REFINING NZ

Your Energy Hive

Full Year Announcement

2016

The New Zealand Refining Company Limited

Results for announcement to the market

Reporting Period 12 months to 31 December 2016
Previous Reporting Period 12 months to 31 December 2015

The Directors of the New Zealand Refining Company Limited today announced the Company's financial results for the year to 31 December 2016, details of which are attached. This report, including the results for the previous corresponding year, is consistent with the audited financial statements of the New Zealand Refining Company Limited for the year ended 31 December 2016.

Consolidated Results

1. Results $NZ 000

Revenue from ordinary activities

Current year $354,156

Down 21%

Previous corresponding year $446,771

Profit from ordinary activities after tax attributable to security holder.

Current year $47,177

Down 69%

Previous corresponding year $150,771

Net profit attributable to security holders.

Current year $47,177

Down 69%

Previous corresponding year $150,771

2. Final Dividend

Amount per security: NZ 6 cents per share.

Imputed amount per security: NZ 2.3 cents per share (fully imputed)

Record date: 16 March 2017

Dividend Payment Date: 30 March 2017

3. Net Tangible Assets per Security

As at 31 December 2016 $2.43

As at 31 December 2015 $2.53

COMMENTARY

Refining NZ has reported a Net Profit after Tax (NPAT) of $47 million for the year ended 31 December 2016.

Chief Executive, Sjoerd Post said the 'standouts' in what he described as a strong result, were world-class reliability; record crude intake; strong free cash-flow; and a Gross Refining Margin (GRM) at the top of its historic USD 4-6 range.

"In 2016 our Gross Refinery Margin (GRM) averaged USD 6.47. The margin weakness we had seen at the start of the year, gave way to stronger margins in the second half, helped by continued strong demand for gasoline on the back of new vehicle growth in New Zealand and Asia and a 19% year-on-year increase in Jet fuel demand driven by record visitor numbers to Auckland International Airport."

"Our new petrol-making unit contributed a GRM of USD 0.90 per barrel, and our $5 million investment in small-to-medium, short payback projects in 2016 grew our GRM by USD 0.10 per barrel."

Said Post: "Underpinning this result is an outstanding operational performance, beginning with a successful, injury free maintenance shutdown in April, which meant we were able to capitalise on healthy margins for the remainder of the year. Full credit for staying focused on working safely goes to our team of 500 hard-working employees and contractors."

PERFORMANCE HIGHLIGHTS

- Operating revenue of $354m (2015: $446m), and strong cost control delivered an NPAT of $47m (2015: $151m), outperforming the matrix released to the market in February 2016 and in line with matrix released in August 2016.
- GRM averaged USD 6.47 per barrel (2015: USD 9.20 per barrel prior to cap adjustment).
- The Company retained its uplift over the Singapore Complex Margin, averaging USD 3.22 per barrel (2015: USD 4.45).
- Record annual crude intake of 42.7m barrels, bettered the previous record (2015: 42.6m barrels).
- Unplanned downtime at 0.85% (2015: 0.33%) was world-class and allowed the refinery to capitalise on the healthy margin environment.
- Cash generation from operations resulted in a free cash-flow of $47m.

DIVIDEND

The Company's Directors have resolved to pay a fully imputed final dividend of 6 cents per share to be paid on 30 March 2017, with a record date of 16 March 2017. With an interim dividend of 3 cents paid in September, the total dividend payment for the year is 9 cents.

OUTLOOK

Said Post: "This strong result shows that operational reliability, quality fuels production and pursuing revenue growth are critical to continuing to delight our customers and to maximise returns from a healthy margin environment. While we are above the upper limit of our target debt, we believe payment of a 6 cps dividend balances our desire to prudently manage the Company and provide an adequate return to shareholders."

ENDS

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