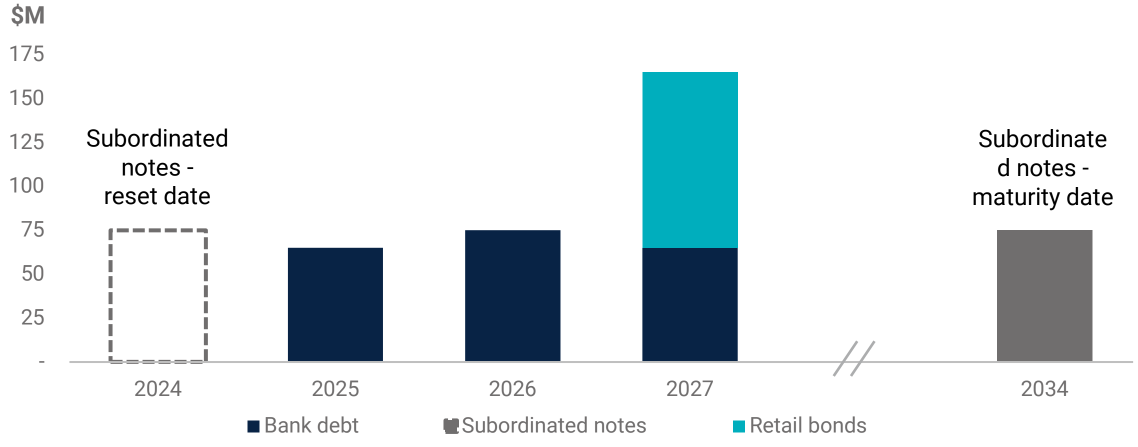
Net debt movement



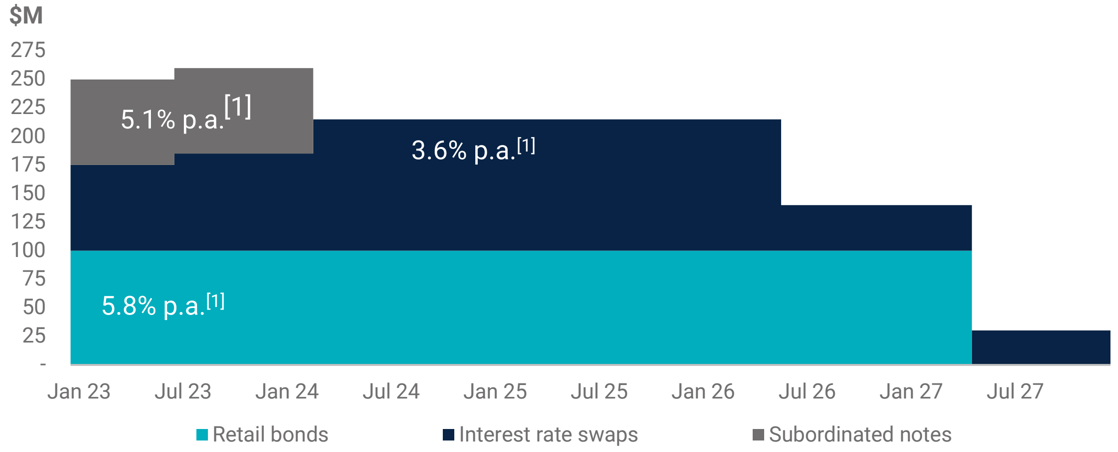
[1] Includes operating and capital conversion costs (but excludes private storage capex which is included in growth capex).
[2] Leverage calculated as Net Debt / annualised rolling EBITDA from continuing operations.
[3] Gearing calculated as Net Debt to Net Debt plus Equity as at 30 June 2023.

