

REFINING NZ
Your Energy Hive

INVESTOR PRESENTATION

21 AUGUST 2019



E TU TANGATA

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- Each forward looking statement speaks only as of the date of this announcement, 21 August 2019.

An aerial photograph of a coastline. The water is a vibrant turquoise color, transitioning to a lighter, sandy beach at the bottom. A small, white boat is visible in the middle of the water. In the upper right, there is a small, green island or peninsula with a sandy shore. The overall scene is bright and clear, suggesting a sunny day.

AGENDA

PERFORMANCE

LOOKING AHEAD

STRATEGIC INITIATIVES

STRATEGIC DIRECTION



AGENDA

PERFORMANCE

LOOKING AHEAD

STRATEGIC INITIATIVES

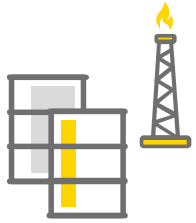
STRATEGIC DIRECTION

Excellent safety and operational performance

Refinery margins weaker than expected

Strong contribution from distribution segment

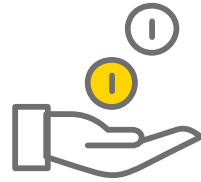
Positive free cash flow resulting in 2 cps dividend



Gross Refining Margin

USD **5.31** PER BARREL

5.65 per barrel in HY18



EBITDA

NZD **54** M

NZD50m in HY18



Free Cash Flow ^[3]

NZD **18.2** M

NZD(75)m in HY18



TRCF ^[1,2]

0.27

0.75 in HY18

		HY 18	HY 19
Personal	LTIF ^[1,2]	0.47	0.14
Process	Tier 1 (>US\$25k) ^[2]	2	0
	Tier 2 (>US\$2.5k) ^[2]	2	0
Releases outside consent		1	1
Throughput	Mbbl	17.9	21.2
RAP Throughput	Mbbl	10.4	10.3
Operational availability	%	83.3	99.9
Singapore complex margin ^[4]	US\$/bbl	3.23	0.20
EBITDA ^[2]	NZ\$M	50.0	54.1
NPAT	NZ\$M	(2.8)	(3.5)
Exchange rate	US\$/NZ\$	0.73	0.67

1 Per 200,000 hours, rolling 12-month

2 For a full definition please refer to Glossary in Appendix I

See our Interim 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.

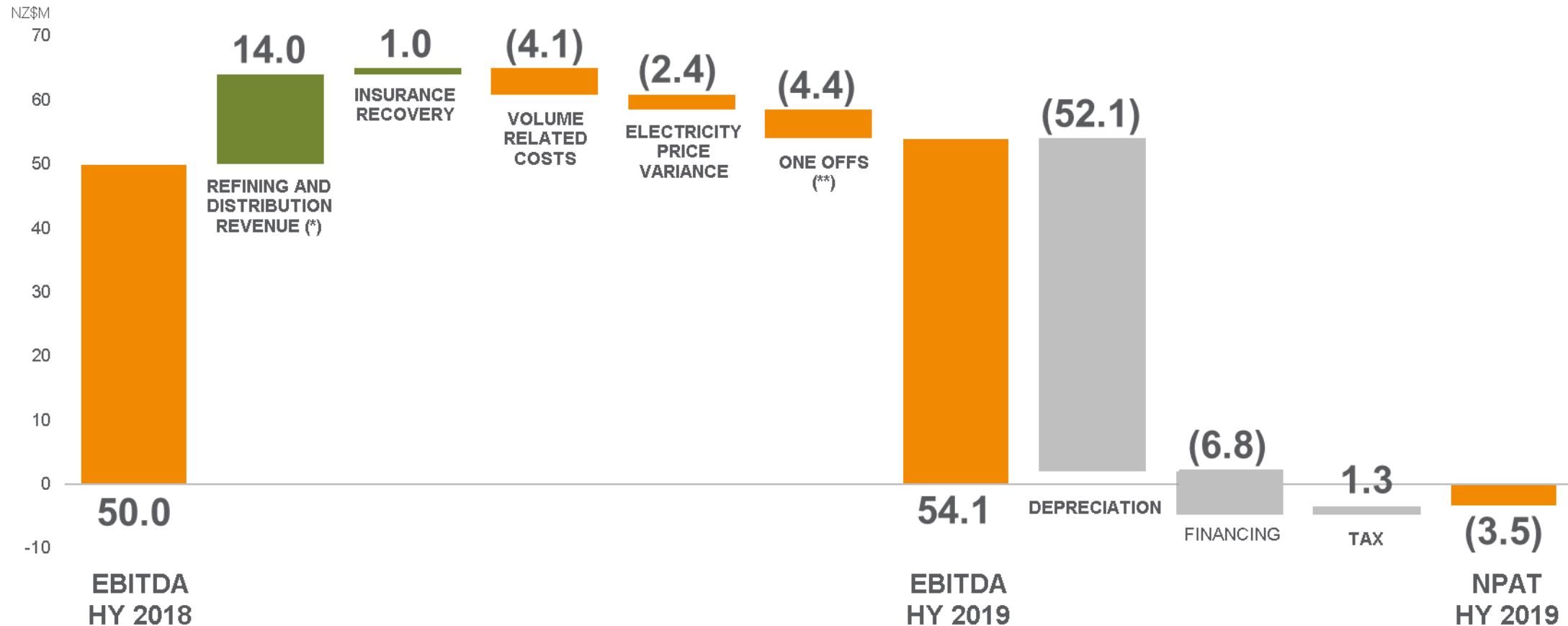


Standing in the gap for the safety and wellbeing of our workmates:

- Hauora Hikoi and Korero – fostering a culture of safety
- Over 4,000 walks and talks delivered in 1H19
- High performing individuals recognised with safety and wellbeing award (Kaihautu)
- 10 months without an LTI; Lowest TRCF since 2011



Kaihautu award for safety and wellbeing leadership



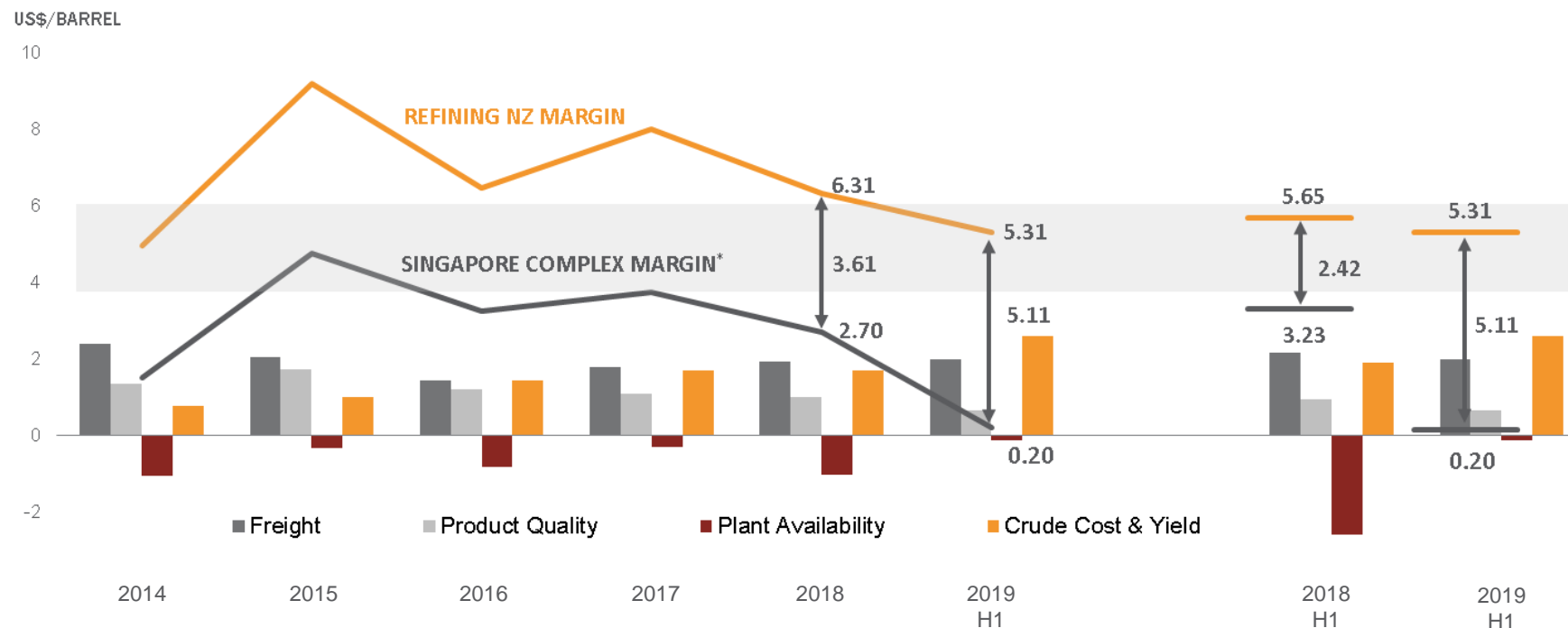
(*) Includes terminalling and handling fees.

