REFINING NZ

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Interim Announcement

2017

The New Zealand Refining Company Limited

Results for announcement to the market

Reporting Period six months to 30 June 2017
Previous Reporting Period six months to 30 June 2016

The Directors of The New Zealand Refining Company Limited today announced the Company's financial results for the six months to 30 June 2017, details of which are attached.

This report, including the results for the previous corresponding year, is consistent with the unaudited condensed consolidated interim financial statements of The New Zealand Refining Company Limited for the six months ended 30 June 2017.

Consolidated Results

1. Results $NZ 000

Revenue from ordinary activities

Current year $190,634

Up 22%

Previous corresponding year $155,644

Profit from ordinary activities after tax attributable to security holder.

Current year $35,193

Up 207%

Previous corresponding year $11,446

Net profit attributable to security holders.

Current year $35,193

Up 207%

Previous corresponding year $11,446

2. Interim Dividend

The Directors have resolved to pay a fully imputed interim dividend.

Amount per security, NZ 6 cents per share. Imputed amount per security, NZ 2.3 cents per share (fully imputed). Record date 14 September 2017. Dividend payment date 28 September 2017.

There is no dividend reinvestment plan in place.

3. Net Tangible Assets per Security

As at 30 June 2017 $2.47

As at 30 June 2016 $2.33

COMMENTARY

Refining NZ has reported an interim Net Profit after Tax (NPAT) of $35.2 million for the six months ending 30 June 2017 (1H 2016: $11.6 million).

Chief Executive, Sjoerd Post described the result as a robust start to the year, which he credited to healthy refining margins and a strong operational performance.

"The Gross Refinery Margin (GRM) remained healthy across the first half of the year at USD 7.70 per barrel (1H 2016: USD 5.25 per barrel), well ahead of the historical average margin of USD 4-6 per barrel."

"Margins continue to be supported by buoyant international and domestic demand for oil products. We've taken full advantage of that margin environment through growth projects and excellent cost control, and generated a strong net income as a result."

"Support has also come from the ongoing reliability of our major processing units and the contribution of our multi-product pipeline, which has seen throughput volumes increase in line with Auckland growth."

"Jet fuel demand at Auckland airport has continued to grow and is a key driver for the Company's investment in a three phase project to upgrade capacity on our product pipeline. Phase one of that investment is complete with the second due by the end of the year. Each phase will lift pipeline capacity by around 5%."

Post said the Company's other strategic initiatives were also progressing to plan.

"First Gas boosting capacity on the gas pipeline to the refinery has significantly improved access to natural gas and allows us to produce more product for our customers. In the coming weeks we expect to apply for a resource consent to bring bigger crude shipments to Marsden Point."

The 2017 profit matrix has been re-issued to reflect the Company's end-of-year profit and borrowing expectations for a number of unit margin and exchange rate scenarios.

PERFORMANCE HIGHLIGHTS

- NPAT of $35.2 million, more than treble the same period in 2016 (1H 2016: $11.6 million).
- 1H 2017 GRM of USD 7.70 per barrel (1H 2016: USD 5.25 per barrel) on the back of healthy refining margins.
- The Company achieved an average uplift over the Singapore Complex Margin of USD 4.59 per barrel (1H 2016: USD 1.83 per barrel – reflecting hydrocracker shutdown).
- Refinery Auckland Pipeline throughput increased to 10.5 million barrels (1H 2016: 9.8 million barrels) the highest on record for any half year period.
- Processing fee income of NZD 151 million, up NZD 35.8 million on the same period in 2016 (1H 2016: $115.2 million)

DIVIDEND

The Company's Directors have resolved to pay a fully imputed interim dividend of 6 cents per share to be paid on 28 September 2017 with a record date of 14 September 2017.

OUTLOOK

Said Post: "The team has put in a great effort to give us a strong first half position. For the remainder of the year we will continue to execute our strategy by operating safely and reliably, meeting our customer need for quality product, and pursuing margin improvement via key projects with attractive payback periods."

ENDS

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