84% of net debt fixed with significant hedge protection in place

Debt maturity profile as at 30 June 2023



Debt hedge



- Debt facilities of $380 million with significant liquidity headroom available ($81.5 million as at 30 June 2023)
- Existing facilities and operating cashflows, provides sufficient capacity to fund the remainder of the conversion costs and investment in private storage
- Expected debt will peak at around $30 to $50 million above the 30 June 2023 level in the next 6 - 12 months
- 84% of 30 June 2023 net debt was fixed, with significant hedge protection in the following years
- The first Election Date for the Subordinated Notes is on 1 March 2024:
  - Considering refinancing options, including the New Zealand retail bond market, subject to market conditions
- Weighted average debt maturity (WADM) of c.3.0 years[2]

[1] Nominal interest rate, excluding the amortisation of upfront bank fees and bond issuance costs. Bank nominal interest rate represents a combination of bank margin, line fees, and swap rates (note, drawn facilities in excess of fixed debt are subject to floating interest rates, i.e. Bank Bill Rate).
[2] WADM calculated on the assumption that the subordinated notes are repaid at their reset in March 2024.

FY23 EBITDA guidance upgraded

Indicative FY23 Financial metrics	Updated Nov-22 Guidance ($m)	Aug-23 ($m)
Terminal and other revenue	125-128	128-130
Operating costs	41-44	42-44
EBITDA	82-86	84-88
Depreciation	34-35	No change
Financing costs	c.16	No change
Income tax payable	Nil	No change
Stay-in-business capex	c.8-10	c.9-11
Indicative Normalised Free Cash Flow	56-60	59-62
Indicative dividend range	9 -11 cps	9.5 -11.5cps

Detailed guidance provided ahead of the transition, upgraded in November 2022, and with a further upgrade to FY23 guidance in August 2023[1][2]:

- Increase in EBITDA reflects increased revenue through higher-than-expected additional ancillary charges in 1H23 and higher testing volumes at IPL (albeit with higher variable costs)
- Operating costs expected to be relatively consistent with earlier guidance; bottom of the range higher due to impact of storm events in 1H23 and higher variable costs associated with increased testing volumes at IPL
- Stay-in-business capex reflects higher costs associated with tank maintenance program identified through inspection of tanks (as taken out of service).

[1] Guidance is for terminal operations (classified as continuing operations) and excludes discontinued operations (i.e. one-off conversion cost opex and capex of $200-220 million), private storage capex ($45-50 million) and additional terminal storage ($7 million), with no change in guidance for these projects. Guidance also excludes any opex and capex associated with new growth opportunities.

[2] From FY24, guidance will be provided on EBITDA and Normalised Free Cashflow

Delivering to shareholders

Ordinary Interim Dividend **4.2 cps**

payable 20 September 2023

(fully imputed[2])

- The Board is committed to delivering stable ordinary dividends over time to shareholders, while maintaining credit metrics consistent with a shadow investment grade credit rating of BBB+
- Dividend policy of a pay-out of 60-70% of normalised Free Cash Flows, (net cash generated from operations less maintenance capex, excluding conversion costs and growth capex)[1]
- Targeted 40:60 split between interim and final dividend
- Declared a fully imputed[2] ordinary interim dividend of 4.2 cents per share
- Dividend payable on 20 September 2023, with record date on 6 September 2023
- Total FY23 expected dividend range 9.5 to 11.5 cents per share

[1] The dividend policy is subject to the Board's due consideration of the Company's medium term asset investment programme; a sustainable financial structure for Channel Infrastructure, recognising the targeted investment grade rating; and the risks from short and medium term economic and market conditions and estimated financial performance. It is the intention of the Board to attach imputation credits to dividends to the extent that they are available.
[2] As at 30 June 2023, imputation credits available to shareholders, subject to 66 per cent shareholder continuity, amount to $9.8 million being an equivalent of c.6.7 cents per share of fully imputed dividends.