(**) Includes Government inquiry, strategic review and site consent renewal

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

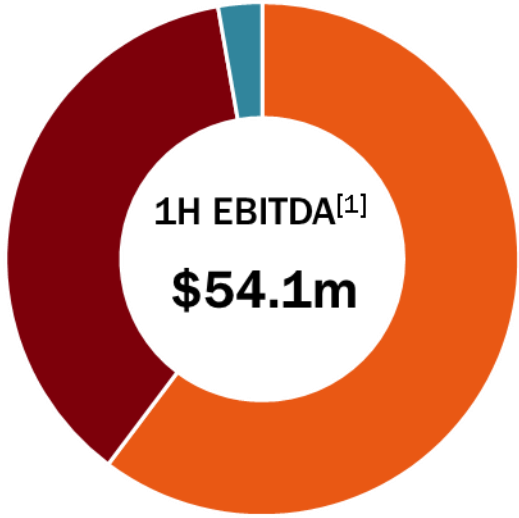
STRONG UPLIFT OVER LOW SINGAPORE MARGIN

Driven by optimised product make and strong operational uptime

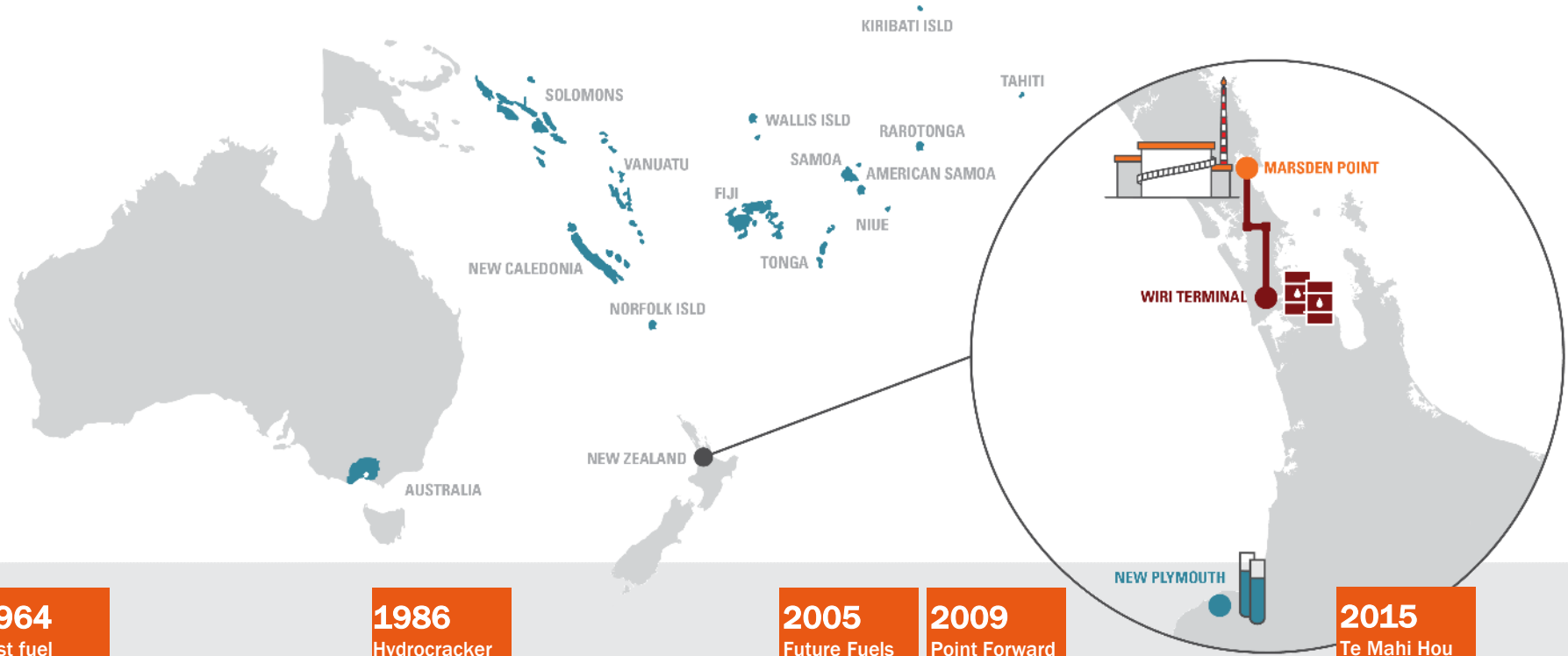


UPLIFT US\$/BARREL	HY 18	HY 19	Delta
Freight	2.16	2.00	(0.16)
Product quality	0.95	0.65	(0.30)
Plant availability	(2.60)	(0.14)	2.46
Crude cost and yield	1.91	2.60	0.69
TOTAL	2.42	5.11	2.69

* 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.



1 Refer Glossary (Appendix I)



REFINING



DISTRIBUTION

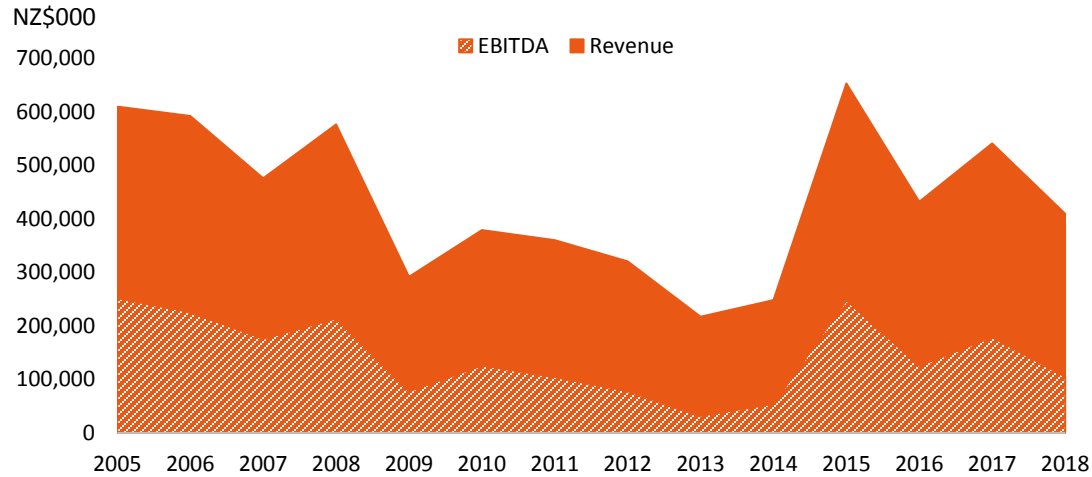


LABORATORY



OUR FUTURE IS IN SUPPORTING NZ's TRANSITION TO A LOWER CARBON FUTURE

REFINING REVENUE AND EBITDA



Processing fee based on gross refining margin and linked to USD exchange rate

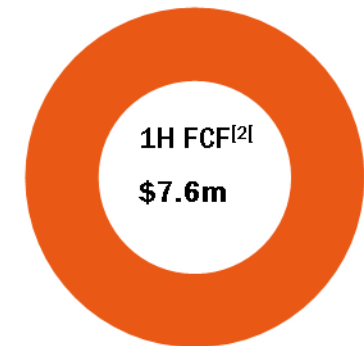
Despite cyclical historical results, strong cash flow allowing funding of significant capital projects and dividends

