



Interim Announcement

2016

The New Zealand Refining Company Limited

Results for announcement to the market

Reporting Period six months to 30 June 2016

Previous Reporting Period six months to 30 June 2015

The Directors of the New Zealand Refining Company Limited today announced the Company's financial results for the six months to 30 June 2016, details of which are attached.

This report, including the results for the previous corresponding year, is consistent with the unaudited interim financial statements of the New Zealand Refining Company Limited for the six months ended 30 June 2016.

Consolidated Results

1. Results \$NZ 000

Revenue from ordinary activities

Current year \$155,644

Down 24%

Previous corresponding year \$203,966

Profit from ordinary activities after tax attributable to security holder.

Current year \$11,446

Down 82%

Previous corresponding year \$65,245

Net profit attributable to security holders.

Current year \$11,446

Down 82%

Previous corresponding year \$65,245

2. Interim Dividend

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

Amount per security, NZ 3 cents per share. Imputed amount per security, NZ 1.2 cents per share (fully imputed). Record date 8 September 2016. Dividend payment date 22 September 2016.

There is no dividend reinvestment plan in place.

3. Net Tangible Assets per Security

As at 30 June 2016 \$2.33

As at 30 June 2015 \$2.31

COMMENTARY

Refining NZ has reported an interim Net Profit after Tax (NPAT) of \$11.6 million for the six months ending 30 June 2016 (2015: \$65.4m).

Chief Executive, Sjoerd Post described the result as a solid start with NPAT in line with the profit matrix given to the market in February.

“We fully expected the stellar refining margins seen in 2015, where the Company operated at cap or near cap refining margins, to return to more normal levels. Encouragingly, the Gross Refinery Margin (GRM) has remained healthy in the first six months of 2016 and excluding the shutdown, was USD 6.37 per barrel (1H 2015: USD 9.09 per barrel), the top of its historical average of USD 4-6.”

“Te Mahi Hou (TMH) positively impacted our uplift over the Singapore complex margin, though this was partially offset by the impact of changing freight rates on the back of lower ship fuel costs.”

“In the first half, global refining margins have been supported by ongoing strong gasoline demand in the US, China and India and lower crude prices. At the same time there is near term pressure from product ‘overhang’, the result of a build-up of surplus stocks.”

“We expect this product overhang to be with us for the next few months and have lowered our capital spending programme as a result. We have refocused on the continued safe operation of the refinery and the vital few revenue growth projects with attractive pay back periods.”

Post said the first half crude throughput of 21.1m million barrels was 251K barrels up on the same period last year (1H 2015: 20.9m barrels). An improved average NZD/ USD exchange rate at USD 0.67 (1H 2015: USD 0.75) had also benefited the Company.

The 2016 profit matrix reflecting the Company’s margin and foreign exchange expectations for the remainder of the financial year has been reissued.

PERFORMANCE HIGHLIGHTS

- NPAT of \$11.6m was in line with the 2016 profit matrix issued in February.
- 1H 2016 GRM of USD 6.37 (1H 2015: USD 9.09) - USD 5.25 (including impact of shutdown).
- The Company achieved an average uplift over the Singapore Complex Margin of USD 2.94 (1H 2015 averaged USD 4.27 per barrel).
- 1H 2016 throughput of 21.1m million barrels (1H 2015: 20.9m barrels).
- The planned shutdown for maintenance on the hydrocracker unit was completed successfully in May.
- TMH has continued to run well.
- The Company continues to progress strategic initiatives, including the proposal to bring bigger crude shipments to Marsden Point, doubling the refinery’s use of natural gas, and increasing capacity on the Refinery-Auckland product pipeline.

DIVIDEND

The Company’s Directors have resolved to pay a fully imputed interim dividend of 3 cents per share to be paid on 22 September 2016 with a record date of 8 September 2016.

OUTLOOK

Said Post: "Our hardworking refining team has given us a solid start to 2016. We expect to build on this over the remainder of the year by sticking to our core strategic strengths of plant reliability and quality fuel production, managing our cost base, optimising TMH and progressing our strategic revenue growth initiatives."

ENDS

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