REFINING NZ
Your Energy Hive

NZX Announcement

19 March 2021

Operational Update for January/February 2021

HIGHLIGHTS

- Excellent personal health and safety performance continued with no recordable injuries. We recorded a Tier I process safety incident – our first in over two years.
- Simplified refinery operations processed 4.4 million barrels before the refinery shutdown for the planned maintenance turnaround in the second half of February.
- Refinery to Auckland pipeline petrol and diesel volumes were similar to the same periods in 2019 and 2020, despite Auckland's recent Alert Level 3 lockdown. Jet fuel demand remains impacted by COVID-19 travel restrictions.
- Singapore Complex Margins were comparable with November/December 2020. Processing Fee revenue remained at the Fee Floor due to low international refining margins and the maintenance turnaround.
- The four week maintenance turnaround, which includes the first statutory inspection of the CCR Platformer unit, has progressed to plan and is now largely complete with the refinery due to be restarted next week.
- Net debt at the end of February was $231.5 million, reflecting cash neutral operations after Strategic Review and restructuring costs paid of c.$5 million.
- In principle agreement reached with bp Oil New Zealand on key commercial terms for import terminal. Negotiations continue with Z Energy and Mobil.

COMMENTARY

Refining NZ's excellent personal health and safety performance continued with no recordable injuries. The Company reported a Tier 1 incident related to a fire on a structure whilst a unit was shutting down for scheduled maintenance. The fire was quickly extinguished with limited damage to facilities. Repairs will be completed prior to restart of the facilities.

RAP throughputs at 2.3 Mbbls, were c. 66% compared to the same period last year due to the depressed jet fuel demand at Auckland International Airport, significantly impacted by COVID-19 travel restrictions. Combined petrol and diesel RAP throughput for January/February was similar to the comparable periods in 2019 and 2020, despite Auckland's recent Alert Level 3 lockdown.

Simplified refinery throughput was 4.4 Mbbls, significantly less than the 6.9 Mbbls in the same period last year, impacted by the scheduled maintenance turnaround and an underutilisation of the available refinery capacity by customers.

Processing fee revenue remained below Fee Floor levels during January/February due to weak global refining margins and reduced throughput for the period. Margins and demand continue to be impacted by COVID-19. The Singapore Dubai complex margin for the period was weak at (negative) US$-1.56 per barrel reflecting a surplus of refining capacity globally and an operating environment of low utilisation and margins.

Refining NZ's January/February uplift over the Singapore Dubai complex margin was strong at US$ 5.04 per barrel due to the processing of residue stocks built up in the previous year and significantly reduced fuel oil production during the period. Gross Refining Margin for the two months was US$ 3.48 per barrel. Processing Fee revenue for the two months was NZ$ 22.6 million, including NZ$ 7.7 million of Fee Floor payments by our customers.

The planned four week maintenance turnaround for the CCR Platformer (Te Mahi Hou Project commissioned in 2015), the crude distillation unit and associated plant commenced in mid-February. The $20 million turnaround is largely complete in line with plan and with little work emerging from equipment inspections. During the turnaround, all other processing units not undergoing maintenance have been temporarily shut down, with customers importing refined products during this time. The refinery is due to be restarted next week.

Net debt at the end of February was $231.5 million, reflecting cash neutral operations during the period, after strategic review and restructuring costs paid of c. $5 million.

Significant progress has been made assessing the import terminal option, with potential to unlock latent value in our highly strategic infrastructure assets. In principle agreement has been reached with bp Oil New Zealand Limited on key commercial terms (non-binding and subject to conditions). Import terminal negotiations continue with Z Energy and Mobil.

