



REFINING NZ
Your Energy Hive

Full Year Announcement

2017

The New Zealand Refining Company Limited

Results for announcement to the market

Reporting Period 12 months to 31 December 2017

Previous Reporting Period 12 months to 31 December 2016

The Directors of the New Zealand Refining Company Limited today announced the Company's financial results for the year to 31 December 2017, 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 2017.

Consolidated Results

1. Results \$NZ 000

Revenue from ordinary activities

Current year \$411,706¹

Up 16%

Previous corresponding year \$354,156

Profit from ordinary activities after tax attributable to security holder.

Current year \$78,530

Up 66%

Previous corresponding year \$47,177

Net profit attributable to security holders.

Current year \$78,530

Up 66%

Previous corresponding year \$47,177

2. Final Dividend

Amount per security: NZ 12 cents per share.

Imputed amount per security: NZ 12 cents per share (fully imputed)

Record date: 15 March 2018

Dividend Payment Date: 22 March 2018

3. Net Tangible Assets per Security

As at 31 December 2017 \$2.54

As at 31 December 2016 \$2.43

¹ Current year Revenue from ordinary activities represents total income of \$414,620k less insurance recovery of \$2,914k (included in 'other income' as disclosed in note 2 of the financial statements).

COMMENTARY

Refining NZ has reported a Net Profit after Tax (NPAT) of \$78.5m (2016: \$47.2m) for the year ended 31 December 2017.

Commenting, Chief Executive, Sjoerd Post put the strong result down to a combination of plant reliability, healthy refining margins, strong cash generation from operations, and a culture of teamwork at the Refinery.

“An outstanding operational performance underpinned by a world-class unplanned downtime of 0.60% (2016: 0.85%) allowed the Company to capitalise on healthy refining margins and to generate a significant lift in operating revenue² to \$411.7m, up 16% on the previous year (2016: \$354.2m).”

“For much of the year refining margins remained in a range of USD7 to USD11 per barrel, with only January and December dropping to below USD6 per barrel. GRM averaged USD 8.02 per barrel (2016: USD 6.47 per barrel) at the top of its historical USD4-USD6 per barrel range, supported by global demand growth and the continued execution of our growth strategy.”

Post paid credit to Refinery staff and contractors whom he said had remained focused on the safe and reliable running of the Refinery and the continued delivery of quality fuel products, particularly during the ten-day repair of the Refinery to Auckland Pipeline (RAP).

“The September rupture of the pipeline was operationally challenging for everyone in the team, but their ongoing dedication to supplying our customers has ensured that more product is being pumped to the Wiri fuel terminal than before the incident. The commissioning of a second pump at the Kumeu Intermediate Pumping Station in November and the lift in the RAP’s operating pressure to 75 bar in early December means that 5 to 12% more fuel product (depending on the product pumped) is being delivered to Wiri than before the rupture.”

Post confirmed that the RAP is expected to return to full pressure in Q2/Q3 2018, pending approval of the pipeline certifier. He added that the Company welcomed the Northland Regional Council finding that the refinery had no causative role in the rupture: “It is pleasing that after reviewing the external expert reports and having witnessed first-hand our containment and recovery processes, the Council decided not to prosecute. Equally pleasing was their commendation for the refinery’s outstanding response to the incident,” he said.

PERFORMANCE HIGHLIGHTS

- Operating revenue of \$411.7m (2016: \$354.2m), and strong cost control delivered an NPAT of \$78.5m (2016: \$47.2m)
- GRM averaged USD 8.02 per barrel (2016: USD 6.47 per barrel).
- The Company retained its uplift over the Singapore Complex Margin, averaging USD 4.27 per barrel (2016: USD 3.22), helped by a fall in crude freight costs, and increased natural gas usage.
- Strong annual crude intake of 41.7m barrels (2016: 42.7m barrels) achieved despite the pipeline rupture in September.
- World-class unplanned downtime at 0.60% (2016: 0.85%) allowed the refinery to capitalise on the healthy margin environment.
- Strong cash generation from operations resulted in a free cash-flow of \$103m (2016: \$47m).

² Operating revenue has the same definition as Revenue from ordinary activities.

DIVIDEND

The Board has today approved a simplified dividend policy where the Company will pay 80% of Free Cash Flow (FCF)³, as ordinary dividends subject to the Company's medium-term asset investment programme, 20% targeted gearing level and future outlook.

Applying the new policy and taking into account the impact of the planned shutdown in 2018, the Company's Directors have resolved to pay a fully imputed final dividend of 12 cents per share to be paid on 22 March 2018, with a record date of 15 March 2018. With an interim dividend of six cents paid in September, the total dividend payment for the year is 18 cents.

OUTLOOK

Said Post: "Despite the most trying circumstances we have achieved a strong result for the year through our continued operational reliability, ability to capitalise on healthy margins, quality fuel production and a well-developed culture of team work amongst our staff and contractors. Continuing to play to these core strengths set us up for the successful completion of our major activity for 2018: - the planned maintenance shutdown starting in Q2."

ENDS

Further information:

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³ Free Cash Flow is the Net Cash from Operating Activities less normalised stay-in-business capital (initially calculated at \$80-\$90m)