

Announcement to NZX

Refining NZ Throughput and Margins Report for November-December 2011 and Revised Profit Forecast

The Processing Fee for November-December 2011 of NZD27.2 million was generated from a throughput of 6.4 million barrels in a challenging business environment. The market was characterized by significant volatility throughout the two month period, particularly with regard to global refiner's margins, and compounded by a weak US dollar.

Singapore refiner's margins plummeted by around USD 5 per barrel during the period. Whilst margins improved later in December, the recovery was much less and far slower than expected, negatively impacting the average Gross Refining Margin (GRM) earned by Refining NZ during November-December 2011. Refining NZ did maintain uplift over Singapore margins – and it should be noted that the GRM recovered late in December and has continued into January 2012.

When compared to Singapore margins the GRM earned by the Refining NZ for the two month period was a comparatively healthy USD 4.67 per barrel. Further volatility was reflected in the USD exchange rate which traded between USD 0.74 – USD 0.80 to average USD 0.77 for the two month period. The high exchange rate continues to have a marked impact on our processing fee revenue.

Revised Profit Forecast

Intake for the year was a record 41.2m barrels, processed at an average Gross Refiners Margin of USD 6.11 per barrel. The exchange rate averaged USD 0.79 for the year.

The market volatility outlined above, resulted in the average Gross Refining Margin earned for the year being USD0.33cents per barrel less than Refining NZ had anticipated when it released a profit forecast to the market in December 2011. Based on the actual GRM achieved for the full year and allowing for an estimated loss on the actuarial valuation of Long Term Employee Benefits, Refining NZ is revising its guidance to the market with a forecast net profit after tax of between \$32 and \$36 million for the year ended 31 December 2011.

The Company will make its full year profit announcement on 21 February 2012 based on the audited results.

Historic Analysis

Five years history of Throughput, Margins and Processing Fees is attached as Appendix II and can also be found on the company's website www.refiningnz.com

- 1) Gross Refining Margin is defined as the typical market value of the products produced minus the typical market value of the feedstock used, expressed per barrel of feedstock used. The margin incorporates the cost of the hydrocarbon used for fuel and incurred as process losses. This may not be compatible with margins expressed by some parties in which the fuel and loss is excluded.

Refining NZ

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Appendix I

**THE NEW ZEALAND REFINING COMPANY LIMITED
STOCK EXCHANGE RELEASE**

Throughput, Margin and Refining Income

		Totals	/bbl
Jan/Feb 2011	Throughput	Barrels (mln)	6.7
	Gross Refining Margin	USD (mln)	43.8
	Interim Cap/Floor adjustment	USD/bbl	0.0
	USD Gross Refining Margin after Cap	USD (mln)	43.8
	USD Processing Fee	USD (mln)	30.7
	NZD Processing Fee billed to customers	NZD (mln)	40.2
	YTD Gross Refining Margin above Cap	USD (mln)	0.0
Mar/Apr 2011	Throughput	Barrels (mln)	7.3
	Gross Refining Margin	USD (mln)	43.8
	Interim Cap/Floor adjustment	USD/bbl	0.0
	USD Gross Refining Margin after Cap	USD (mln)	43.8
	USD Processing Fee	USD (mln)	30.7
	NZD Processing Fee billed to customers	NZD (mln)	40.1
	YTD Gross Refining Margin above Cap	USD (mln)	0.0
May/Jun 2011	Throughput	Barrels (mln)	7.1
	Gross Refining Margin	USD (mln)	49.6
	Interim Cap/Floor adjustment	USD/bbl	0.0
	USD Gross Refining Margin after Cap	USD (mln)	49.6
	USD Processing Fee	USD (mln)	34.7
	NZD Processing Fee billed to customers	NZD (mln)	43.1
	YTD Gross Refining Margin above Cap	USD (mln)	0.0
Jul/Aug 2011	Throughput	Barrels (mln)	6.9
	Gross Refining Margin	USD (mln)	36.0
	Interim Cap/Floor adjustment	USD/bbl	0.0
	USD Gross Refining Margin after Cap	USD (mln)	36.0
	USD Processing Fee	USD (mln)	25.2
	NZD Processing Fee billed to customers	NZD (mln)	29.9
	YTD Gross Refining Margin above Cap	USD (mln)	0.0
Sept/Oct 2011	Throughput	Barrels (mln)	7.0
	Gross Refining Margin	USD (mln)	48.6
	Interim Cap/Floor adjustment	USD/bbl	0.0
	USD Gross Refining Margin after Cap	USD (mln)	48.6
	USD Processing Fee	USD (mln)	34.0
	NZD Processing Fee billed to customers	NZD (mln)	42.5
	YTD Gross Refining Margin above Cap	USD (mln)	0.0
Nov/Dec 2011	Throughput	Barrels (mln)	6.4
	Gross Refining Margin	USD (mln)	30.0
	Interim Cap/Floor adjustment	USD/bbl	0.0
	USD Gross Refining Margin after Cap	USD (mln)	30.0
	USD Processing Fee	USD (mln)	21.0
	NZD Processing Fee billed to customers	NZD (mln)	27.3
	YTD Gross Refining Margin above Cap	USD (mln)	0.0