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OPERATIONAL DATA

Appendix I 2021		Jan/Feb 2021	Jan/Feb 2020	FY 2021	FY 2020
Health, Safety & Environment					
LTI	#	0	0	0	0
LTIF	#/200,000hrs	-	-	-	-
TRC	#	0	0	0	0
TRCF	#/200,000hrs	-	-	-	-
Tier I Process Safety Events	#	1	0	1	0
Tier II Process Safety Events	#	0	0	0	0
Releases outside of consent	#	0	0	0	5
Refining					
Brent Crude Oil Price	US$/bbl	58.5	59.5	58.5	41.7
Exchange Rate	US$/NZ$	0.72	0.65	0.72	0.65
Operational availability	%	93.3	99.9	93.6	98.2
Unplanned process downtime	%	0.0	0.2	0.0	23.2
Refining throughput	Mbbl	4.43	6.91	4.43	29.88
Gross Refining Margin	US$/bbl	3.48	1.04	3.48	1.63
Gross Refining Margin (including Fee Floor/Margin Cap)	US$M	23.3	21.3	23.3	131.6
Processing Fee (including Fee Floor/Margin Cap)	US$M	16.3	14.9	16.3	92.1
Processing fee (including Fee Floor/Margin Cap)	NZ$M	22.6	23.0	22.6	141.6
Distribution					
RAP throughput	Mbbl	2.3	3.5	2.3	14.7

Notes:

1) The information provided in this announcement excludes Revenue from other activities.
2) The Processing Fee results reported in this announcement are subject to change due to post announcement price updates and independent audit.
3) A five-year history of Throughput, Margins and Processing Fees is attached below.
4) Refer to the explanatory notes/glossary for a definition of terms.

HISTORICAL INFORMATION - REFINING

	Appendix II 2021	2017	2018	2019	2020	2021
Jan/Feb	Barrels 000's	7,160	7,011	6,963	6,909	4,429
	RNZ USD GRM per barrel [1)]	6.58	7.54	4.88	1.04	3.48
	Singapore Dubai Complex GRM	3.42	3.37	-0.32	-1.58	-1.56
	Uplift vs. Singapore Dubai Complex [3)]	3.16	4.17	5.20	2.62	5.04
	NZD Processing Fee (million) [2)]	45.9	50.8	34.9	23.0	22.6
Mar/Apr	Barrels 000's	5,140	6,958	7,312	4,656	
	RNZ USD GRM per barrel [1)]	9.35	6.82	6.63	0.67	
	Singapore Dubai Complex GRM	3.02	3.75	0.75	0.19	
	Uplift vs. Singapore Dubai Complex [3)]	6.33	3.07	5.88	0.48	
	NZD Processing Fee (million) [2)]	48.1	45.8	50.1	23.7	
May/Jun	Barrels 000's	7,755	3,910	6,945	3,867	
	RNZ USD GRM per barrel [1)]	7.63	0.18	4.36	4.59	
	Singapore Dubai Complex GRM	2.90	2.02	0.17	-3.78	
	Uplift vs. Singapore Dubai Complex [3)]	4.73	-1.84	4.19	8.37	
	NZD Processing Fee (million) [2)]	58.4	0.7	32.2	23.3	
Jul/Aug	Barrels 000's	7,511	7,615	7,419	1,766	
	RNZ USD GRM per barrel [1)]	8.87	6.86	7.10	-4.18	
	Singapore Dubai Complex GRM	4.70	2.57	3.23	-2.46	
	Uplift vs. Singapore Dubai Complex [3)]	4.17	4.29	3.87	-1.73	
	NZD Processing Fee (million) [2)]	63.6	54.3	56.2	23.7	
Sept/Oct	Barrels 000's	6,816	7,639	7,245	6,219	
	RNZ USD GRM per barrel [1)]	9.31	7.09	6.16	1.15	
	Singapore Dubai Complex GRM	4.73	2.47	3.55	-1.64	
	Uplift vs. Singapore Dubai Complex [3)]	4.58	4.62	2.61	2.79	
	NZD Processing Fee (million) [2)]	62.2	57.8	49.3	23.3	
Nov/Dec	Barrels 000's	7,342	7,307	6,803	6,459	
	RNZ USD GRM per barrel [1)]	6.83	6.53	2.62	3.24	
	Singapore Dubai Complex GRM	3.67	1.80	-1.55	-1.54	
	Uplift vs. Singapore Dubai Complex [3)]	3.16	4.73	4.16	4.78	
	NZD Processing Fee (million) [2)]	50.7	49.2	19.2	24.6	
Total	**Barrels 000's**	**41,724**	**40,440**	**42,687**	**29,876**	**4,429**
	USD GRM per barrel [1)]	**8.02**	**6.31**	**5.34**	**1.63**	**3.48**
	NZD Processing Fee (million) [2)]	**328.9**	**258.7**	**242.0**	**141.6**	**22.6**

