2019 ANNUAL RESULTS PRESENTATION

REFINING NZ
Your Energy Hive



27 February 2020

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- Each forward looking statement speaks only as of the date of this announcement, 27 February 2020.

AGENDA

PERFORMANCE

LOOKING AHEAD

AGENDA

PERFORMANCE

LOOKING AHEAD

2019 Highlights:

- Outstanding health, safety and environmental performance
- Excellent operational performance
  - highest annual crude and condensate intake
  - highest annual refined product make & customer product offtakes
- Costs well managed despite higher electricity and gas prices
- Weaker market conditions resulted in lower refining margins and a fee floor processing income for the last two months of 2019

Excellent operational and safety performance

Gross Refining Margin

USD **5.34** PER BARREL

6.31 per barrel in FY18

EBITDA

NZD **118** M

NZD153m in FY18

Free Cash Flow [3]

NZD **39.4** M

NZD(58)M in FY18

LTIF [1,2]

0.13

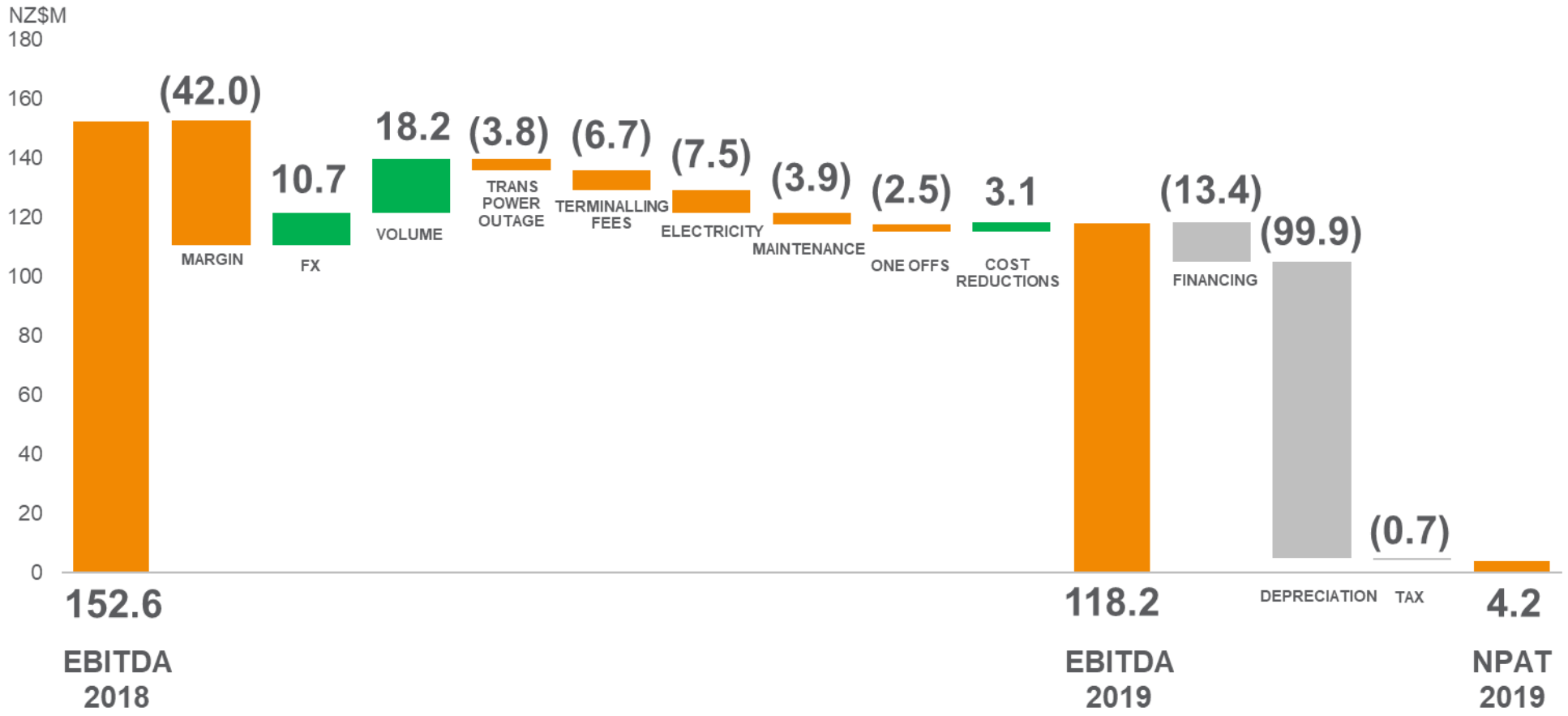
0.48 in FY18

			FY 18	FY 19
Personal	TRCF [1,2]		0.76	**0.27**
Process	Tier 1 (>US$25k) [2]		2	**0**
	Tier 2 (>US$2.5k) [2]		3	**0**
Releases outside consent			5	**1**
Throughput		Mbbl	40.4	**42.7**
RAP Throughput		Mbbl	21.0	**20.8**
Operational availability		%	90.7	**99.7**
Singapore complex margin [4]		US$/bbl	2.70	**1.02**
EBITDA [2]		NZ$M	153	**118**
NPAT		NZ$M	30	**4.2**
Exchange rate		US$/NZ$	0.69	**0.66**

1 Per 200,000 hours, rolling 12-month
2 For a full definition please refer to Glossary in Appendix I
See our Full Financial Statements for further detail, available at http://www.refiningnz.com/investor-centre.aspx
3 Free cash flow calculated as operating cash flow minus actual capital expenditures
4 For a definition, please see slide 8.

