Full Year Announcement

2013

The New Zealand Refining Company Limited

Results for announcement to the market

Reporting Period 12 months to 31 December 2013

Previous Reporting Period 12 months to 31 December 2012

The Directors of the New Zealand Refining Company Limited today announced the Company's financial results for the year to 31 December 2013, 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 2013.

Consolidated Results

1. Results $NZ 000

Revenue from ordinary activities

Current year $223,199

Down 20%

Previous corresponding year $278,513

Profit/ (loss) from ordinary activities after tax attributable to security holder.

Current year ($5,007)

Down 116%

Previous corresponding year $30,954*

Net profit/ (loss) attributable to security holders.

Current year ($5,007)

Down 116%

Previous corresponding year $30,954*

2. Final Dividend

The Directors have resolved not to pay a final dividend.

There is no dividend reinvestment plan in place.

3. Net Tangible Assets Per Security

As at 31 December 2013 $2.11

As at 31 December 2012 $2.12*

***Comparatives have been restated to reflect the change in accounting policy in adopted IAS 19 (revised) Employee Benefits. See attached financial statements for further information.**

Commentary

A strong New Zealand dollar and the continued volatility of refiners' margins have impacted Refining NZ's financial performance with the Company reporting an after tax loss of $5.0 million for the year ending 31 December 2013 (2012 NPAT $30.9 million*).

Chairman of the Northland based Company described the result as disappointing for shareholders, adding that it was a reflection of an increasingly difficult business environment for refining: "In light of the continued strength of the New Zealand dollar and the excess of refining capacity, this result is not surprising."

"Our predictions were that 2013 would prove difficult for the refinery, with market volatility and increasing competition in the Asia Pacific region prompting the Company to take steps early in the year to lift performance", he said.

Key Performance Highlights

- Two maintenance shutdowns in February and October were carried out successfully, adding to the safe and reliable running of the refinery.
- Plant throughput was impacted by two planned maintenance shutdowns, partially offset by the Hydrocracker unit running at close to maximum for much of the year.
- The Company is delivering on the strategic plan to make the Company more competitive with imported products, which was announced to the market at the Half Year.
- Te Mahi Hou (TMH) is running safely to plan and to budget, with the fabrication and delivery of key units to the refinery well advanced.
- The Company Balance Sheet has been strengthened with a core long-term debt facility of $150 million.

Mr Jackson said that the arrival of new CEO Sjoerd Post, had heralded a refresh of the Company's 5-10 year business strategy and the development of a strategic plan of action to lift the Company's competitiveness against imported product.

"We are on track to deliver on the actions outlined to the market, with good progress in cost management and the growth initiatives on track.

"Overall, we achieved cost savings of $6 million in 2013, through budget reductions, instituting modern procurement practices, changes to our contracting set-up, 10-hour working days for maintenance teams, changing pay-scales and reducing overheads. This performance was 50% better than our commitment at the Half Year 2013 to remove $4 million of costs, and gives us confidence that we will deliver a further $7 million savings this year."

The strategy refresh was also an opportunity to review the Company's capital structure and dividend policy. In December, the Directors agreed to a long term gearing of 15 to 20 per cent to achieve the lowest Weighted Average Cost of Capital and this led to the earlier announced long term debt facility of $150 million.

The Company's Year End borrowings stood at $228 million (2012: $62 million).

SAFETY

In October, Refining NZ reached 1 million hours worked without a loss time injury (LTI), a milestone Mr Jackson credited to the attention employees and contractors give to working safely on site.

"Regular planned maintenance on our key processing units is also critical to the safe and reliable running of the refinery and in 2013 two maintenance shutdowns were carried out safely and on time. However, despite these good examples of safe working we had 12 recordable injuries across the year, most of them minor, though two resulted in lost time."

"We are still short of our aspiration to a world-class Health and Safety performance and from international benchmarking, can see that our global competitors are better at keeping their people safe at work. The need to lift the Company's health and safety performance is being addressed as part of the 2014 Health and Safety Action plan, with greater attention being given to personal and process safety."

BUSINESS ENVIRONMENT

Mr Jackson said a key factor in the Company's result has been the state of global refiners' margins, driven by major changes in the sector.

