3 May 2017

Annual Meeting of Shareholders
Chief Executive Officer's Address

Good afternoon everyone. It is a busy week for us with the AGM and the visit of Colonel Mike Mullane from the NASA space shuttle program who is in New Zealand at the invitation of Refining NZ, Certus, the New Zealand Health and Safety Leaders Forum and the Callaghan Institute to share his learnings from the Challenger disaster.

He is in the process of presenting to all refining staff and a selection of Whangarei students. At a quick exit poll yesterday, it was clear staff were inspired by the strong read across in safety learning between the shuttle program and running a high hazard unit such as our refinery.

It is a great pleasure for me to stand here in front of you at what is already my fifth AGM. It is more pleasing because, while 2015 was a trophy year with record income and the going live of Te Mahi Hou, as Simon has already indicated, 2016 was a very strong year too - with great operational performance and cash flow.

But before I continue I would like to remind you of the earlier Disclaimer slide and remind you not to place undue reliance on any forward looking statements I may give.

GREAT OPERATIONAL PERFORMANCE

The great operational performance is highlighted by the TRCF performance with four people hurt over the year. That is four too many but a marked improvement over prior years. The four injuries need to be seen in the context of 500+ staff coming through the gates each day with a high percentage of them performing physical activity.

Equally, pleasing was our process safety performance. We had no Tier 2 incidents and one, Tier 1 incident.

A tier 1 incident creates damage larger than $25k, a tier 2 incident creates damage larger than $2.5k i.e. Tier 2 events are relatively small in impact and hence it is pleasing to report we had none and hopefully indicative as a leading indicator of improving process safety performance.

The one Tier 1 incident was a threaded plug that blew out - we have 400+ of these types of plugs on site and we have replaced 90%+ of them with the remainder not posing danger and needing a shutdown to replace them safely. As an aside, we suffered no personal harm, damage or income loss.

We had five releases outside consent, all of them minor, and all caused by the major refurbishment work we had underway to our waste water processing capability, effectively putting it out of service as the refurbishment took place.

Finally, we had record throughput and a strong net income performance as Simon remarked on earlier.

As the leadership team and our direct reports looked back in December last year there was a lot of justifiable pride in all that was achieved. And I think it behoves me also in this forum to express my sincere thanks for the tremendous commitment and professionalism shown by our staff and contractors each day.

STRONG NET INCOME DELIVERY

A quick deep dive then on the financials. You see the big impact of the lower Singapore complex margin and lower margin uplift. With the 2015 GRM at USD 9.20 per barrel and the 2016 GRM at USD 6.74 per barrel, the difference was USD 2.73 per barrel. This impacted processing fee revenue by roughly 120 million dollars.

Key drivers behind this difference were the high margin loss hydrocracker shut in the first quarter of 2016, freight differentials coming off with cheaper bunker fuel costs, and product quality premia being under pressure as a result of plentiful product supply in the Singapore markets.

You see the strong contribution of TMH, strong growth also on the RAP, about which more later, and then higher depreciation and financing cost as a result of TMH leading to a net profit after tax delivery of 47.5 million.

All of this lead to a 6 cps final dividend and 9 cps total dividend or some $27+ million dividend in total.

KEY DRIVERS AND STRATEGY UNCHANGED

Our strategy remains unchanged. We compete with Korean and Singapore based refineries and to be our customers' supply partner of choice we need to be competitive. This means being tight on cost and pursuing high payback margin growth projects.

Another key element in our value proposition to our customers is reliability. We are two weeks sailing from Singapore and if we were to have an unforeseen upset, it would take our customers roughly 4-5 weeks to arrange alternative supply, close to the days stock cover in the country. So called "unplanned downtime" is therefore a key metric and again last year we had a world-class performance with 0.85% unplanned downtime.

In today's society, we are of course in pursuit of the so called triple bottom line and want to be known for a world-class environmental and health and safety performance and be known to be good neighbours in general.

There are some six key drivers which impact our long term profitability and success. I won't go through each but would highlight the two that came strongly into play in 2016.

