

The New Zealand Refining Company Limited Results for announcement to the market

Reporting Period 12 months to 31 December 2009
Previous Reporting Period 12 months to 31 December 2008

The Director's of the New Zealand Refining Company Limited today announced the Company's financial results for the year to 31 December 2009, 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 2009.

Consolidated Results

1. Results \$NZ 000

Revenue from ordinary activities
Current year \$250,507
Down 37%
Previous corresponding year \$397,827

Profit from ordinary activities after tax attributable to security holder.
Current year \$23,574
Down 81%
Previous corresponding year \$124,903

Net profit attributable to security holders.
Current year \$23,574
Down 81%
Previous corresponding year \$124,903

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 2009 \$1.93
As at 31 December 2008 \$2.10*

*- restated for number of shares on issue after the taxable bonus issue (240 million vs. 280 million).

The New Zealand Refining Company announces profit for 2009

Result reflects weak refiners' margins and high exchange rate

The Directors of the New Zealand Refining Company (NZRC) today announced an after tax profit of \$23.6 million for the year ending 31 December, 2009.

Chairman of the Northland based company, David Jackson described the result as disappointing compared to 2008 (\$124.9 million), although it was widely anticipated, given the volatile market conditions experienced in the second half of 2009.

Said Mr Jackson, "In August 2009, at the time of the half year result, we announced that we expected to operate at a loss in the second half of the year and that market conditions in the refining sector were extremely difficult. The challenge of operating with perhaps the weakest refiners' margins experienced in refining for some years is borne out by these results."

"Conditions were dominated by the global financial crisis which saw demand for oil products falter just as new refinery capacity had come online. The resulting oversupply has continued to depress refiners' margins with a number of major oil companies, including BP, Shell, Chevron and Exxonmobil declaring a significant downturn in profits. BP for example, reported its lowest refiners' margin for 15 years. Margin pressure continues and is forcing the sale, closure or reduced capacity at refineries across the globe, notably in the UK, France, Spain, Japan and the US where the largest refiner Valero, closed its 185,000 barrels per day Delaware City plant, last November.

To put this into context, at the beginning of the year the Company's refining margin was around USD 12 per barrel but by the end of the year this margin had reduced to around USD 1 per barrel", he said.

"The situation has been exacerbated by the strengthening New Zealand dollar, or weakening US dollar, resulting in lower processing fee income. Mr Jackson stated that despite the volatility and difficult market conditions, the company's world class performance in reliability, provided our customers with the confidence to keep the plant fully loaded. Last year, despite two shutdowns, the refinery processed 37.9 million (2008, 39.2m) barrels of feedstock and pumped 2.8 million (2008, 2.8 m) cubic metres of petrol, diesel and jet fuel down the pipeline to Auckland.

Mr Jackson warned, "We have seen a slight improvement in margins from late December through January 2010, however, the supply/demand fundamentals have not changed sufficiently to expect a sustained recovery in refinery margins at this stage."

"While market conditions remain a challenge we have a well structured, safe and reliable plant; a business plan that's squarely focused on conserving cash

and reducing our expenditure where we can and positioning ourselves for any up-turn; and capable people producing high-quality products.”

”Our future success will depend upon continuing to be the most competitive and reliable source of oil products for our New Zealand customers”, he said.

Safety and Environmental Performance.

Mr Jackson described the achievement of 1.5 million hours without a Lost Time Incident (LTI) as a notable success for the year: “Safety is our number one priority and we’ve shown the capability to operate at world-class levels. The established goal of our Health and Safety Action plan is to achieve zero-harm across the entire business.”

Significant progress has also been made on environmental performance with few minor breaches and complaints at an all time low.

Continuing investment

Point Forward Project. The Company completed the major Point Forward expansion project in October. This complex expansion project has grown the Company by around 15%. Mr Jackson noted that the commissioning process was completed on time and at a cost of \$191 million (above budget by around 7%), which was a fantastic result, given the pressure on costs.

Jetty Three. A new \$10 million jetty was commissioned to provide a marine fuel oil facility to the Auckland commercial and cruise liner market. Said Mr Jackson, “Jetty Three provides a new solution for the Auckland market as the Wynyard wharf development progresses and opens up opportunities for NZRC to provide marine fuel to other ship operators.”

”Looking forward, the focus will be on ensuring the company extracts full value out of both these major investments.”

Shutdowns. Two shutdowns are planned for 2010. The first in April is for the replacement of catalyst in the hydrocracker, the second in September is for regenerating the Platformer catalyst. The shutdowns and catalyst replacement/regeneration represents significant non-discretionary capital spends for the company amounting to circa \$44 million. Additional capital spend of approximately \$24 million is budgeted for the 2010 year and relates to other capital projects.

Our People

In 2009, the company was recognised as one of 25 Top Companies for Leaders in the Asia Pacific region in a global survey conducted by HR consultants Hewitt Associates, The RBL Group and Fortune magazine. Said Mr Jackson, “This was an outstanding achievement and by actively promoting leadership we’re driving our reputation as an employer of choice for talented

and motivated people. The award is proof that we're on-track for leadership success."

Shell Review

In February 2009, Shell announced a review of downstream assets in New Zealand, including its 17.1 percent share in the refinery. Exclusive negotiations with a consortium comprising Infratil and the New Zealand Superannuation Fund to purchase the downstream businesses are ongoing.

No final dividend

Mr Jackson advised that the Directors have resolved to not pay a final dividend. In reaching this decision, the Directors' had been cognisant of the on-going uncertainty of world refining margins, the continued exchange rate volatility, the need for \$44 million in non-discretionary capital expenditure during 2010, as well as the expected change in shareholders which potentially could affect imputation credit continuity.

Mr Jackson noted that there was no change to dividend policy and that the payment of dividends will resume as soon as trading conditions allow, and the Company returns to sustainable profitability.

A full set of Financial Statements of the New Zealand Refining Company Group for the year ended 31 December 2009 are attached.

For more information please contact:

Greg McNeill
Communications Manager
The New Zealand Refining Company Limited
Email: greg.mcneill@nzrc.co.nz
Phone: 09 4328 311 or 021873623