"Those refineries that invested in upgrading or building new facilities (particularly in China) are facing a deceleration in demand growth for fuel products, just as those new production facilities are coming online. Globally, this has led to a surplus of capacity in the market and lower margins."

"Refiners' margins are also being driven hard by the 'shale gale' in the US. Cheap natural gas and feedstock from fracking is giving US refiners a cost advantage that has revitalised their refining and petro-chemicals industry. This is hurting European refiners, with US gasoline being exported to Europe where till recently it flowed the other way."

"Refining NZ is not immune to the impact of this US advantage. Our Refiners' margin was weak for much of the year, market expectations of a rally in the last quarter didn't materialise, and the Singapore Complex Margin, over which we maintained an uplift, was predominantly negative. The average GRM achieved for the year at US$4.58 was down on the previous year (2012: US$5.77) and had a marked impact on cash flows from our operations."

"The other factor in this result is the continuing strength of the New Zealand dollar, which averaged US$0.82 (2012: US$0.81) and impacted our processing fee income. Given the

strength of the dollar and the state of global refining we fully expect refiners' margins to remain volatile in 2014."

RELIABILITY AND PLANT PERFORMANCE

In 2013 the Company's investment in regular inspection, maintenance and refurbishment contributed to a good operational performance on processing units.

Said Jackson: "The safe and reliable running of our refinery is a critical contributor to our ability to compete with imported finished product from the Asia Pacific region. We have a record of investing cash in the integrity of our assets, and that investment needs to continue as part of our reliability promise to our customers."

In 2013 the Company carried out two planned shutdowns, successfully and without incident. Overall, planned downtime for the year was 5% (2012: 3%).

"Unplanned downtime, a key measure of our reliability, was at (1.1 %) for the year, slightly higher than 2012 (0.6%) largely because of an outage on the Hydrocracker unit in February and preventative maintenance on the Platformer and the Hydrocracker in December."

"Energy performance as measured by our Energy Intensity Index, was (94.2) (2012: 92.9) and was impacted by end-of-run conditions on the hydrocracker catalyst, two shutdowns and sometimes less than optimal crudes run through our processing units. The actions we are taking during the four week shutdown on the Hydrocracker in March 2014, will also lift our energy performance."

Our ability to reliably produce high quality fuels remains and is the 'springboard' Refining NZ requires to compete successfully with imports. We need to press ahead continually, with our focus on throughput, underlying plant reliability, energy efficiency and costs if we are to support our aspiration to be our customers' supplier of choice."

TE MAHI HOU

Mr Jackson confirmed that the Company's expansion project, Te Mahi Hou (TMH) is running safely to plan, with the fabrication and delivery of key units to the refinery well advanced.

"In November the concrete foundation was poured on time and without incident, a credit to the TMH team and the many concrete suppliers and drivers involved. This was one of the largest continuous concrete pours in New Zealand, requiring around 2,750 cubic metres of concrete via 550 truckloads over 16 hours."

"The TMH reactor delivered to Northport in December was the first major piece of the TMH unit to arrive at the refinery. Fabrication of other key TMH units is well advanced, with deliveries of key units (compressors, furnace) in the last three months."

SHAREHOLDER RETURNS

“Given the loss making result and expected higher borrowings, the Directors resolved to pay a total dividend for the year of two cents. An interim dividend of two cents was paid on 26 September, 2013 and there will be no further dividend payment.”

BOARD AND MANAGEMENT CHANGES

A number of key Board appointments were confirmed during the year beginning in April, when Independent Director Andrew Clements stood down after 12 years association with the Company.

“The Board thanks Andrew for his outstanding contribution. In his place the Directors appointed Vanessa Stoddart who has 25 years’ experience across a range of industries. In May, Peter Morris who represented the interests of Chevron New Zealand resigned and was replaced by Dean Gilbert, General Manager Chevron New Zealand.”

FUTURE OUTLOOK

Mr Jackson said that Refining NZ faced the prospect of a tough 12 months to come: “The continued likelihood of volatility in refiners’ margins and exchange rate means we expect business conditions in 2014 to remain difficult. However, the Directors consider the Company capable of weathering what lies ahead, by building on its strengths and by a committed team of talented individuals pressing home a strong, strategic plan of action.”

ENDS

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