Firstly, that was the decision by the IMO to limit shipping sulphur emissions from 3.5 to 0.5%. This is good for gasoil prices and we are a gasoil producing refinery, so, so far so good; but potentially bad for fuel oil prices -and we do produce some fuel oil.

Potentially, because if ship owners expect high sulphur fuel oil to get cheap they can install sulphur scrubbers on their ships stacks to take advantage and effectively put a floor under the fuel oil price. We will watch for key signals, particularly the order books of scrubber manufacturers and prepare for a world in which we may need to destroy fuel oil in higher value products such as bitumen or burn it for the Refinery's own energy use.

The other standout was Auckland growth and I will talk more about that on the next slide and the strengthening of the conversation on electric vehicles.

We think electric vehicles make sense for New Zealand given its clean electricity and given the fact that most home owners have access to a carport or garage for overnight refuelling. With 30% of fuels imported we believe the imported barrels are the marginal barrels that will be displaced first.

We would not dare place a bet on the uptake of electric vehicles but offer three facts for consideration; the average age of the NZ car population is 15 years; the price point of an electric vehicle is currently some $25k higher than an ICE equivalent, and new car sales are at an unprecedented high in NZ at the moment with 300k new sales last year. Gas guzzling SUVs featured heavily in those new car sales showing buyer behaviour not consistent with concern for climate change.

CONTINUED SUPPORT FOR REFINING MARGINS

Again reminding you of the disclaimer slide in the sense that you should not place undue reliance on any forward looking statements we give. However, we are cautiously optimistic about refinery margins in Asia Pacific and NZ demand.

NZ and Auckland are booming; I talked about record new car sales, RAP volumes were up 8.5% and jet volumes at Auckland International Airport were up 19% in 2016.

Direct flights to Dubai or Doha take some 200,000 litres of jet fuel or 3.7 minutes of pipeline capacity between Marsden Point and Auckland. We anticipated at least part of this growth and are pro-actively upgrading the capacity of the pipeline to continue meeting expected demand growth. We hope to have increased pipeline capacity by around 10% by the end of this year.

We have shown the picture on the right before. It is made by the oil markets consultancy "Facts Global Energy" and depicts their understanding of demand growth (dark blue bars) versus new refining capacity coming on stream (light blue bars).

You can see why 2013 and 2014 were difficult years with capacity coming on stream swamping demand growth but now some 5-6 years after the GFC we don't see much new incremental capacity coming on stream.

In fact, the expectation is that Asiapac will go short on products this year. That is not such a bullish signal as it may sound because products are easily brought into the Asiapac region from export refining centres such as India and the Middle East. However, it is positive nevertheless. A caveat are the so called teapot refineries in China. Privately owned small refineries that fly a bit below the radar and may have spare capacity up their sleeve.

2017 FOCUS AREAS

So, what are we working on this year? First of all, of course, safe operations.

But also the portfolio of post TMH optimisation and small growth projects. We expect to spend some $10 million in growth capital delivering revenue growth equivalent to a payback of one year.

Let me give some examples of smaller growth projects completed in 2016. We delivered an autopilot for the CCR, cost NZ$ 1 million and some NZ$ 600,000 pa revenue. We installed some line-work to improve our flexibility in bitumen manufacture at a cost of NZ$ 1.4 million and NZ$ 2.5 million revenue growth.

First Gas is continuing their project to help us secure more natural gas. In a crude price world of US$ 50/70 per bbl and current exchange rate this will deliver NZ$ 6-10 million revenue.

Equally, we are making good progress on the dredging project which will deliver anywhere between NZ$ 8-12 million at 50/70 $ crude. We recently completed all the pre consent studies and engaged in an intensive second round of local consultation with a pop-up container and visits to various marae – which is critical for Tangata Whenua to prepare the cultural impact assessment. We are getting close to preparing our resource consent application for the Northland Regional Council.