1) Excludes Fee Floor/Cap adjustment
2) Includes Fee Floor/Cap adjustment
3) RNZ uplift vs. Singapore Dubai Complex GRM is in USD per barrel

EXPLANATORY NOTES/GLOSSARY

Gross Refining Margin (excluding Fee Floor/Margin Cap)

The Gross Refining Margin is calculated in USD as the difference between the value of products and the cost of feedstock for each refining customer. The value of products use Singapore quoted prices adjusted for New Zealand quality and the cost of importing those products to New Zealand. Feedstocks are valued using the notional market values adjusted for the cost of getting the feedstock to the refinery. The Gross Refining Margin incorporates the cost of hydrocarbon used as fuel and incurred as process losses.

Typically, Refining NZ has an uplift over the Singapore complex margins of around USD 3.00 to 4.00 per barrel. The value of the uplift varies due to fluctuations in freight rates, product quality premium, crude market premium and operational performance. Product quality premium are the cost differentials between products made to New Zealand quality and products made to the quality that applies to quoted prices in Singapore. Crude market premium are the cost differences between the crude types actually processed at Refining NZ and Dubai (used as basis for the Singapore complex margins). Refining NZ's crude diet comprises of crudes that price off Dubai as well as crudes that price off different markers such as Brent. The fluctuations of these price markers relative to each other impact the uplift.

Margin Cap/Fee Floor Adjustment

The processing agreements with our customers contain both Floor and Margin Cap clauses, both effective over a full calendar year.

The Fee Floor is the minimum Processing Fee due, for a calendar year, up to a current maximum of NZD 140.0 million. If the year-to-date Processing Fee is below the pro-rata Fee Floor, then an interim pro-rata Fee Floor payment is made by the Customers. Should the Processing Fee exceed the Fee Floor in future months any pro-rata Fee Floor payments that have been made are repaid to the Customers.

The Margin Cap limits the Gross Refining Margin for each customer to a maximum of USD 9.00 per barrel over the calendar year. Should the Gross Refining Margin fall below the Cap in future months any pro-rata Cap reductions that have been made are repaid by the Customers.

The Cap and the Floor are subject to year-to-date adjustments.

Any balance remaining at the end of the year cannot be carried over to the next year.

Processing Fee (after Fee Floor/Margin Cap)

The Processing Fee is 70% of the Gross Refining Margin after any adjustment for the Margin Cap or Fee Floor. The Processing Fee is paid by our customers in NZD.

RAP throughput

RAP throughput is the volume of refined products, comprising gasoline, jet fuel and diesel that are delivered via the Refinery to Auckland Pipeline (RAP) to the Wiri oil terminal.

Refining throughput

Refining throughput is the volume of feedstock intake, comprising crude oil, residues, natural gas and blendstock, measured in barrels. One barrel equates to approximately 159 litres.

Turnaround

A scheduled outage of one or more process units, planned well in advance and typically occurring in cycles of 2 years or more, for the purpose of significant mechanical inspection and repair

EXPLANATORY NOTES/GLOSSARY (continued)

LTI (Lost time injuries) and LTIF (Lost time injury frequency)

Lost time injuries refer to fatalities, permanent disabilities or time lost from work.

Lost time injury frequency refers to the number of lost time injuries over a rolling 12-month period, per 200,000 hours worked.

TRC (Total recordable cases) and TRCF (Total recordable case frequency)

Total recordable cases refer to lost time injuries, medical treatment and restricted work cases.

Total recordable case frequency refers to the number of recordable injuries over a rolling 12-month period, per 200,000 hours worked.

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.

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.

Operational availability

Operational availability is the percent of time available for manufacturing after subtracting maintenance and regulatory/process downtimes.

Unplanned process downtime

A unit downtime is “planned” if the refinery is aware of and has scheduled that unit outage in the previous year. Unplanned process downtime is the weighted average of unplanned downtime across all process units.