Favourable supply and demand outlook over medium term

Expected net benefit from MARPOL

Potential upside from regional refinery closures and refinery outages

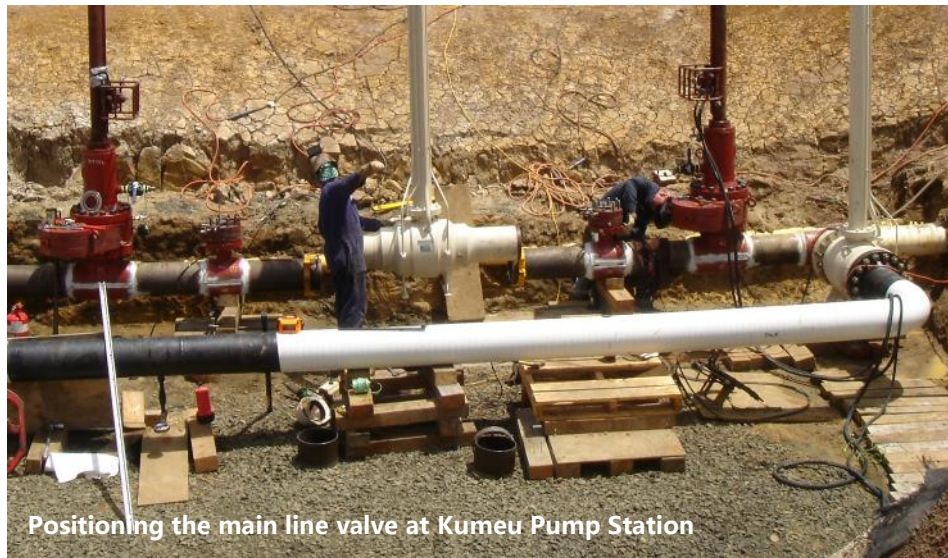
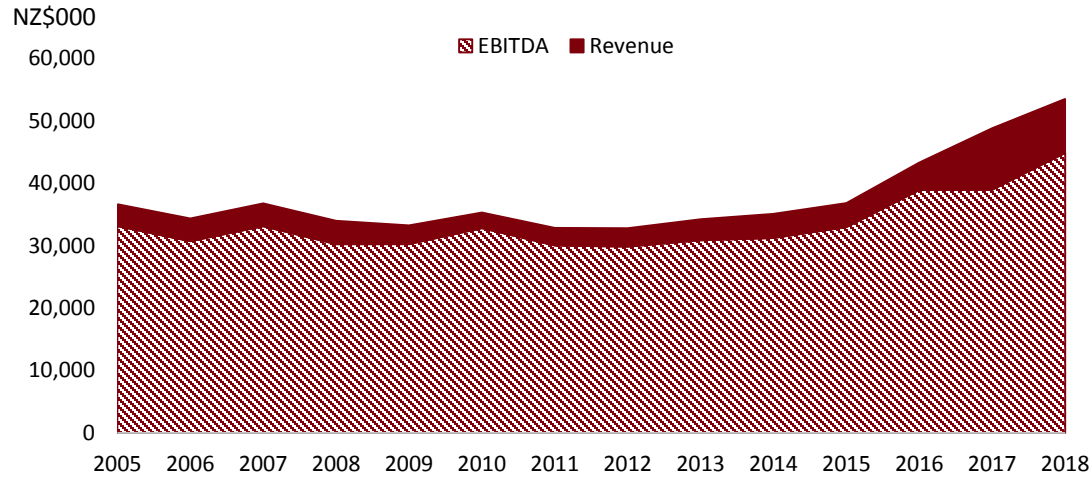
Core competitive advantages are location and high reliability



1 Refer Glossary (Appendix I)

2 Free cash flow calculated as operating cash flow minus actual capital expenditures

DISTRIBUTION REVENUE AND EBITDA



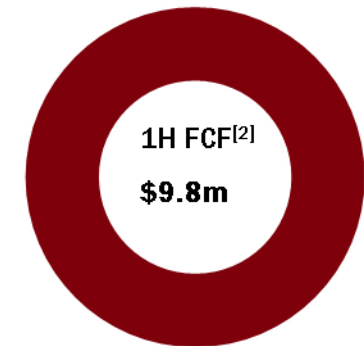
Multi-product pipeline supplying Auckland

Transports 52% of refinery's production and 37% of NZ's fuels demand

We have invested to meet significant volume growth over the last 5 years

Drag reducing agent (DRA) to be trialled in 2H 2019

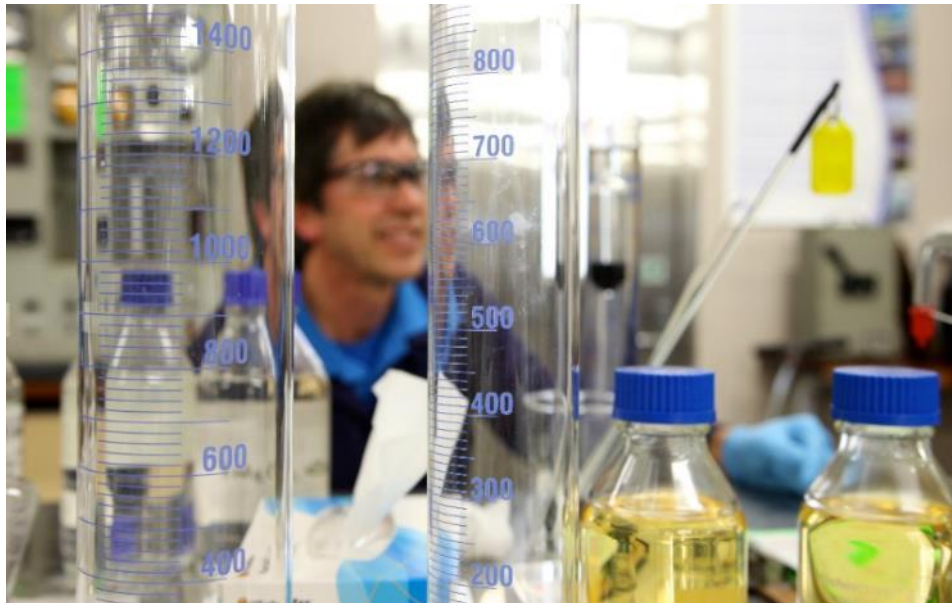
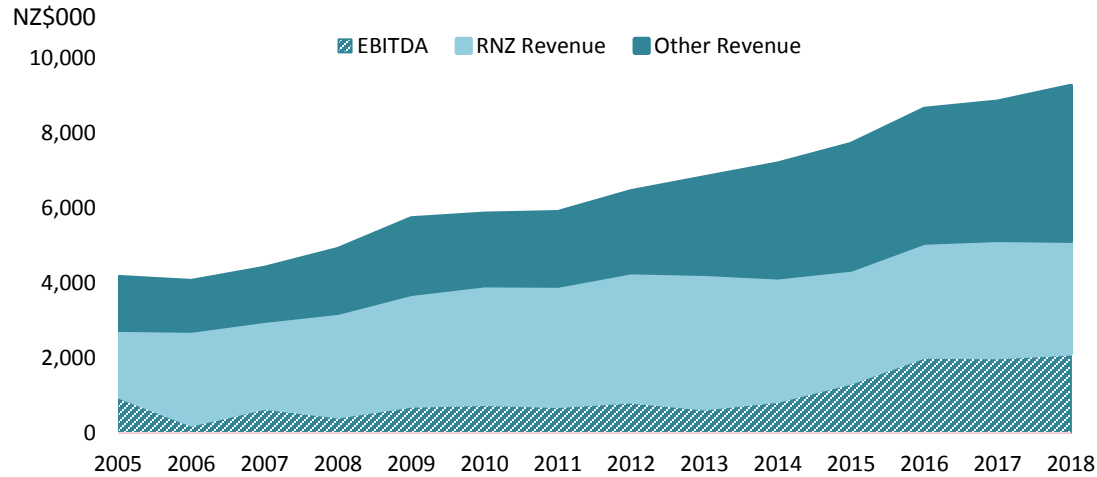
15% additional capacity increase possible from DRA, subject to a successful trial