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Strategy Update and Outlook

Rob Buchanan

Chief Executive Officer

Material progress made towards transition and climate change targets

	TARGET	PROGRESS TO DATE	
Just Transition	**At least 90% of employees seeking new employment find new roles, or have been retrained, within 6 months**	• Extensive program of workforce transition support continues for decommissioning and transition-related staff who have exited in 1H23 or are going to exit in 2H23 • 89% of staff who left the business in 1H23 have found their next opportunity	89% of employees in new roles or retraining within 6 months
Net Zero	**Net Zero Scope 1 and 2 emissions by 2030**	• Scope 1 and 2 emissions have reduced from 1,257,173 tonnes CO_2 in 2019 to an estimated c.6,000 tonnes (annualised) in 2023 - equivalent to a 99.5% reduction in emissions following refinery closure. • New electricity supply contract from 1 January 2024, with Energy Attribute Certificates, to validate electricity sourced from renewable generation: • Meeting all of our electricity needs from renewable sources would mean that Channel will have largely eliminated its scope 1 and 2 emissions from 2024 - six years ahead of the company's target	99.5% reduction in Scope 1&2 emissions >1.2MT CO_2 p.a.

Customer scope 3 emissions	**Our infrastructure is utilised to support the decarbonisation of the transport sector and facilitate Scope 3 emissions reduction by 2030**	• FFI progressing its study into the production of e-SAF at Marsden Point to the pre-feasibility phase:
		  • 300MW, c.60 million litres per year e-SAF production facility
		  • e-SAF to be distributed via the existing Marsden Point to Auckland pipeline
			FFI progressing study into e-SAF production at Marsden Point to pre-feasibility phase

Making progress on realising value from decommissioned refinery plant

- In July 2023, US-based Seadra Energy Inc was granted an option to purchase permanently decommissioned parts of the former refinery for total consideration of US$33.875 million:[1]
  - 6 months to consider the purchase certain assets from the hydrocracking complex in consideration for a non-refundable option payment of US$4 million
  - Seadra may choose not to pursue the purchase or may renew the option for an additional 6 months for a further non-refundable payment of US$0.5 million
- Continue to actively market other refinery assets and is in discussions with interested parties

Former hydrocracking complex – Subject to Conditional Asset Sale Agreement with Seadra Energy

Potential units for sale

Refinery facilities under strategic review, enabling potential redevelopment of the site

[1] Purchase price includes the option payments but prior to any transaction costs

Significant progress on delivering 2023 priorities

Safe, reliable, and cost-efficient terminal operation and maintenance	- A revised Health, Safety, Environmental and Operations board sub-committee established - Strategic Asset Management Plan currently under third party review - Independent review of site safety management system completed - Strong terminal performance in 1H23 with limited demurrage - Implementing new Safety Culture programme
On-budget and on-time completion of the remaining conversion project works	- Permanent decommissioning of the refinery process plant complete - Conversion project costs remain within budget - c.80% of the terminal and private storage conversion project budget now spent or committed, significantly de-risking the project
Work with Customers and Government to improve supply chain resilience	- Additional Private Storage coming online 3Q23, doubling jet storage capacity - FEED complete, enabling offer into Strategic Diesel Storage through government tender process - Working with customers to understand impact of Minimum Stockholding Obligation legislation
Deliver on near-term growth opportunities	- Transmission costs and electricity supply costs reset during 1H23 – pursuing further opportunities for cost reduction - Agreed to proceed to next phase of green hydrogen / eSAF study with Fortescue - Seeking out additional ‘infill storage’ and ‘adjacent’ growth opportunities for the terminal
Deliver increasing returns to shareholders through dividends in an inflationary environment	- Signed a US$4m option agreement for sale of hydrocracker assets (sale price would be US$33.875m) - c.15% increase[1] in share price since 1 January 2023 versus the NZX50 increase of c.1.1% - Fully imputed ordinary interim dividend of 4.2 cents per share declared - Lifted guidance for FY23 dividend to 9.5 - 11.5 cents per share

[1] At 21 August 2023

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Q&A