EBITDA

Delivered in line with Profit Matrix



EBITDA

Refining $77m

Distribution $37m

Laboratory $4m

$118m

The above chart excludes any movement in pass through costs such as natural gas, sulphur and carbon. See our Financial Statements for further detail, available at http://www.refiningnz.com/investor-centre.aspx

Market disruption and volatility

Weaker petrol and diesel margins:

- Capacity additions
- Increased Chinese exports

IMO 2020 MARPOL impacts

- Prices moved contrary to market expectations

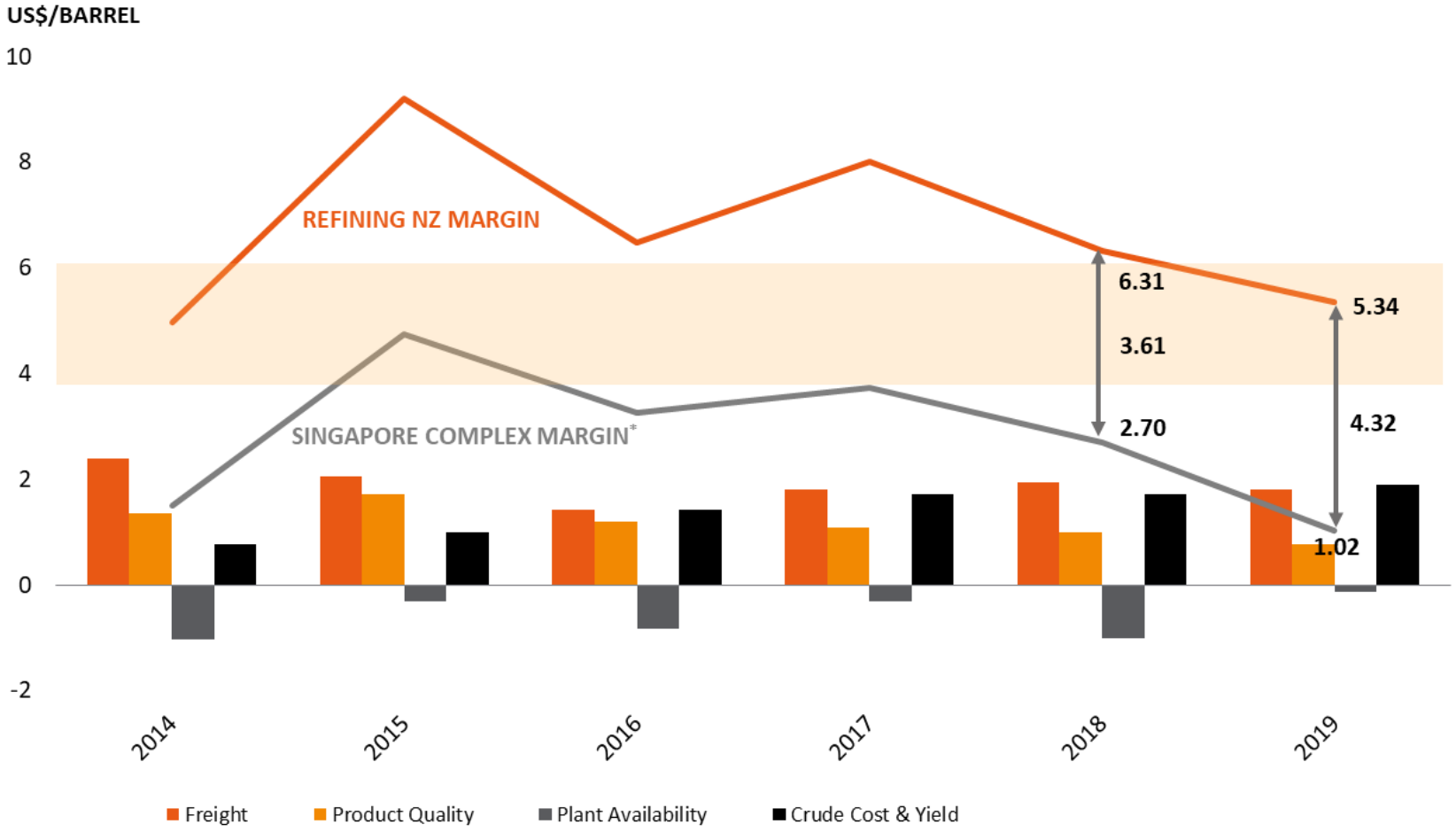
US sanctions on China

- Crude freight rates spiked

A slowing global economy

REFINERY ACHIEVED STRONG UPLIFT OVER LOW SINGAPORE MARGIN

Driven by optimised product make and strong operational performance



US$/BARREL	2018	2019	Delta
Freight	1.93	1.80	(0.13)
Product quality	0.99	0.75	(0.24)
Plant availability	(1.02)	(0.13)	0.89
Crude cost and yield	1.71	1.90	0.19
Uplift	3.61	4.32	0.71
Singapore Complex Margin	2.70	1.02	(1.68)

* The Singapore Complex Margin is calculated using Platts Dubai crude and Singapore product prices, VLCC freight to Singapore, and the International Energy Agency's Dubai complex refinery yields adjusted for fuel & loss.

Findings highlight critical role in fuels supply chain

"…a timely reminder of how important this fuel supply infrastructure is for Auckland and New Zealand"

