Chairman's Address

2015 was an exceptional year for the Company, marked out by a very strong business environment, healthy Singapore Refining Margins and a favourable currency.

The Company capitalised on this through exceptional plant reliability and quality fuel production, to report a much improved Net Profit after Tax (NPAT) of $150.9 million for the period ended 31 December, 2015 (2014: $10m).

Credit for one of the Company's best ever results goes to the whole team at the refinery: staff, management, and contractors.

Special mention is due the Te Mahi Hou team, who successfully commissioned this major project at the end of November, on budget and three weeks early after four years of design, planning, construction, and commissioning.

We took the opportunity to formally recognize the contribution of everyone involved in Te Mahi Hou at the official opening by the Prime Minister on the 10th of March.

Health and Safety

The Company continues to aggressively pursue a safe working environment. Our 2015 Health and Safety performance was notable for the Te Mahi Hou team working 1.5 million hours without a Lost Time Injury. This is a credit to the team remaining focused on the job, identifying hazards in the work area, and always being aware of the risks in a busy construction zone.

A significant shift on the Health and Safety horizon is the new legislation that came into force last month. It places extra responsibility on the Board and management to demonstrate that safety processes are rigorous, in keeping with modern safety standards, and that staff and contractors are engaged in making our site safer.

Notwithstanding the new legislation, the Company continues to focus on lifting personal and process safety performance. Earlier in the year we commissioned Du Pont to review our Health and Safety management systems. The Board received overall positive feedback and subsequently agreed a seven point action plan to further lift our Health and Safety performance.

Business environment

During the year refining margins remained at the cap, or near cap levels, and were held there by the continued strong global demand for petrol, particularly in the US, China and India – and low crude prices.

The Gross Refining Margin (GRM) for 2015 averaged USD 9.20 per barrel prior to cap or floor adjustment, well ahead of the average for the previous year of USD 4.96 per barrel. The margin generated above the cap, resulted in the processing fee being capped by $14m for the year.

There were a number of key highlights from the Company's 2015 performance, and in the process some new records were set:

- The refinery processed more crude oil than ever (42.6 million barrels),
- Processing fee revenue increased significantly to $379.2m (2014: $168.4m) around $27m better than the previous record in 2006.
- Our uplift over the Singapore Complex Margin improved to average USD 4.45 per barrel (2014: USD 3.46).
- Cash generation from operations at $265m was up substantially (2014:$67m). This allowed us to complete Te Mahi Hou and reduce net borrowings to $193 million (2014:$315m) – which is within the Company's agreed gearing ratio of 10-20%.
- The exchange rate ran in our favour with the New Zealand dollar averaging USD 0.70 for the year, compared with an average of USD0.82 the previous year.

Strategy

In October the Board reconfirmed the Company's aspiration to be the manufacturing and supply partner of choice for New Zealand and the strategies supporting that aspiration. Sjoerd will talk about this in more detail in his presentation.

Hale and Twomey review

In January the Company changed the freight benchmark it uses, moving from the London Tanker Brokers Panel to that published by Platts. This was recommended by the Hale and Twomey review of processing fees, as it better reflects the actual cost of crude freight. This change to freight benchmarks was presented to and approved by the NZX.

Staff share scheme

In 2015 we recognised the important contribution of Refining NZ employees to our success by enabling them to invest in the Company through an employee share purchase scheme. 98% of eligible employees took up the initial offer made in April 2016. Following an on-market purchase the Trustee now holds around 98,000 shares on account of the 300 participating employees.

Shareholder returns

2015 signalled a return to dividend payments with the Directors declaring a fully imputed final dividend of 20 cents per share, which was paid on 24 March 2016. An interim dividend of five cents was paid in September, bringing the total dividend payment for 2015 to 25 cents per share.

From a shareholder perspective 2015 was also notable for the Company re-entering the NZX50.

Processing Arrangements

The Company has produced a brochure for shareholders explaining how the Refining NZ processing fee arrangements work. This is a critical part of our refining business, and we are sure that all shareholders will benefit from having access to a definitive guide.

In addition, independent auditors, PriceWaterhouseCoopers (PWC) have performed an assurance engagement on the Company's compliance with the Processing Agreement. A copy of the PWC assurance report and the processing fee brochure are available at this meeting and have been posted on the NZX and the Company's website.

In 2015 there were a number of changes to the Board.

Chairman and Independent Director David Jackson retired after 10 years association with the Company. During this tenure David oversaw the approval and successful completion of large capital projects amounting to $735 million. The clean fuels project, Future Fuels in 2005, the capacity expansion project, Point Forward in 2009 and Te Mahi Hou which are vital to the ongoing feasibility and the competitiveness of the Company.

Dean Gilbert resigned as a Director following the sale of Chevron New Zealand's shareholding in Refining NZ.

Tim Wall, formerly Managing Director for BP Refinery (Bulwer Island) Pty Limited, resigned as a Director earlier this year.

Thanks to David, Dean and Tim for their respective contributions and professionalism while serving on the Board.

Board composition

Shareholders will note that the Board has taken the opportunity to consider the size of the Board going forward.

The Board is conscious that the issue of Director numbers has previously been raised by shareholders expressing concern that the size of the Board may have been too large. Listening to shareholder feedback and recognising the changing composition of the share register, the Board is proposing to lower the minimum size of the Board to three, being the minimum required under the NZX listing rules.

It is expected that the Board would comprise three representatives of the respective major oil company shareholders and four independent directors of which one will act as an Independent Chairman.

The Board is confident that the Company will retain the necessary mix of business experience and oil industry expertise with a reduced number of Directors at the Board table. The proposed changes to the Constitution create the flexibility to move to a smaller number of seats on the Board, while continuing to safeguard minority shareholder interest.

The proposed changes to the Constitution are outlined in Appendix One of the Notice of Meeting. The resolution will be considered in the formal part of this meeting.

Director Remuneration

Earlier this year, the Board engaged Ernst and Young to benchmark the Fees payable to directors of Refining NZ.

From the independent review, Ernst and Young recommended a directors fee remuneration structure which aligns with market data.

The remuneration structure will result in:

- The Independent Chairman and Directors receiving a $10K and $8K increase in base fees respectively- being the first increase awarded since January 2013;
- The base fee for non-independent directors increasing by $12K per annum, being the first increase awarded in a five year period (since 1 January 2011);
- The Fees payable to members of the Audit, Risk and Finance Committee and the Nominations and Remuneration Committee will increase by $2.5K

respectively. Fees payable to the Chairs of those Committees will be set at two times the Committee base fee.

Due in part to the Board restructuring, the Company is able to meet these modest increases from within the existing Director fee pool of $850K.

The Board is confident that the new remuneration structure will enable the Company to attract and retain highly experienced, professional directors and manage its succession from within the Directors Fee Pool, approved by shareholders in 2012. The Board will implement the Ernst and Young recommendations for the current financial year.

Looking ahead

The Directors are confident that the strategy we have in place will continue to build a sustainable refining business, capable of competing with Asia Pacific refiners, and to manage future market challenges. It’s clear that the way forward is based around team performance, solid reliability, outstanding product quality, and investment in growth.

On a final note, the Company’s profit matrix for 2016 was issued with the Company’s FY 2015 results on the 24th of February and is available on the New Zealand Stock Exchange and the Company website. Sjoerd will talk to the matrix in more detail shortly.

Simon Allen
Chairman

4 May 2016