Refining NZ

Explanatory Note

Throughput Throughput is the amount of intake comprising of crude oil, residues, natural gas and blend stocks
Throughput is measured in barrels. One barrel equates to approximately 159 litres.

Gross Refining Margin

The Gross Refining Margin is calculated in USD and is the difference between the value of finished products and the cost of feedstocks for each customer.
The values assigned to the products use Singapore pricing adjusted for Refining NZ quality and the cost of getting those products to New Zealand.
The values assigned to the feedstocks use notional market values adjusted for the cost of getting these feedstocks to New Zealand.
The margin incorporates the cost of the hydrocarbon used for fuel and incurred as process losses.

Interim cap/floor adjustment

The Processing Agreements with our customers contain both Floor and Cap clauses.
Both are calculated on a full calendar year basis.
The Floor is operative if the total Processing Fee billed to our customers falls below ~NZD118 million.
There is a Cap on the processing fee calculation when the USD Gross Refining Margin generated by any customer is in excess of USD9.00 per barrel on a year to date basis.

USD Gross Refining Margin After Cap

Is the Gross Refining Margin plus/minus any impacts of the Cap.

USD Processing Fee

Is a calculation based on 70% of the USD Gross Refining Margin after adjustments for the Cap.

NZD Processing Fee billed to customers

The USD Processing Fee is converted into NZD and billed to customers as a NZD Processing Fee.

YTD Gross Refining Margin above Cap

Refining NZ can utilize this amount if the USD Gross Refining Margin generated during the balance of the year falls below USD9.00 on a customer by customer basis.
The balance can not be carried over from one year to the next.
Because Refining NZ's processing fee is calculated on 70% of the Gross Refining Margin, only 70% of this amount can be considered a contingent asset.

Note

The above information relates to refinery operations only. Revenue from Pipeline and other activities is not included.

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Appendix II

The New Zealand Refining Company Limited

Stock Exchange Release

Intake/Production, Gross Refining Margin and Processing Fee

		2007	2008	2009	2010	2011
Jan/Feb	Barrels 000,s	6,067	6,400	5,900	7,009	6,652
	USD GRM per barrel	7.90	9.00	8.88	6.85	6.59
	NZD Processing Fee Billed	46,842	51,800	69,009	47,213	40,157
Mar/Apr	Barrels 000,s	5,750	6,600	6,100	6,764	7,251
	USD GRM per barrel	4.96	9.00	6.34	5.57	6.04
	NZD Processing Fee Billed	29,277	52,100	49,290	37,255	40,057
May/Jun	Barrels 000,s	6,199	6,500	6,500	6,387	7,057
	USD GRM per barrel	10.39	9.00	4.66	3.73	7.03
	NZD Processing Fee Billed	58,948	53,600	34,336	24,051	43,101
Jul/Aug	Barrels 000,s	5,978	6,300	6,800	6,824	6,853
	USD GRM per barrel	11.43	9.00	2.94	7.16	5.26
	NZD Processing Fee Billed	56,506	54,100	21,315	47,882	29,939
Sept/Oct	Barrels 000,s	6,510	6,500	5,400	5,305	6,978
	USD GRM per barrel	8.26	9.00	1.25	6.94	6.96
	NZD Processing Fee Billed	47,794	62,300	6,505	34,841	42,456
Nov/Dec	Barrels 000,s	6,363	6,800	7,200	6,663	6,421
	USD GRM per barrel	7.43	9.00	1.18	6.75	4.67
	NZD Processing Fee Billed	46,922	72,100	8,235	41,327	27,256
Total	Barrels 000,s	36,867	39,100	37,900	38,952	41,211
	USD GRM per barrel	8.14	9.00	4.16	6.17	6.11
	NZD Processing Fee Billed	286,289	346,000	188,690	232,569	222,965

Refining NZ