Auckland Fuel Supply Disruption

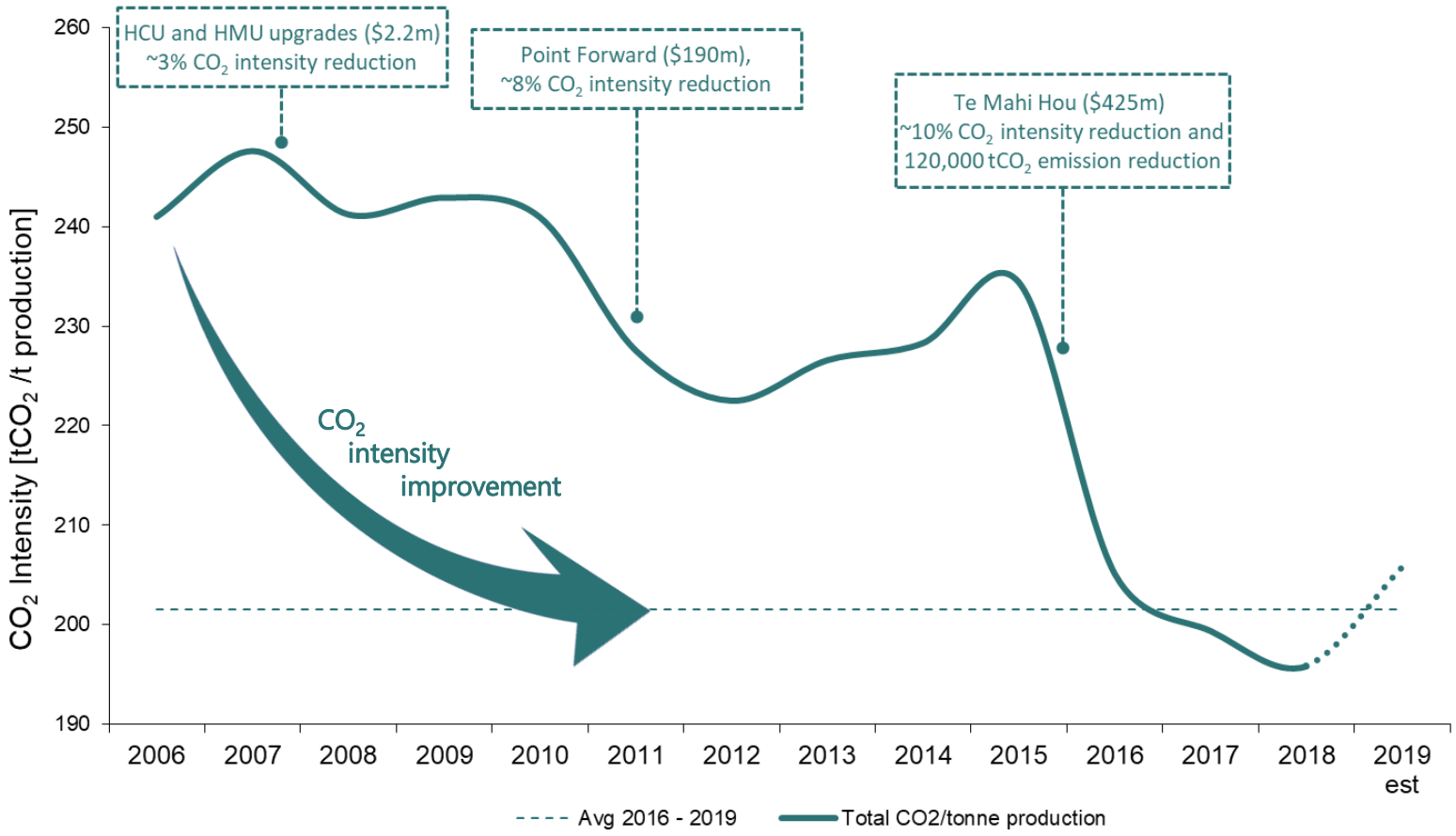
- The Refinery to Auckland Pipeline was operated properly
- Refinery invests in new infrastructure ahead of demand

Retail Fuel Market Study

- Recognised the integrated nature of the refinery/ pipeline system in supporting the New Zealand supply chain

CONTRIBUTING TO A LOW EMISSIONS ECONOMY

Strong record of emissions reduction



~$750m invested 2005-2015

~20% reduction in carbon intensity since 2008

>35,000 tonnes p.a. sulphur removed from fuels since 2005

- Te Mahi Hou the largest carbon reduction by a single project in NZ*
  - Equivalent to taking 60,000 Corollas off the road**
- Pursuing further energy saving initiatives
- Energy conservation partnership with EECA
- Maranga Ra has potential to remove 18,000 tonnes of CO_2

* Source: EITE report, May 2019
** Using NZTA methodology

PERFORMANCE

LOOKING AHEAD

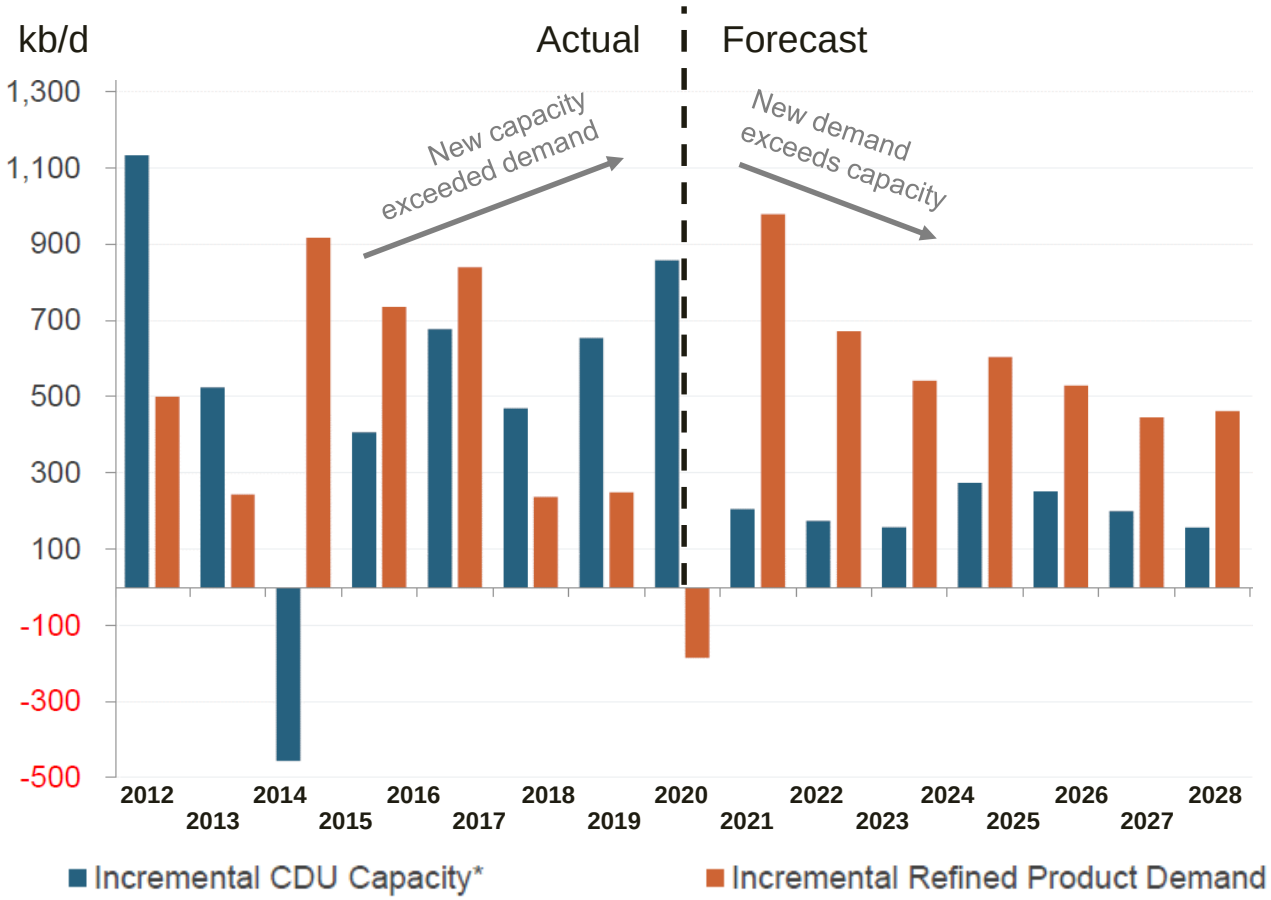
FGE forecasts:

- Coronavirus to impact demand and supply in 2020
- Margins to recover based on
  - High sulphur fuel oil cracks
  - Crude freight rates
- Asian demand growth to outstrip refining capacity additions from 2021

RNZ ready to benefit from expected margin recovery

ASIA CAPACITY AND DEMAND GROWTH

Forecasts point to high refinery utilisation (caveat: Chinese exports)



*Refining projects are sometimes delayed. FGE's methodology adjusts for possible delays in refining projects to provide a more realistic assessment of the impact of future refining additions.

Source: FGE FACTS GLOBAL ENERGY

As at 10 February 2020. FGE is an independent global energy consultancy that provides research, analysis and advisory services on the up- and downstream oil and gas markets.

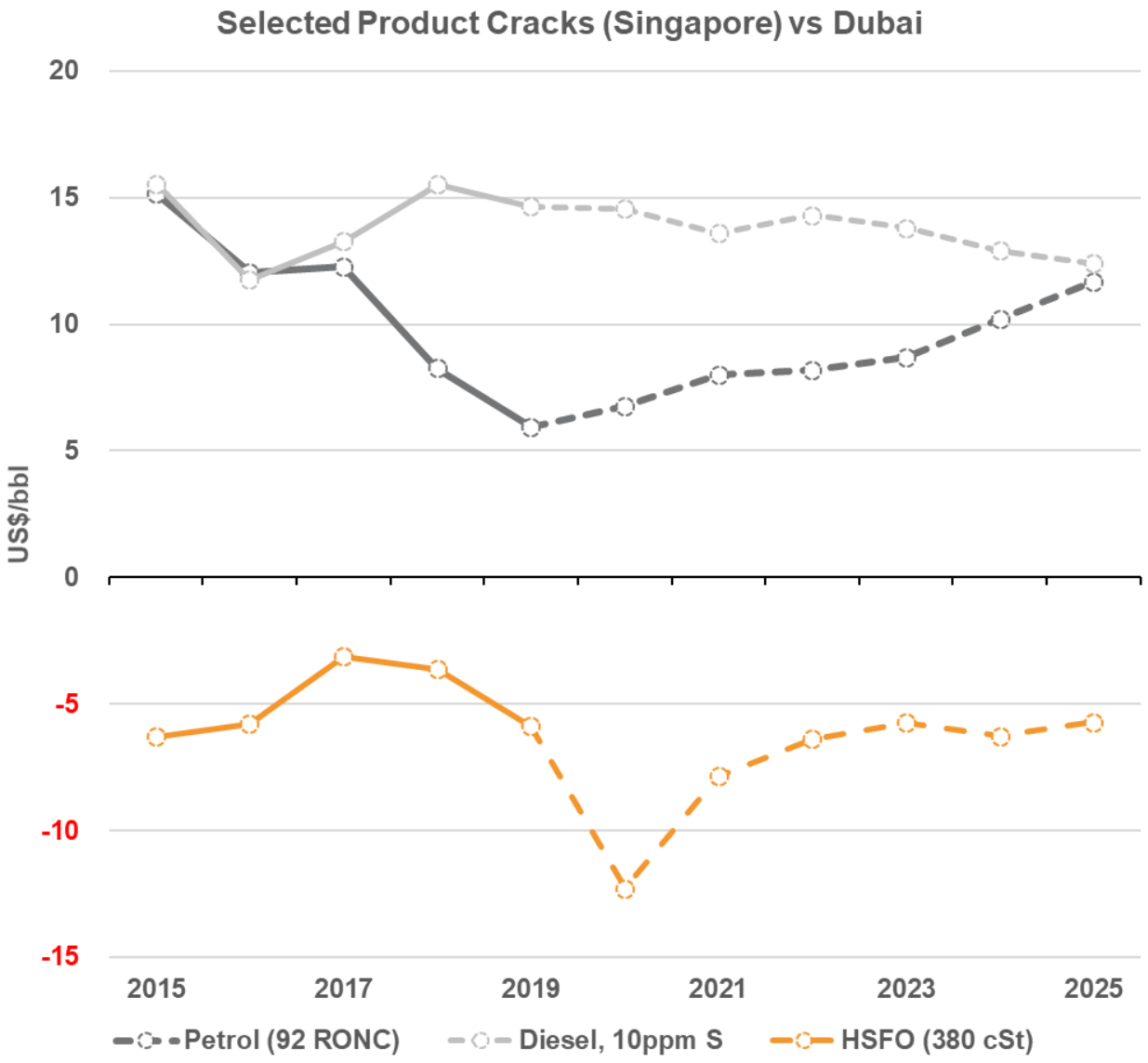
2020: margin pressure impacts demand growth

- China exports
- New refineries operational early: China, Brunei
- Outbreak of coronavirus

2021-2022: Expected rebound in demand growth

SINGAPORE PRODUCT CRACKS OUTLOOK

Expected to support our GRM



FGE OUTLOOK:

- Petrol expected to improve
- Diesel expected to remain supported
- High sulphur fuel oil expected to recover quickly with increased scrubbers on ships
  - Recovery since December: -27 USD/bbl to -10 today