1 Refer Glossary (Appendix I)

2 Free cash flow calculated as operating cash flow minus actual capital expenditures

IPL REVENUE AND EBITDA



Specialist fuels, biofuels and other lab testing services

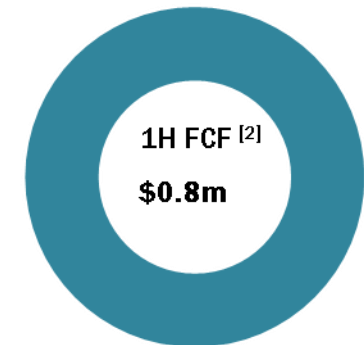
Established in 1999, and fully owned by Refining NZ since 2016

Services provided to leading oil companies, governmental agencies and international terminals

Employs ~45 staff in two labs (Marsden Point, New Plymouth)

Strong growth in the last decade

EBITDA and Revenue CAGR¹ of 6% since 2005



¹ Refer Glossary (Appendix I)

² Free cash flow calculated as operating cash flow minus actual capital expenditures



PERFORMANCE

LOOKING AHEAD

STRATEGIC INITIATIVES

STRATEGIC DIRECTION

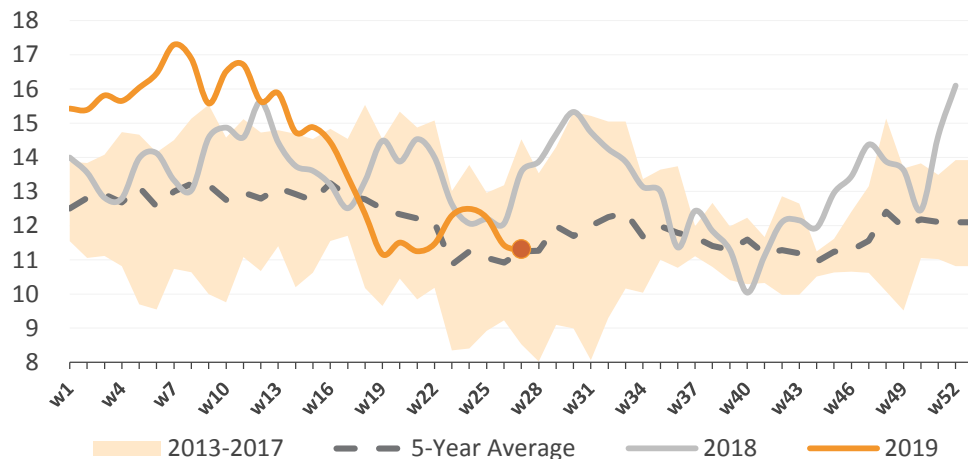
Asian demand growth is expected to outstrip refining capacity additions (until at least 2029)

FGE expects:

- Mogas margins to improve in 2020 (caveat: Chinese exports and a global slowdown)
- Jet and diesel margins to strengthen further in Q4 2019
- High sulphur fuel oil margins likely to fall sharply in Q4 2019, with a gradual recovery from Q2 2020

RNZ therefore expects a net margin benefit from IMO market disruption

Singapore Light Distillate Inventories (mmb)

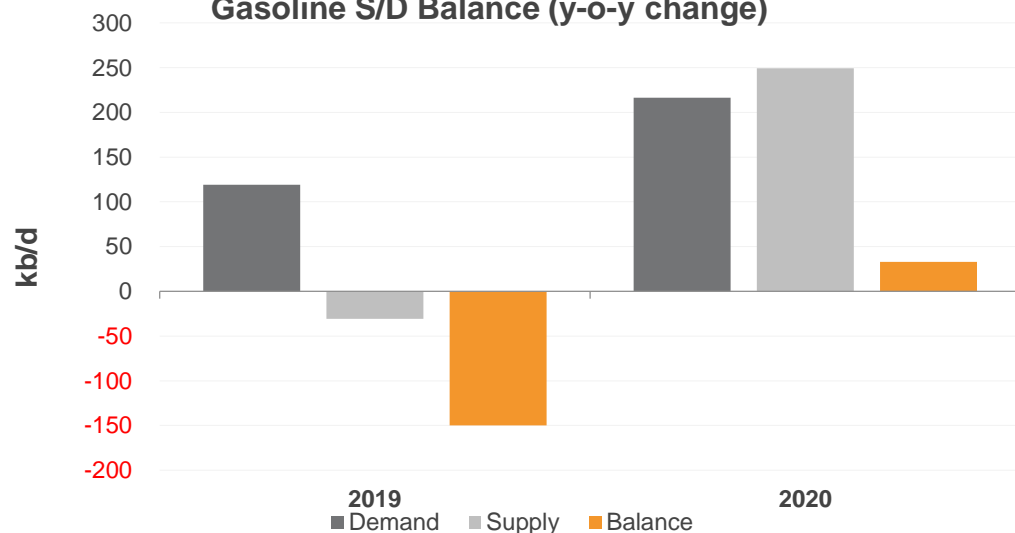


Weaker gasoline margins in 1H19: High stocks, reduced demand and Chinese exports

FGE OUTLOOK:

- 2019 global gasoline demand growth > supply growth
- Weaker US summer gasoline demand in 2H19. Margins may reduce before support from IMO2020 effects
- Higher Chinese exports and a global slowdown may limit the IMO2020 gasoline upside in 2020

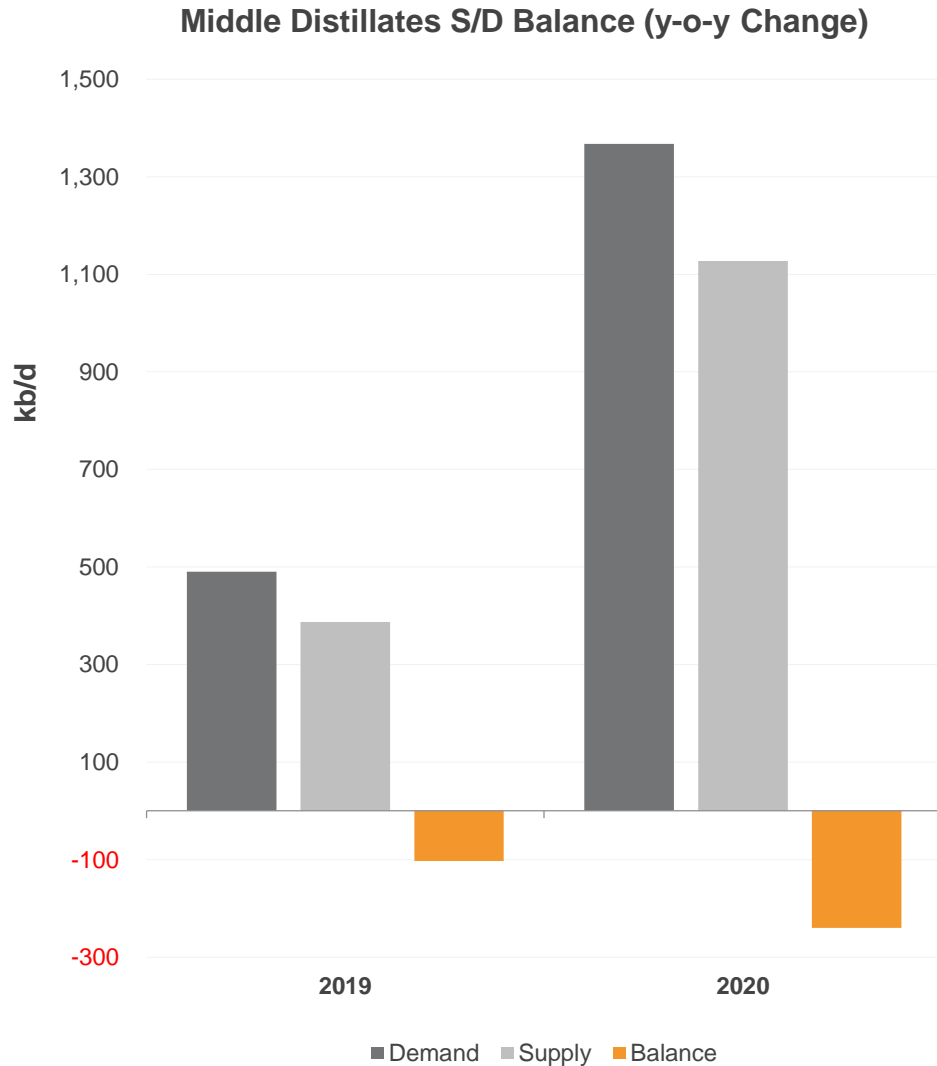
Gasoline S/D Balance (y-o-y change)