With Auckland growth, as stated earlier, we are increasing pipeline capacity in three stages. The first two stages will complete this year and at NZ$ 5.6 million capex will give a 10% capacity increase or ballpark NZ$ 2-4 million extra revenue.

The third stage will give another 5% at a similar capital cost. We are doing some future work on increasing the pipeline capacity even more than the 15% already under development.

New on the list of key activities are a tank farm reconfiguration to allow us to help customers with jet import where we are getting to the end of our production capacity. This is a $10 million project with very good payback.

And finally, we have had our fertiliser customer request solid instead of liquid sulphur for processing in their plant. This will imply a roughly NZ$ 5 million expense with anticipated good returns.

2017 PROFIT AND BORROWINGS MATRIX

Wrapping up then with our trusted matrix and for those of you who are new to this, we don't give an latest estimate given the variability of our latest estimate to Singapore margins and exchange rate.

Rather we show EOY net income and borrowings for a range of gross refinery margins and exchange rate scenarios. E.g. at exchange rate of USD 0.70 and gross refinery margin of USD 7/bbl we would earn around $60 million net income and close the year with around 170 million borrowings.

So, overall, we are cautiously optimistic about 2017 and certainly have a full workplan to improve margins, while continuing to run safely and reliably.

PROCESSING AGREEMENT

Before I hand back, at the last AGM, the Chairman of the Shareholders Association, Mr Hawkins questioned whether the floor and cap mechanism in the processing agreement should be on a rolling rather than year-end basis.

We asked Hale and Twomey to give an opinion on this and Simon and I have been to see Mr Hawkins and the Chief Executive of the NZ Shareholders Association, Michael Midgely, to discuss their findings.

If we first focus on the Floor, the customers' commitment to Floor payments is part of the processing arrangement whereby all the refinery capacity is dedicated to the customers.

Recital E of the Processing Agreement states: "In consideration for NZRC making available to the Refinery Users the total capacity of the Refinery, Schedule 8 of this Agreement provides for a Floor to the total processing fees payable by the Refinery Users".

The concern with moving to a rolling mechanism for the Floor that extends beyond individual financial years is that it will undermine the link between Refining NZ "making available…the total capacity of the Refinery .." and the customers' commitment to Floor payments. Refining NZ would have committed all its refining capacity to its customers without any corresponding benefit because the Floor would eventually be repaid.

Floor payments are only required when refining margins are low. Hale and Twomey's analysis shows that in a low margin period it is often more economic for customers to

import refined product than process crude at Refining NZ. The Floor however, acts as a fixed cost, incentivising the customer to continue to use the refinery rather than import. If customers were entitled to recover Floor payments, the Floor would no longer act in this way: - customers could under load the refinery (to benefit from more cost effective imports) knowing that Floor payments would be returned when refining margins improved. Over time this under-loading would reduce Refining NZ's processing fee income.

If we now focus on the Fee Cap, the Cap benefits customers in periods of high margins when both Refining NZ's profitability and its competitiveness versus imports are robust. The Cap adds to that competitiveness for its customers.

Moving to a rolling basis for the Cap effectively means that any benefit for the customer is temporary. Any benefit gained by a customer through not paying processing fees when GRM is above USD9.00/bbl will be returned to Refining NZ when margins decline.

While this would be positive for Refining NZ (it would not lose income permanently in periods of high margins), customers may not like the change. The Cap will only impact when margins are high and at that point Refining NZ's customers will be generating significant revenue from their share of GRM. However if "banked" Cap payments can be rolled forward, customers risk that these are then charged as additional processing fees in periods when margins fall and the contribution from the refining route is much lower. This could undermine customer's profitability in the payback period possibly leading to undermining the competitiveness of the Refining NZ supply route.

In summary, Hale and Twomey's view and that of the Independent Directors, is that the link between customers' commitment to irrecoverable Floor payments, and Refining NZ making available all its capacity to its customers, is a critical element that has helped keep the refinery fully utilised since the move to the current processing fee structure in 1995.

Sjoerd Post

Chief Executive Office