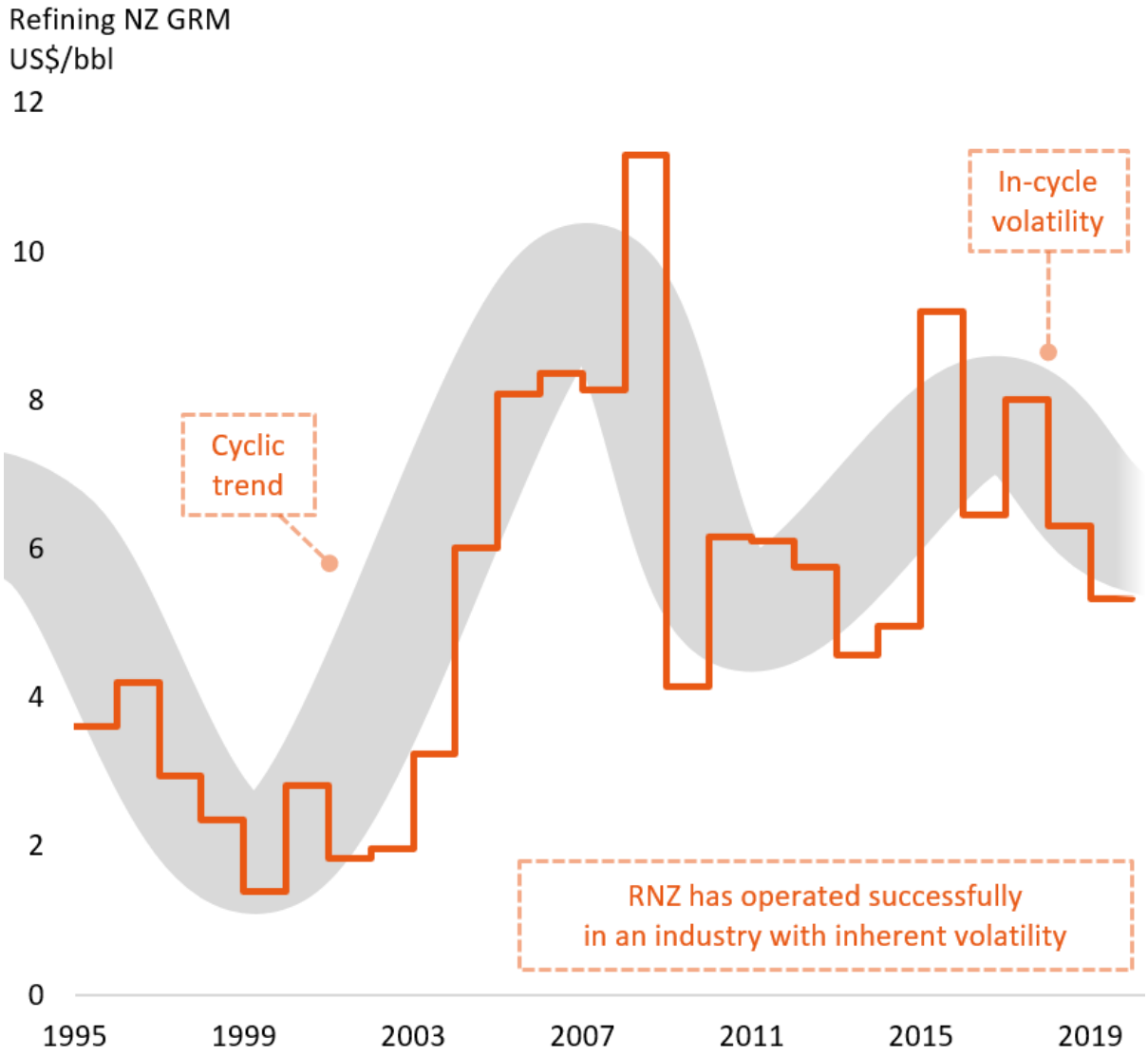
Coronavirus expected to increase market volatility

Source: FGE FACTS GLOBAL ENERGY

As at 10 February 2020. FGE is an independent global energy consultancy that provides research, analysis and advisory services on the up- and downstream oil and gas markets.

RESPONDING TO CYCLICAL HEADWINDS

Refining NZ taking action



Safety-critical maintenance progressing to plan

Significant reduction in cash costs:

- Capital programmes
- Operating costs

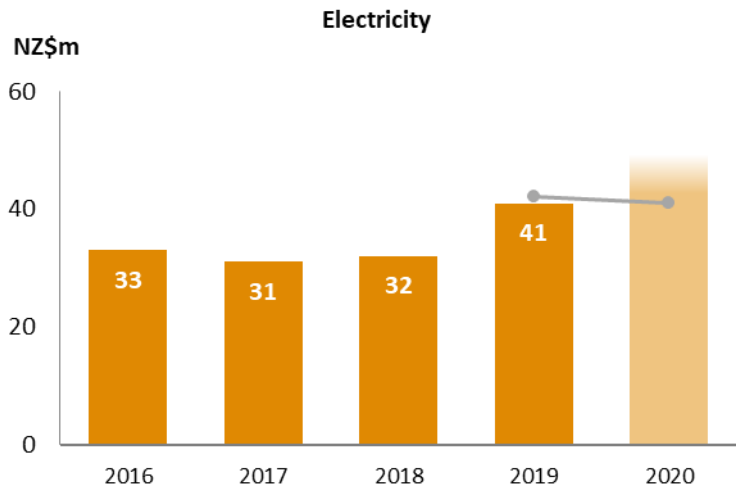
Broadening crude slate to accept cheaper crudes

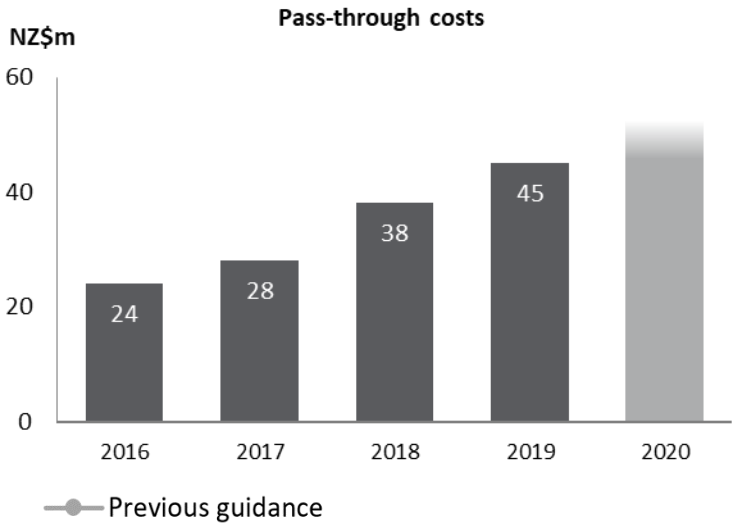
Optimising refinery yields & Turnaround cycles to lift GRM

