REFINING NZ

HALF YEAR ANNOUNCEMENT

PERFORMANCE

OUR CUSTOMER PROMISE: QUALITY, RELIABILITY, COMPETITIVENESS

OUR COMMITMENT TO SUSTAINABILITY AND COMMUNITY

OUR VISION FOR A BRIGHTER ENERGY FUTURE

2019

PERFORMANCE

HIGHLIGHTS

Excellent operational and safety performance backed by outstanding plant availability of 99.9% (1H18: 83.3%); no recordable injuries and no tier 1 or tier 2 process safety incidents.

Crude intake of 21.2 million barrels was up on the same period last year (H1 2018: 17.9 million barrels).

Processing Fee income was 22% higher year-on-year due to higher throughputs and a favourable exchange rate of USD0.67 (H1 2018: USD0.73).

The Company achieved an average uplift over the Singapore Complex Margin of USD 5.11 per barrel (1H 2018: USD 2.42 per barrel) reflecting higher plant availability and a balanced product make.

Gross refining margin (GRM) averaged USD 5.31 per barrel (H1 2018: USD 5.65 per barrel).

First half operational performance was impacted by lower than expected refining margins, high electricity prices and a number of one-off costs, which resulted in a Net loss after tax of $3.5 million (H1 2018: Net loss after tax $2.8 million).

COMMENTARY

Refining NZ has reported a Net Loss after Tax of $3.5 million (H1 2018: $2.8 million) for the six months ended 30 June 2019.

Commenting, Chief Executive, Mike Fuge said the first half result was marked by an excellent operational and safety performance at the Refinery.

"The reliable running of the Refinery's processing units in the first six months saw an increase in throughput, year-on-year reflecting the fact that 2019 is a non-shutdown year for the Refinery.

"Our performance was negatively impacted by high electricity prices in the market, weakness of refining margins since the beginning of the year driven by low gasoline prices, and reduced access to natural gas because of on-going maintenance on the Pohukura gas field. This combination of factors meant that we were not able to capitalise fully on the reliable running of our processing units."

The Gross Refining Margin averaged USD 5.31 per barrel to the end of June, and was down slightly on the same period last year (H1 2018: USD 5.65 per barrel) on the back of higher than forecast gasoline exports from China into the Asia Pacific region.

The Company's uplift over Singapore Complex Margins was strong at an average of USD 5.11 per barrel (H1 2018: USD 2.42 per barrel), assisted by excellent plant availability and a well-balanced product mix. The Company also benefited from an improved exchange rate with the average for the year to date at USD 0.67 (H1 2018: USD 0.73).

Said Fuge: "With the strengthening of refining margins in July there are encouraging signs for the second half of the year and, with an improving exchange rate in our favour, we expect our performance to track in line with the 2019 profit matrix, despite the impact of higher electricity prices on our business.

HEALTH AND SAFETY

The Company's health and safety performance in the first six months was much improved with no recorded injuries, tier 1 or tier 2 process safety incidents.

"We achieved eight months without a recorded injury of any kind, and nine months without a lost time injury.

"For a high hazard industry such as ours this is an excellent performance reflecting the focus of our health and safety action plan on lifting our safety performance and the renewed commitment of our people to staying safe on site.

The rollout of our Hauora Hikoi (safety walk) and Hauora Korero (safety talk) as part of our E Tu Tangata programme, which encourages our people to have greater responsibility for their own personal safety and that of their workmates, is making a vital contribution to the culture of safety at the Refinery".

GOVERNMENT INQUIRIES

Following the draft report on the recent market study initiated by the Commerce Commission into the retail fuel sector, the Company is reviewing its findings and implications and will take the opportunity to respond within the timeline provided by the Commission.

Separately, the Government Inquiry into the 2017 pipeline outage and improving the resilience of the fuel supply into the Auckland region has presented its final report to the Minister of Energy and Resources, and we await its release. As the owner and operator of a critical piece of national energy infrastructure, we are committed to working with the Government and industry on ways to improve resilience.

DIVIDEND

The Company's Directors resolved to pay a fully imputed interim dividend of 2 cents per share to be paid on 19 September 2019, with a record date of 12 September 2019.

OUR CUSTOMER PROMISE: QUALITY, RELIABILITY AND COMPETITIVENESS

Continuing to leverage operational efficiencies and pursuing attractive, margin enhancing initiatives is expected to lift operational performance and competitiveness, while improving returns to the Company's shareholders.