Source:



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



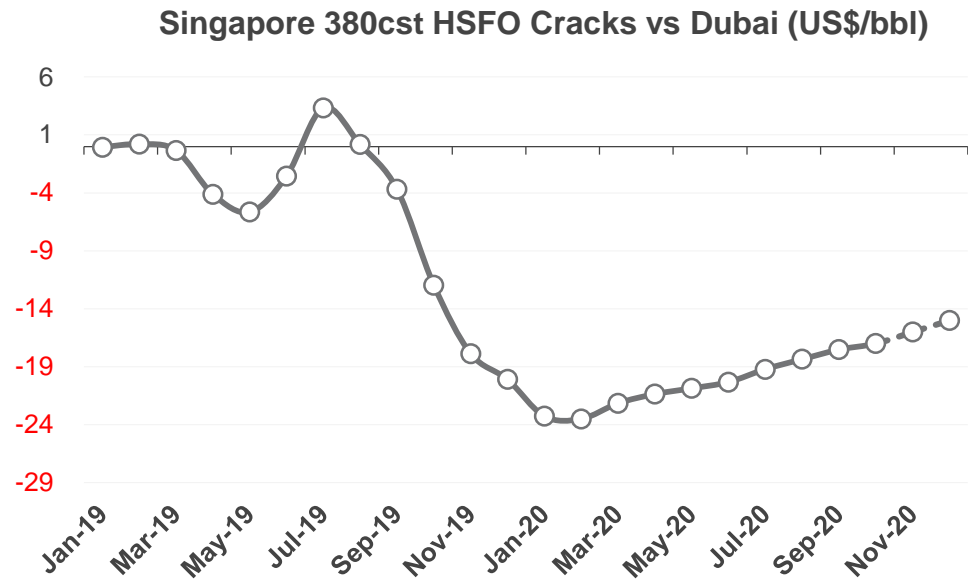
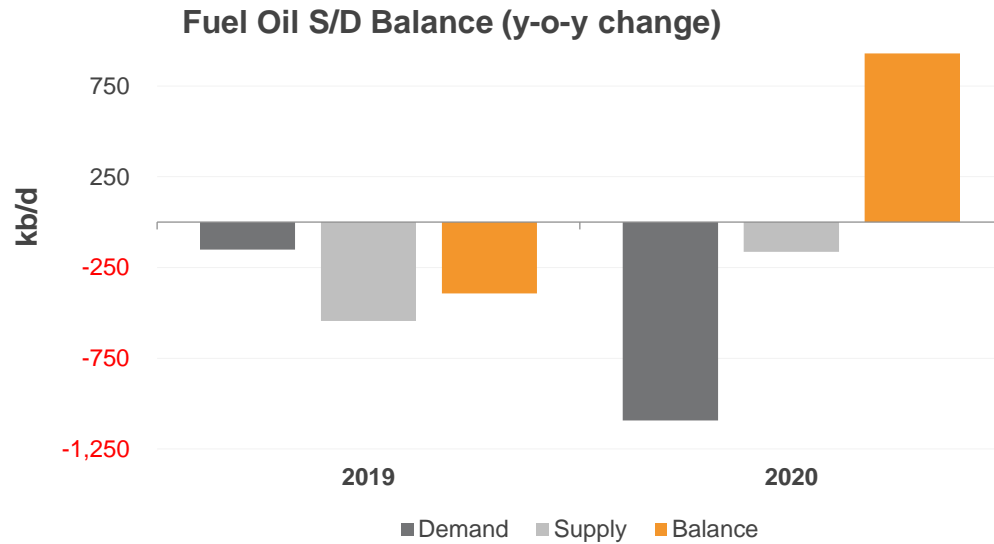
FGE OUTLOOK:

- Global middle distillate demand to outstrip supply growth
- Middle distillate margins strengthening as low sulphur stocks build ahead of IMO2020

Source:



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



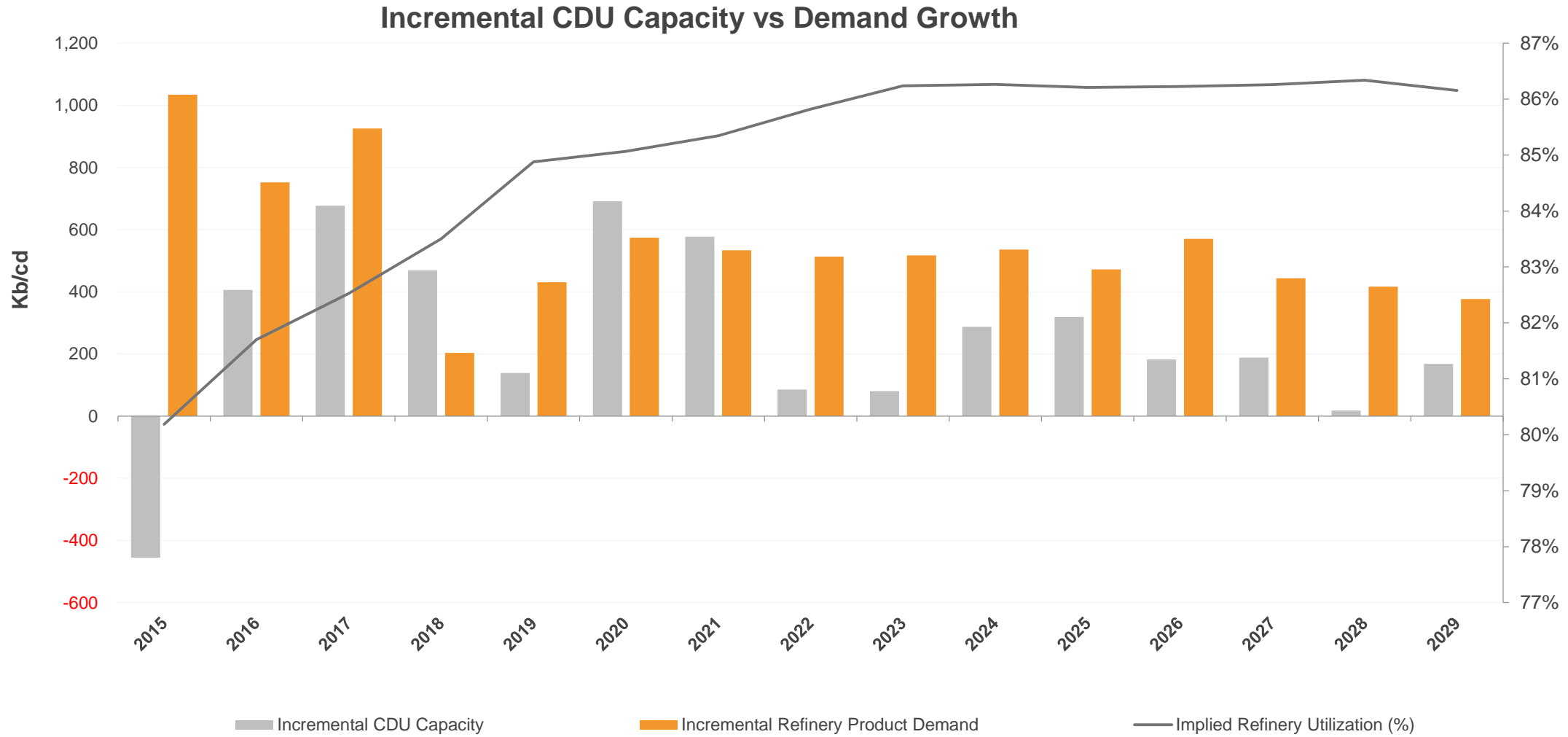
FGE OUTLOOK:

- High sulphur fuel oil margins buoyed by: Middle East power demand, residue upgrade projects, sanctions, lighter global crude slate
- Low sulphur fuel oil stocks building ahead of IMO2020 support margins
- Expect high sulphur fuel oil margin recovery from Q2 2020

Source:



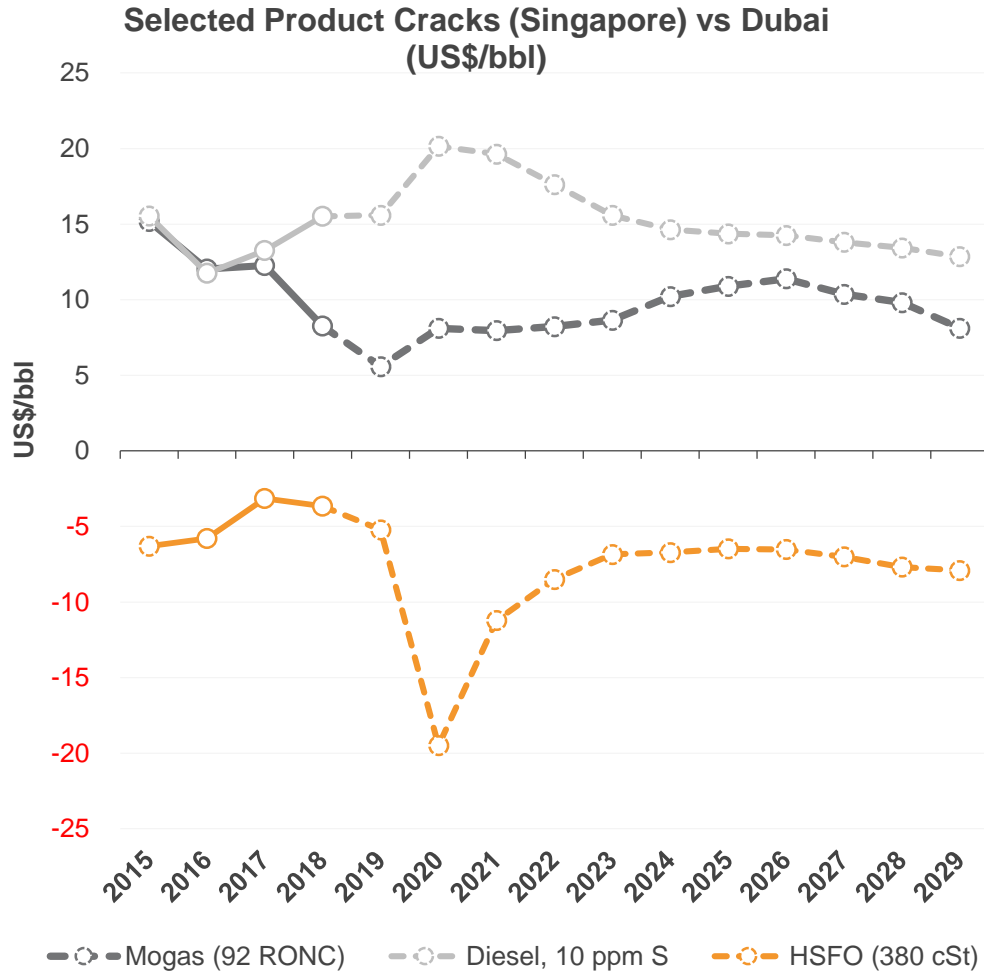
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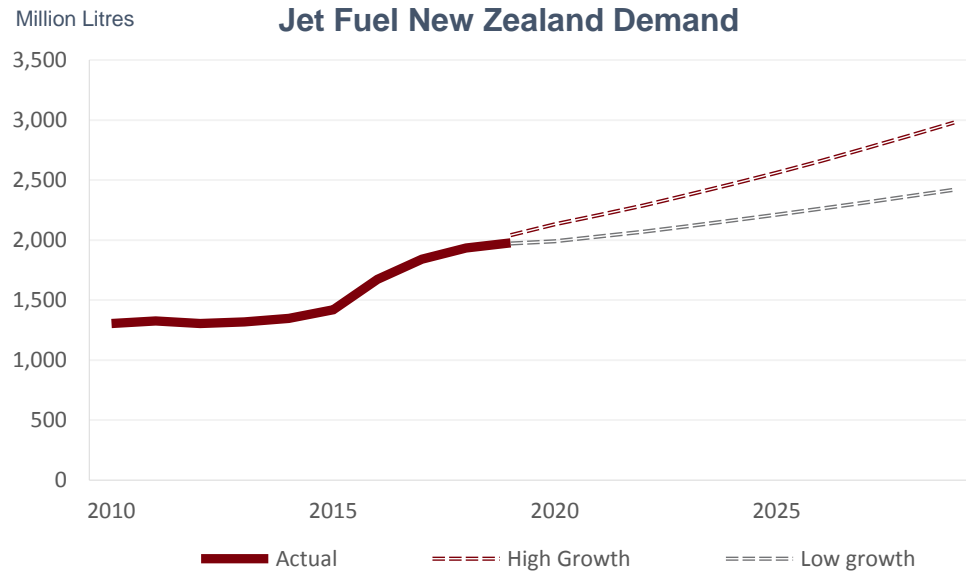
FGE OUTLOOK:

- Gasoline margin is expected to improve but then pressured at end of the decade by higher engine efficiency and eventually by electric vehicles
- IMO2020 supports diesel margins
- High Sulphur fuel oil margins recover quickly from a sharp fall with increasing scrubber installations on ships

Source:



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



Demand projection aligned with Auckland Airport outlook

Refinery to Auckland Pipeline – key asset to meet growing Auckland demand

RNZ continues to invest in capacity to meet demand



Demand outlook based on 2019 Hale & Twomey high/low growth projections

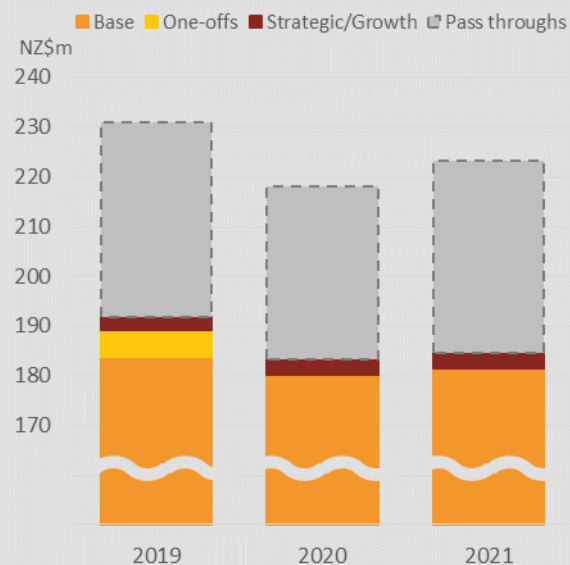
2019 PROFIT MATRIX REMAINS UNCHANGED

2H 2019 EXPECTATIONS

- Strong throughputs
- Capital spend on budget
- Opex managed

LONGER TERM

- Baseline opex of \$180m in 2020 (excluding inflation) or \$182-185m with strategic initiatives



GRM US\$	US\$ EXCHANGE RATE			
	0.60	0.65	0.70	0.75
4.00	(34) 326	(46) 342	(56) 356	(65) 369
5.00	4 273	(10) 293	(23) 311	(34) 326
6.00	43 220	25 244	10 265	(3) 283
7.00	81 169	61 195	43 220	27 241
8.00	120 131	96 154	76 174	58 198
9.00	158 92	131 119	109 142	89 161

44 Production, Mbbl
101 Non Processing Fee Revenue, \$m
103 Depreciation, \$m

Pass through costs include natural gas, sulphur and carbon
One-offs include Government inquiry, Strategic Review and Resource Consent