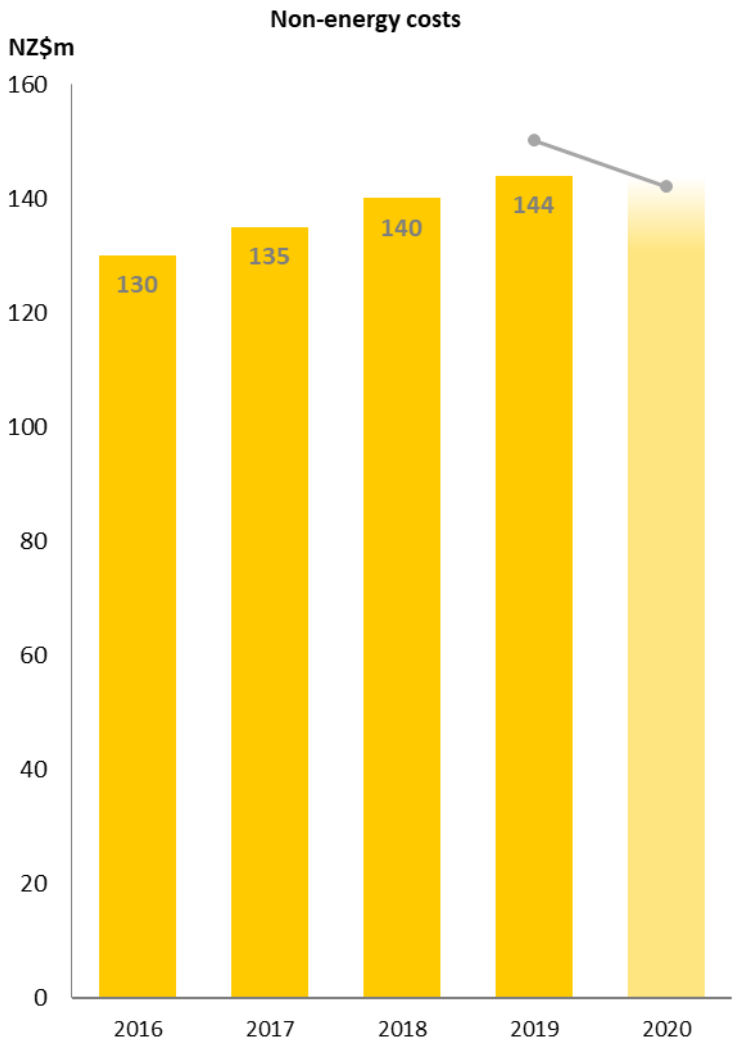
Secured 3-year gas contract

OPERATING COSTS UNDER REVIEW

A sustainable cost base is expected going forward







Non-energy costs under control

Long term trend forecast to be reversed

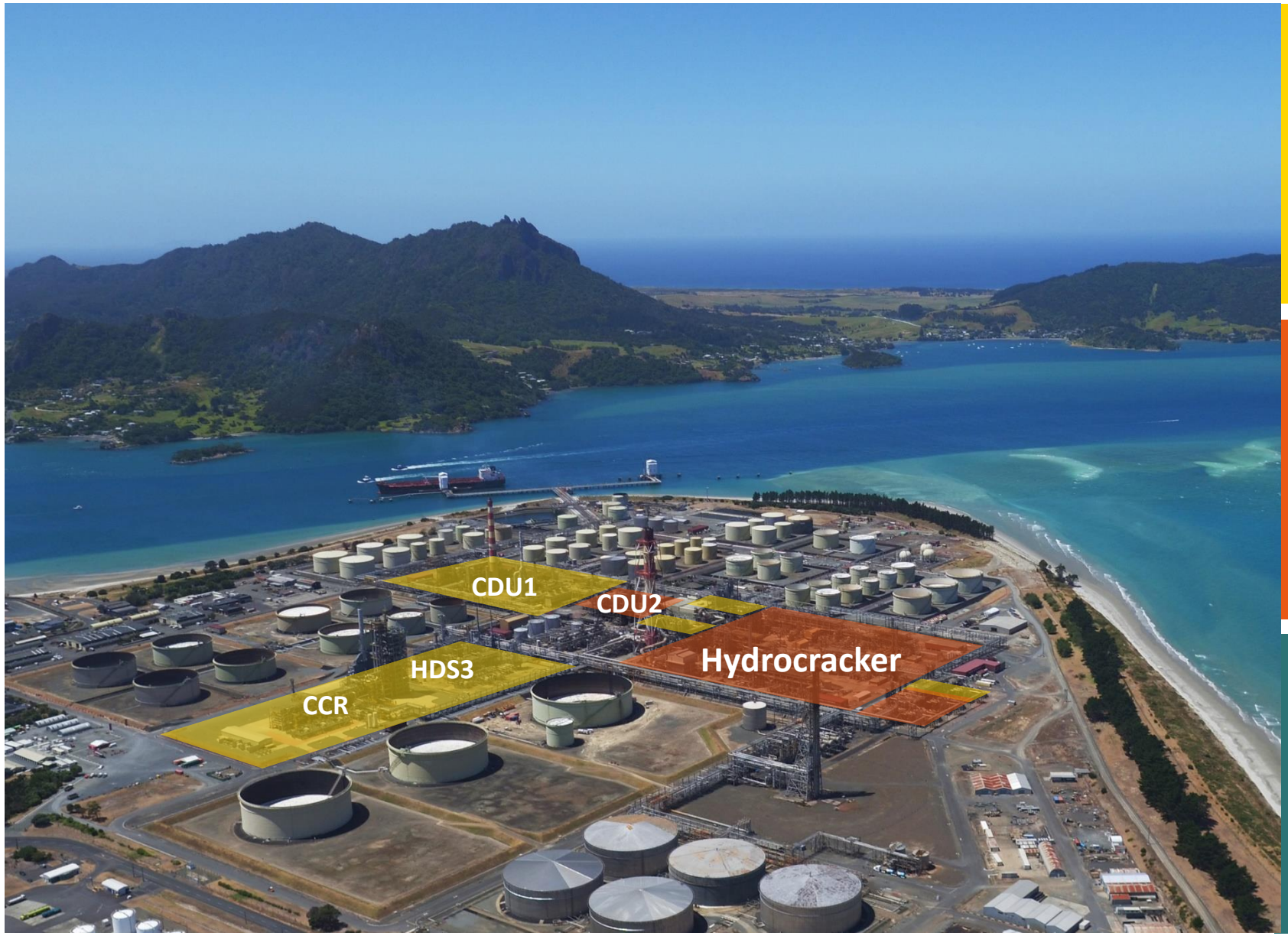
2019 one offs have rolled off

Solar farm expected to partially mitigate the longer term energy price risk once online

Pass-through costs include natural gas, sulphur and carbon

TURNAROUND LOOKAHEAD

Optimising planned maintenance



2020

- Crude Distillation Unit (CDU1)
- Hydrocracker Unit Top Bed Skim
- CCR Platformer
- Gasoil Hydrodesulphuriser (HDS3)

2021*

- Hydrocracker unit
- Crude Distillation Unit (CDU2)

* Timing of Turnaround under review

