CEO's Address **23 April 2018**

- Thank you Simon, it's a real pleasure for me to present our 2017 results.

  Before I start I would like to express a word of thanks to the general public for their understanding and the support that we received during the pipeline crisis.

  We are proud of how we carried out the pipeline repair and how we kept within estimates of how long such a disruption would take, as outlined in prior resilience studies carried out by MBIE, amongst others.

  At the same time I would like to say again that we are fully appreciative of the effects of such disruption to our customers and the travelling public –whether it be business travel, special holidays or honeymoons - and we will certainly continue to play our part in helping to provide a resilient supply chain to New Zealand.

- If we turn to the pipeline incident, its net impact was NZ$8.2 mln NPAT- including recovery from environmental insurance.

  Remediation is complete and we are pursuing a number of resilience improvement initiatives. As Simon indicated, regional council has decided not to prosecute us with external expert studies concluding this was an incident due to external force and the pipeline was well run in the lead-up to the incident.

  With stage 2 of the pipeline growth project completed, we are now, despite still running at lower pressure, putting more barrels through than before the incident.

- Turning then to our overall performance. Our GRM improved by US$1.54/bbl with US$.48/bbl as a result of improved refining conditions in Singapore. Our uplift over that margin improved by $1.05/bbl - a strong endorsement of our growth strategies including the building of TMH.

  You see that 1.50 times 40+ million barrels of 60+ extra gross margin go straight to our free cash flow: proof that we are a cash engine with little incremental cost incurred to earn that margin.

  We had a difficult start to the year with our personal safety performance but had a much better second half that has carried on into the current year - very much best in class in New Zealand but with scope for improvement if we benchmark ourselves internationally.

  I am pleased to say that we didn't have a major incident but we had a number of minor process safety incidents, a reminder that we need to continue to work this space.

A final word on our environmental performance. After a number of years of investment, I am pleased to say that after some heavy rainfalls over the past months we no longer rely on our second or third barrier of containment of oil waste but capture it at source.

- Turning to the unit gross margin, I will not go into the detail of this slide, suffice it to say that with our recent growth initiatives including TMH we are now consistently earning 1-2 $'s above our historic average margin.

- As a consequence our EBBITDA walk is dominated by the gross margin contribution as you would expect and we would highlight the strong cost performance as well with 3.6 $ million spent less in 2017 than the prior year, mainly as a result of good electricity hedging.

- We delivered well on our growth agenda in 2017 with a US$.33/bbl improvement, mainly driven by usage of extra natural gas with the installation of an extra pump at Wellsford by Vector. This effectively doubled our natural gas use allowing us to use less of our own product. I already mentioned the extra pump at Kumeu on the RAP as another highlight.

- Looking forward, firstly a reminder that we see ourselves as part of the solution on a pathway to 2050 carbon neutrality for the country. The TMH project was for example in terms of NZR reduction in CO2 emissions equivalent to taking 60,000 Corollas off the road or the NZ public buying $4.8 billion worth of Tesla's model 3.

- Demand for petroleum products in Asia Pacific is expected to continue to outpace capacity growth and we are therefore cautiously optimistic about margins. It is unknown how the 2020 IMO bunker fuel spec change for shipping will play out, we continue to watch the space and develop future options for different price scenarios.

- We are well prepared for the 2018 shutdown which has started and expect an income impact of $30 million, the equivalent of a hydrocracker shutdown. This is the major event of our year, its size is a once in every 15 years occurrence. For example, if you have not been able to get hold of scaffold recently, it is because we have 2,000 tonnes of it on site.

- We continue with a strong growth agenda in 2018 including small optimisation projects, working on pipeline capacity, jet import and sulphur prilling.

- Which leaves us with this profit matrix for the year with end of year borrowings and net income for each exchange rate and unit gross margin combination.

- And before I close it would be remiss not to reflect this is my final AGM. I would like to say three thank yous. Firstly to the Board who have always been supportive of our long term strategy and aspiration of global HSE performance and operational excellence and pursuit of growth. An equally big thank you to Denise and Greg who have been a terrific support in general and in these external presentations in particular. Finally, of course and most importantly to all Refining NZ staff and contractors who carry the company so obviously in their heart, so often demonstrated with their "beyond the call of duty" response, for example during the pipeline rupture. It has been big learning for me and a real privilege to have been spending time with this formidable team. Thank you.

Sjoerd Post
CEO