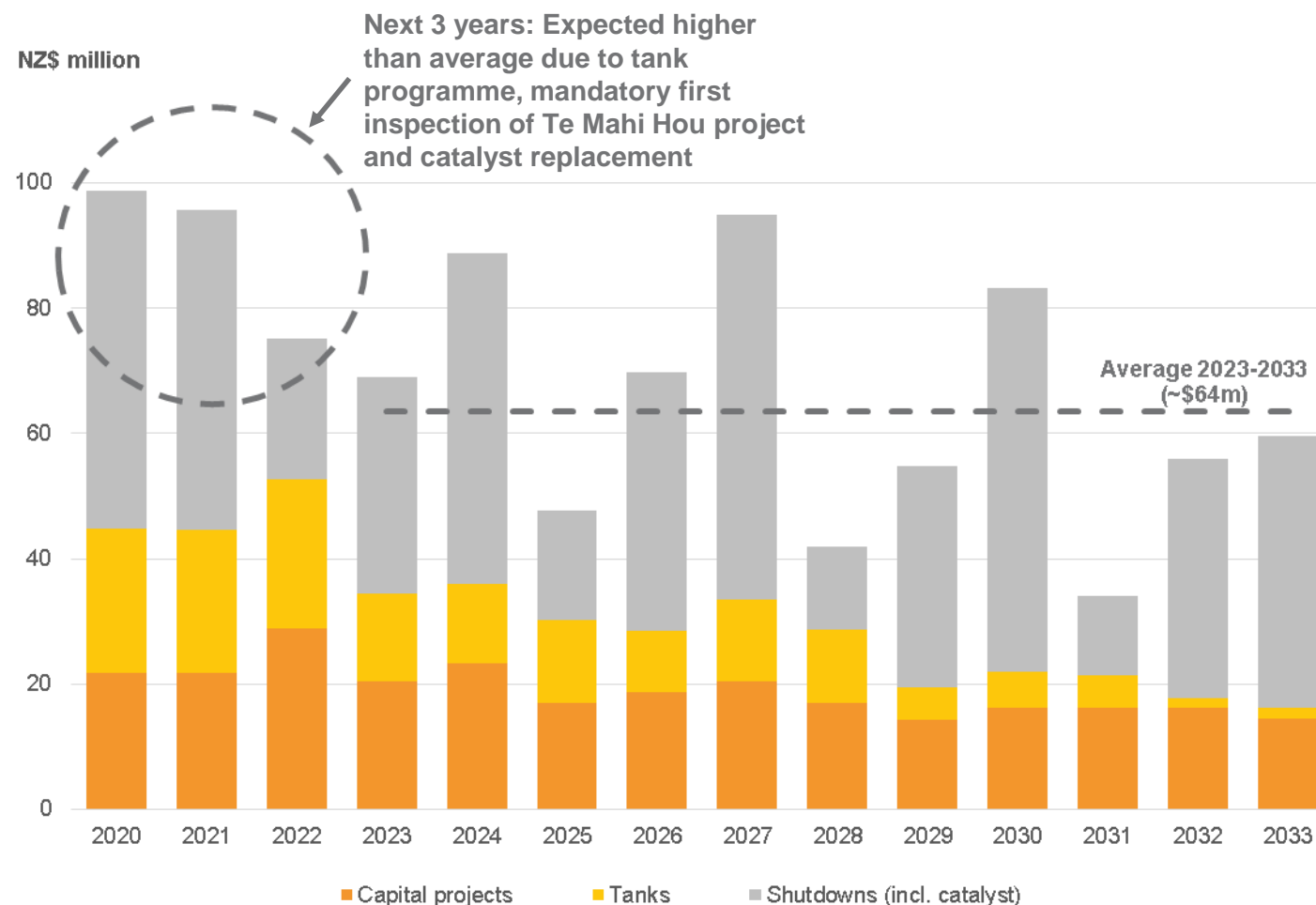
Asset management process

- Phase I of long term strategic asset management plan nearing completion
- Alignment to ISO 55001:2014
- Long term reduction in capital spend to below depreciation achieved

Funding plan highlights

- Overall spend driven by shutdown cycles
- Tank maintenance reducing from 2023

Capital spend under control



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

AGENDA

PERFORMANCE

LOOKING AHEAD

STRATEGIC INITIATIVES

STRATEGIC DIRECTION

Sulphur project well into construction

Short payback projects are delivering

Dredging optimisation continues

“Maranga Ra” solar farm – final investment decision expected in Q4 2019



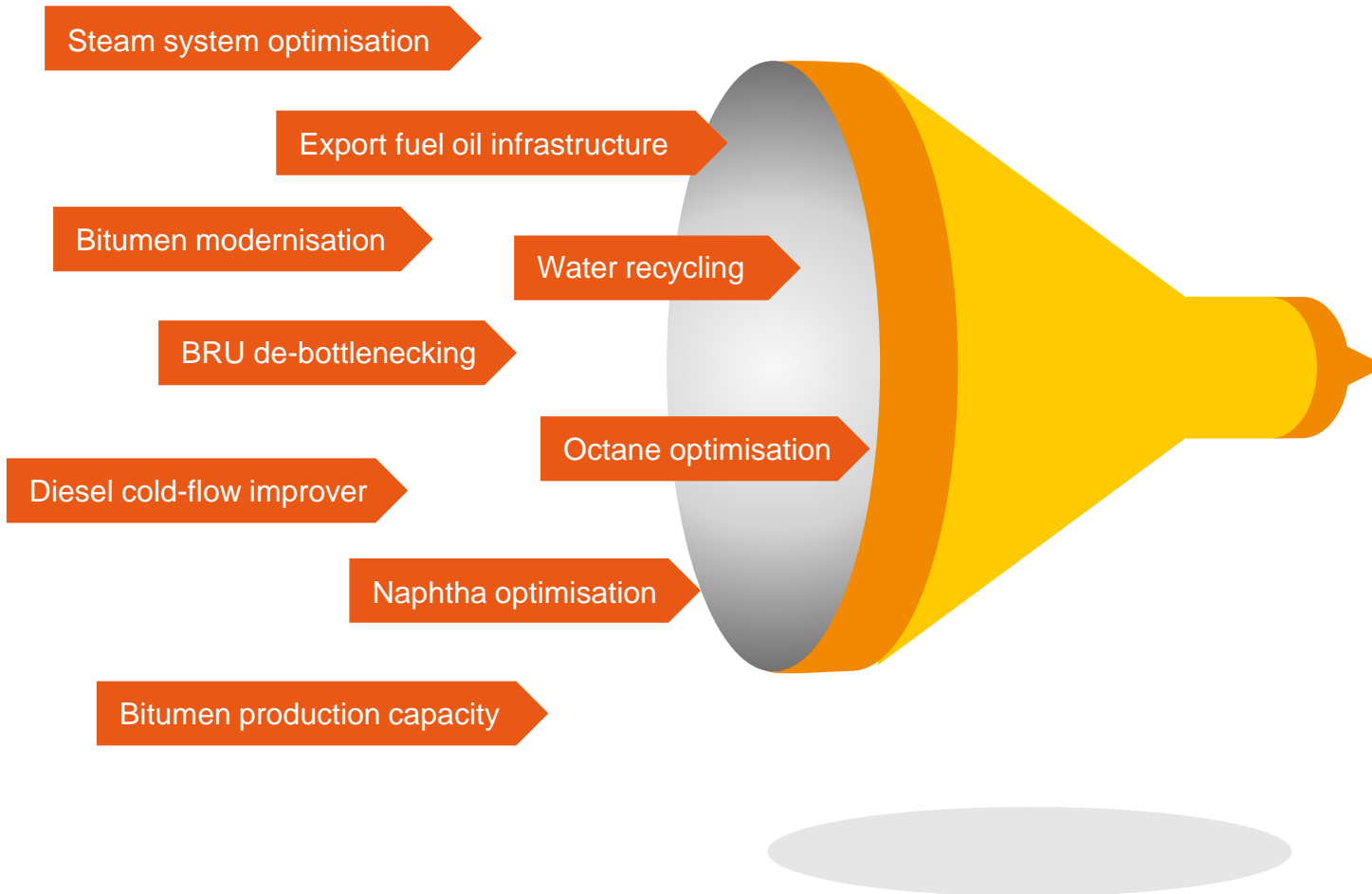
SULPHUR FORMING

Facility under construction

Commissioning Q4 2019



IDEAS



INITIATIVES IN PROGRESS

2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	GRM uplift (US cents per barrel)
									0.5
									TBA
									1
									3
									2
									1
									TBA