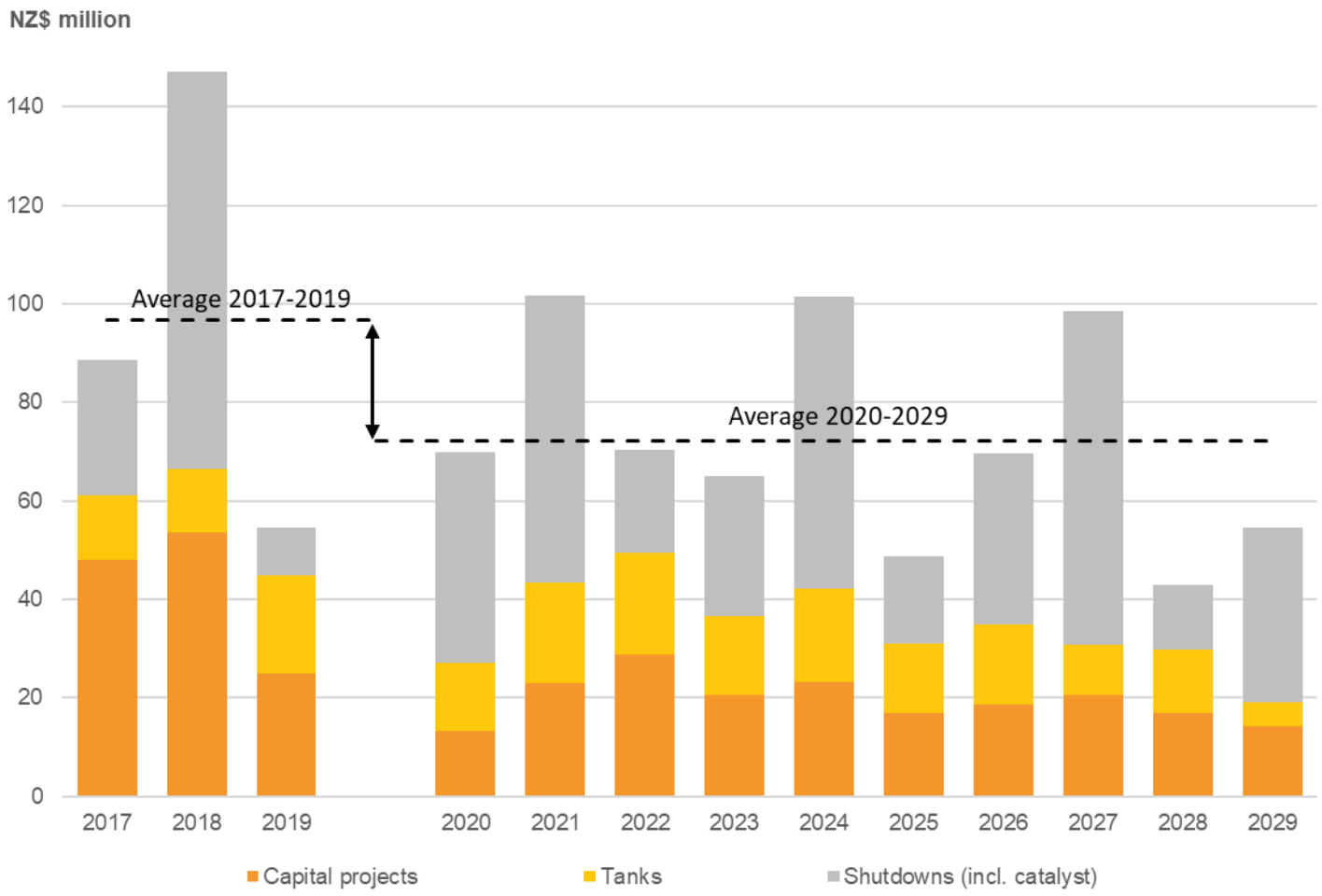
2022

- ~~Hydrocracker Unit Top Bed Skim~~**

** No longer required

LONG TERM SUSTAIN CAPITAL FUNDING PLAN

Optimisation continues

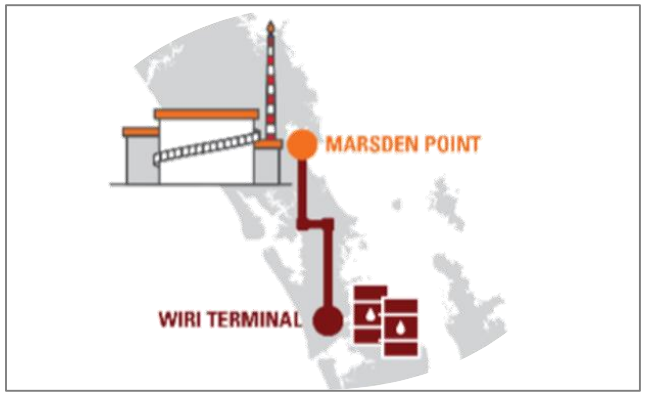


- Overall spend driven by Turnaround cycles
- First CCR Platformer inspection and catalyst replacement in 2020
- 2020 forecast down from previous guidance of $99m to $70m
- Forecast 10-year average $70m, still expect to maintain a long-term average of $65m
- Review of phasing supported by long-term asset management plan
- Capex minimised in 2020 without compromising safety

The above chart excludes growth projects such as Dredging and Maranga Ra, where the investment decision will be economically justified, with alternative financing explored.