The Company's programme of targeted capital projects is making good progress with the immediate focus on accelerating the 1-in-15 year tank maintenance programme. This investment in critical infrastructure has seen the return of the Refinery's largest crude tank back into service and fast tracking the cleaning of a second tank.

"Accelerating our tank maintenance avoids the capital cost of a new tank for the dredging project. As a consequence, the expected capital cost of the dredging project has reduced from $60m-$70m to $45m-$55m, including contingency and tank cleaning acceleration costs. We continue to explore options to further optimise the capital cost and benefits of the project, prior to a final investment decision by the Board."

"Construction of the sulphur solidification plant at the Refinery is progressing to plan with the plant expected to be up and running by the end of the year. Completing the project strengthens our capability to produce cleaner fuels by continuing to remove 24,000 tonnes of sulphur per year from fuel products and will safeguard the Refinery's ability to process a wide slate of sweet and sour crudes over the medium term".

Lloyds Register has recently issued a Certificate of Fitness that enables the Company to increase the pressure on the Refinery to Auckland pipeline (RAP), from 75 to 82 bar. This will increase the throughput of the pipeline, ahead of the peak demand season (December-January). Additionally, the Company is continuing to explore the use of Drag Reducing agent (DRA) on the RAP pipeline, with a trial due to begin in October. DRA could, subject to a successful trial, increase capacity on this critical piece of infrastructure by up to 15%, and further contribute to the resilience of fuel supply into Auckland.

"We are maintaining a relentless focus on managing our cost base, despite the impact of higher electricity costs and one-off costs in the first half, relating predominantly to the Government Inquiries, renewal of the Refinery's resource consents and the strategic review by the Board and Management team. Looking ahead, we expect to see operating costs (excluding pass-through costs for natural gas, sulphur and carbon) reduce in the second half of the year.

"Separately, our team has been developing the Company's long term asset management plan, details of which are included in the investor presentation attached to this release," said Fuge.

OUR COMMITMENT TO SUSTAINABILITY AND COMMUNITY

The Company is continuing to lift its environmental performance as part of our commitment to be world class in this space.

"We are reviewing options and working with customers and the Government to meet the requirements of the IMO[1] MARPOL regulations aimed at reducing the sulphur content of fuel oil used in shipping from 3.5% to 0.5%.

As part of the Company's cultural safety programme, E Tu Tangata, a commitment was made tying safety performance to support for community initiatives nominated by Refining NZ employees.

[1] **IMO** International Maritime Organisation - International Convention for the Prevention of Pollution from Ships (MARPOL)

"In June we recognized our good safety performance in the first four months of the year with a donation to Whangarei based organisation, Food for Life. Our support ensures that Food for Life can continue to provide much needed support to primary school pupils in Whangarei and further north".

OUR VISION FOR A BRIGHTER ENERGY FUTURE

STRATEGY

The development of a new business strategy focused on generating further value from the refining business, leveraging existing assets and capabilities and building on our core strengths through highly economic projects, is continuing apace.

Additionally, the Company is focussed on growing value from the infrastructure and the pipeline assets which are of critical importance to the security of New Zealand's fuel supply.

Said Fuge: "A key contributor to that strategy will be our plans to generate carbon-free electricity from a solar farm adjacent to the Refinery on land belonging to the Company. The 31-hectare solar farm would be New Zealand's largest solar facility."

"The early work on the economics of the project has shown that the solar farm could reduce the cost of the Refinery's electricity consumption by around $3 million to $4million per year.

Progressing solar is contingent on obtaining a resource consent for the project and final approval from the Refining NZ Board later in the year. "

Fuge confirmed that the Company will be holding a Strategy day for investors on the 24th October.

OUTLOOK

Said Fuge: "The strength of our refining business is borne out by the reliable operation of the Refinery in the first half or the year, and the continued safe working practices by everyone in our talented, and committed team. That will put us in good stead as we expect conditions in the refining sector to improve in the second half of the year."

As the owner and operator of critical infrastructure within the New Zealand fuels supply chain, we are continuing to advance our growth plans and to transition our refining and infrastructure assets into a sustainable, resilient energy business, in a future low emissions economy. Our exploration into solar is a tangible first step in this exciting journey, and we expect it will make a valuable contribution to Northland and to New Zealand".

ENDS

Further information:

Greg McNeill, T: 094325115 M: 021 873623 E: greg.mcneill@refiningnz.com

GLOSSARY

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.