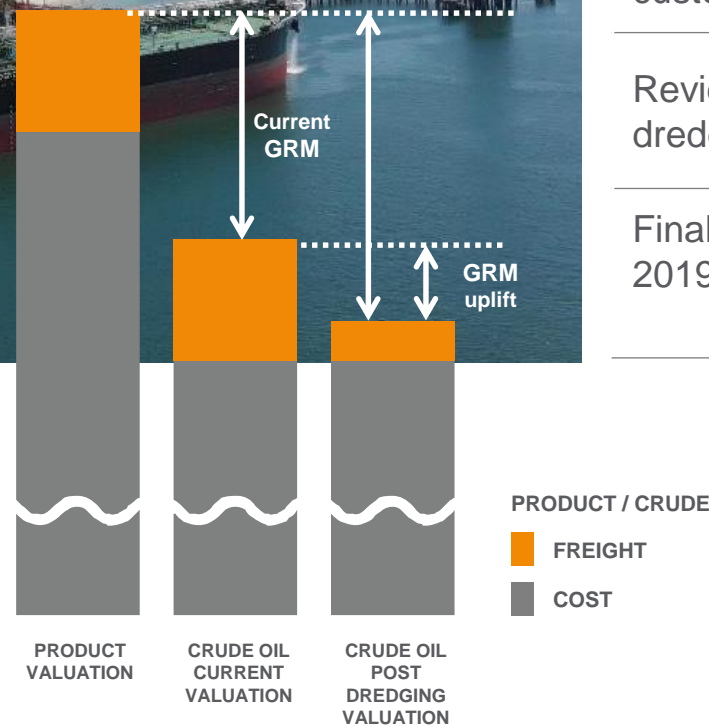
Estimated cost \$45m–55m (no tank) vs previous \$60m–70m

Economics remain attractive

Project optimisation discussions continue with customers

Reviewing phasing of tank maintenance to accelerate dredging and avoid cost of new tank

Final investment decision expected to be taken Q4 2019/Q1 2020



MARANGA RA – “RISING SUN”

26MW solar farm – New Zealand’s largest

REFINING NZ
ANALYST PRESENTATION

Located on land adjacent to the refinery – a 31ha

Estimated cost of ~\$36m – 39m ^[1]

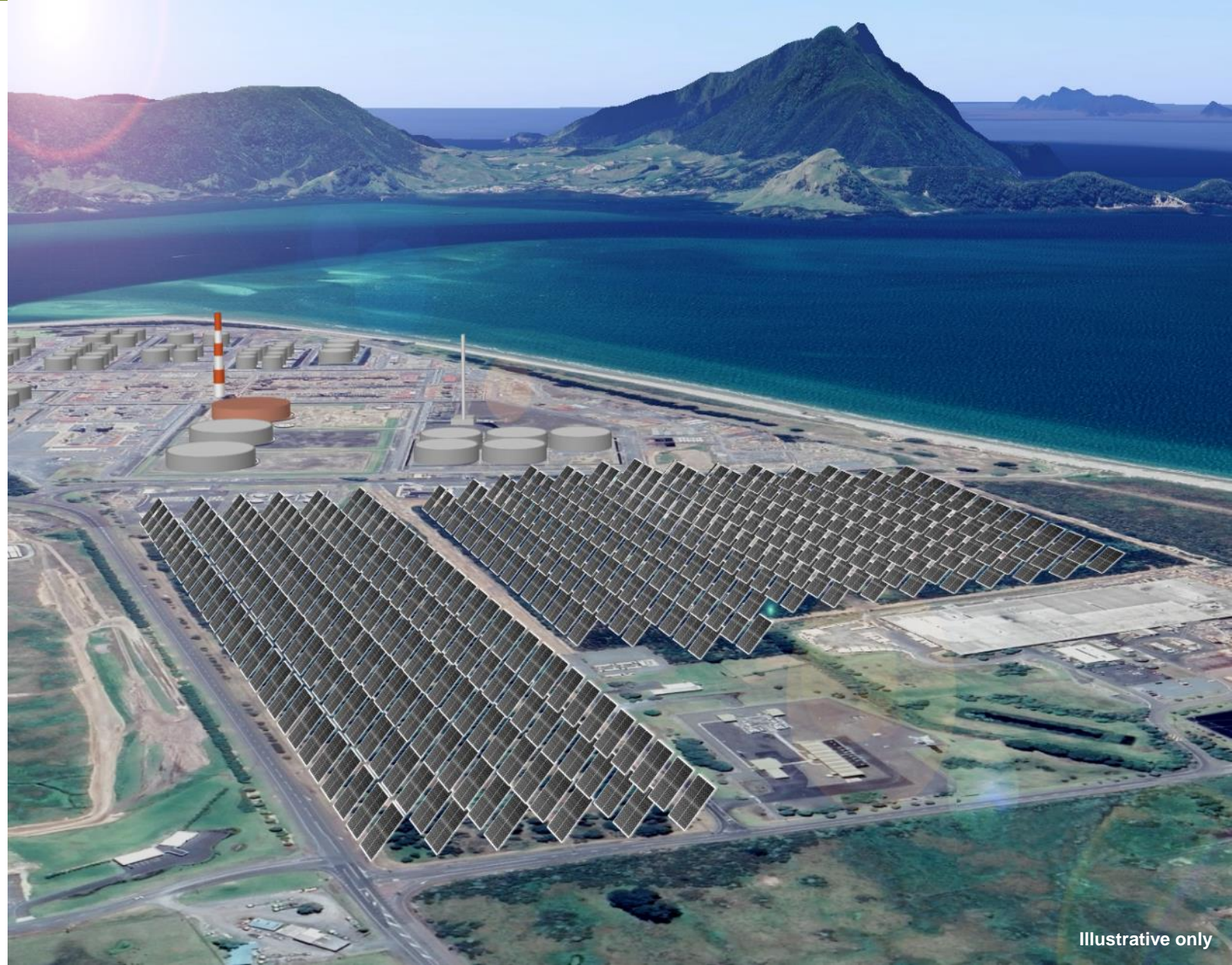
Supply ~10% of refinery’s consumption

Attractive infrastructure returns

Expected cost savings of \$3 – \$4 million p.a.

Final Investment Decision expected by end of 2019 – construction in 2020

[1] Funded via a combination of non-recourse project debt funding and equity of \$12m – \$15m from the Company



Illustrative only



AGENDA

PERFORMANCE

LOOKING AHEAD

STRATEGIC INITIATIVES

STRATEGIC DIRECTION

Delivering now – Preparing for the future

Sustainability – contributing to a lower emissions economy

- Investment in emissions reduction
- Ready and willing to invest further

Community – programme of pro-active engagement

- Charitable donations
- Promoting solar
- Digital learning

Regulatory update



Te Mahi Hou (CCR) has reduced CO₂ emissions by 120,000 tonnes pa



Energy Manager keeps a close eye on energy intensity of the process units

Track record of investment in emissions reduction

- 20% reduction in carbon intensity since 2008
 - Investment in cleaner fuels – 24,000 tonnes p.a. sulphur removed from fuels since 2005
-

Ready and willing to invest further

- Pipeline of energy saving initiatives already identified
 - Energy conservation partnership with EECA
 - Expect further efficiencies
-

Programme of pro-active engagement



TRC-free quarter celebrated by community donation



Solar installed at local marae

Charitable contributions match safety milestones

- Food for Life (healthy lunches to low decile schools)
 - Tai Tokerau Emergency Housing Charitable Trust
-

Promoting solar in the community

- Solar installed at local marae, kohanga reo
 - Consulting widely on solar hydrogen plans
-

Supporting digital learning

- Online tutorials across 22 Northland schools hosted by Bream Bay College
-



NZ ETS – post Negotiated Greenhouse Agreement
2022

Site resource consents' renewal – expiry 2022

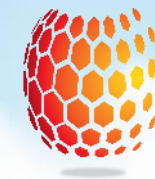
Government inquiries:

- Pipeline outage and resilience
-
- Market fuel study – ComCom
-

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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