REFINERY-AUCKLAND PIPELINE

Optimising key infrastructure for NZ's biggest region

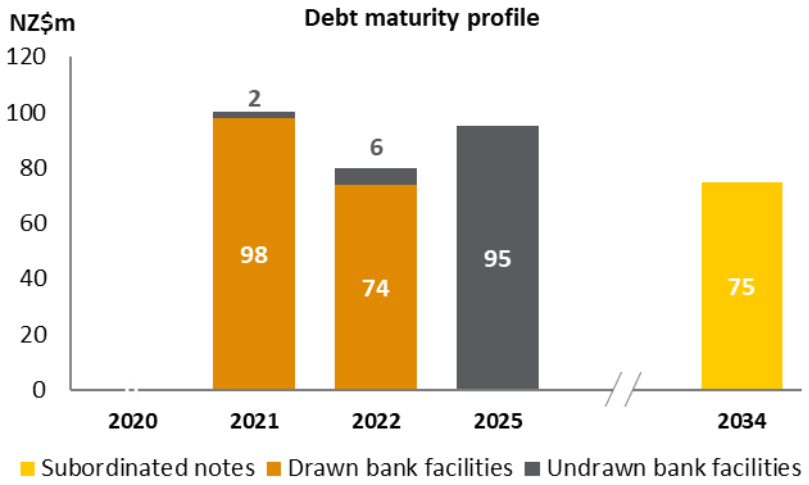


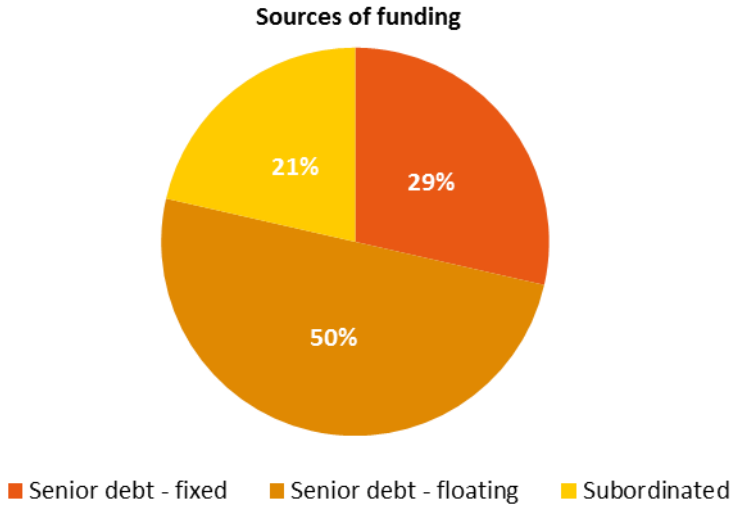
- Working to further increase pipeline capacity
- RAP provides >90% of Auckland's fuel (100% of jet fuel)
- Safest, most environmentally-friendly, cost-effective distribution method
- Refined fuels expected to be part of NZ's energy mix for decades
- Distribution option for lower carbon fuels

Ready to benefit from expected market recovery

- Continue to deliver safely, on time and in specification
- Minimise cash costs in response to market challenges
- Maximise revenue by broadening crude slate, further optimising refinery yields & optimising Turnaround cycles
- Planning for successful Turnarounds (March & May) – safely, quality, time and cost
- Submit Refinery resource consents application
- **Looking at all tactical & strategic options to stay core to NZ's fuel supply**

Debt structure extended





Facilities renewal in 2019:

- Senior debt tenor extended from 1 to 3 years
- Overall debt tenor 7+ years (including subordinated notes)

Undrawn facilities of $103m

$100m of interest rate swaps mature in December 2020

Lenders' debt to debt and shareholder funds: 19%

Debt to EBITDA: 9.1x

2020 PROFIT MATRIX

GRM US$/BBL	US$ EXCHANGE RATE 0.50	0.55	0.60	0.65	0.70	0.75
3.10 "Fee Floor"	(38) / 290	(51) / 307	(61) / 322	(69) / 333	(69) / 333	(69) / 333
4.00	1 / 236	(15) / 258	(28) / 276	(39) / 292	(49) / 305	(57) / 317
5.00	45 / 191	25 / 211	9 / 228	(6) / 245	(18) / 262	(28) / 276
6.00	89 / 148	65 / 171	45 / 191	28 / 208	14 / 223	1 / 236
7.00	133 / 104	105 / 132	82 / 155	62 / 175	45 / 191	30 / 206

41.7 Production (million barrels)
65 Non processing fee revenue excluding pass through income ($m)
107 Depreciation ($m)

● Net profit after tax
○ Borrowings

RENEWED LEADERSHIP

Naomi James, Chief Executive Officer

- Overall business leadership
- Develop and execute strategy to maximise shareholder value
- Formerly Executive Vice President, Santos Ltd, responsible for midstream infrastructure assets including oil and gas processing facilities
- On seat April 2020

Andrew Brewer, Chief Operating Officer

- Refinery leadership
- Responsible for safe execution and maximising cash generation from refining operations
- Extensive experience in refining leadership roles with Caltex Australia and Chevron Canada
- On seat March 2020

APPENDIX 1

Glossary

- **LTIF** – Lost time injury frequency (rolling 12 month per 200,000 hours)
- **TRCF** – Total recordable case frequency (rolling 12 month per 200,000 hours)
- **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 $25,000 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; A officially declared community evacuation or community shelter-in-place.
- **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.
- **EBITDA** – Net Profit Before Finance Costs and added back Depreciation and disposal costs
- **CAGR –** compound annual growth rate

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