

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

Reporting Period six months to 30 June 2009
Previous Reporting Period six months to 30 June 2008

This report, including the results for the previous corresponding half year, is consistent with the unaudited interim financial statements of the New Zealand Refining Company Limited for the six months ended 30 June 2009.

Consolidated Results

1. Results \$NZ 000

Revenue from ordinary activities
Current half year \$182,445
Down -0.2%
Previous corresponding half year \$182,755

Profit (loss) from ordinary activities after tax attributable to security holder.
Current half year \$52,501
Down -2.8%
Previous corresponding half year \$54,000

Net profit (loss) attributable to security holders.
Current half year \$52,501
Down -2.8%
Previous corresponding half year \$54,000

2. Interim Dividend

The Board has determined that no Interim Dividend will be paid

Record Date(not applicable)
Dividend Payment Date (not applicable)
There is no dividend reinvestment plan in place.

3. Net Tangible Assets Per Security

As at 30 June 2009 \$2.39
As at 30 June 2008 \$2.43

Commentary

Interim profit for the New Zealand Refining Company lower in challenging conditions

The New Zealand Refining Company Limited has today announced an interim net profit after tax of NZ\$52.5 million for the six months ended 30 June 2009, down 2.8% on the same period last year.

Chairman of the Northland based company, David Jackson, described the result as a solid performance in challenging conditions reflecting a number of factors, including a volatile exchange rate and a decline in refining margins.

Mr Jackson said, “At the AGM in April I talked about the prospects of world-wide demand for transport fuels slowing at the same time as extra refining capacity comes on-stream and resulting in a surplus of refined products. This has now become a reality and is weighing heavily on refiners’ margins.”

“Additional pressure had been brought to bear by changes in the relative value of crude oils. The New Zealand Refining Company has traditionally benefited from processing cheaper, heavier crudes which have attracted premium margins for the refinery. In the last six months we have seen a significant change in crude values with those heavy, sour crude oils trading at a much smaller discount resulting in lower margins.”

“With a relatively strong New Zealand dollar, continuing pressure on margins and our planned four week shutdown in September, we therefore expect that in the second half of the year the Company will operate at a loss. Full year profit would therefore be less than this half year result. The worldwide supply of finished product is not something we can influence and refining margins will only recover as the supply-demand imbalances correct.”

The New Zealand Refining Company Chief Executive, Ken Rivers, said volatility was the inevitable result of the global financial crisis but that the Company's Business Plan included measures to conserve cash in the short term and position the Company for sustainable profitability and improved competitiveness as conditions improve.

“The exceptional reliability of our facility at Marsden Point is recognised as world leading and our people are committed to maintaining that reliability and are focussed on delivering operational excellence for the benefit of all our stakeholders.”

Mr Rivers said that a key part of the Company's Business Plan is the delivery of the Point Forward expansion project which will lessen the New Zealand Refining Company's reliance on imported residue and at the same time grow the Company by around 15%.

“The project is progressing well. A planned shutdown in March to regenerate Platformer catalyst and install phase one of the Point Forward Project (PFP) ‘tie-ins’ was completed on-time and within budget. Part of the refinery will be shutdown in September to complete the remaining ‘tie-ins’ enabling the enhanced plant to be commissioned and fully operational by the end of the year. The complexity of this expansion has required additional work to be undertaken and is expected to be approximately 10% over the original budget of \$180 million,” said Rivers.

The Refinery processed 18.6 million barrels in the first six months of the year at an average Gross Refining Margin¹ of US\$6.60 per barrel. It is expected that the current year's throughput will be down on the previous year by approximately 3.7% to an expected 37.7million barrels as a result of these two planned shutdowns.

Mr Rivers said, “The New Zealand Refining Company is the leading supplier of petroleum products in this country and our aim is to continue to be the supplier of choice for the New Zealand market. The Plan we have in place provides a strong foundation for weathering the current pressure on margins and as long as we remain focussed on safety, plant reliability and adopt sound cost management principles, the New Zealand Refining Company will emerge even stronger.”

Low margins, a strong New Zealand dollar, the impact of two planned shutdowns on throughput and costs plus the completion of the Point Forward Project will put pressure on the Company's cash flows this year. These factors have been taken into account by the Board in determining that no Interim Dividend will be paid. Mr Jackson said, "This is a prudent response by the Board given the prevailing circumstances."

"Looking ahead the Directors consider that the Company is well positioned to meet future challenges. The Refinery is efficient, well resourced, maintained and operated by competent, committed people. Retaining our focus on cost competitiveness against imports, flexibility for our customers, as well as safety and reliability will provide a strong platform for future profitability and continued shareholder value," Jackson said.

Notes to editors

1. The processing agreements were established in 1995. The agreements cover all aspects of processing and include the formula which the Company uses to charge its customers. The processing fee charged is 70% of the Gross Refinery Margin generated from import parity pricing of the customer's crude oil processed at the refinery and the resulting import parity valuation of the products produced. The pricing structure also contains a 'floor' or minimum payment should processing fees drop below approximately NZD\$113 million per year and a gross margin cap of USD\$9.00 per barrel per year which limits the amount of processing fee charged per barrel.

About New Zealand Refining Company Ltd

- New Zealand's only oil refinery and the leading supplier of refined petroleum products to the New Zealand market, including petrol, diesel, aviation fuel, bitumen and other products.
- Processes between 75 and 80 per cent of all transport fuels used in New Zealand.
- Almost half of its fuel production travels via a purpose-built 170-kilometre pipeline to Wiri in South Auckland, the rest travels by coastal tanker.
- Located on Marsden Point, it is one of Northland's largest economic contributors with around 340 staff and a further 250 contractors.

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