



3 May 2017

**Annual Meeting of Shareholders
Chairman's Address**

It is a pleasure to welcome you all to Refining NZ for this Annual Meeting of shareholders.

This meeting has a full agenda to work through, but before I review the Company's 2016 performance I will comment first on the resolutions put by shareholders, Mr Bryan Halliwell and Mr Harold Waite.

SHAREHOLDER RESOLUTIONS

The notice of meeting sets out these resolutions as items 3(a) and 3(b) on today's agenda, with supporting statements by Mr Halliwell and Mr Waite.

The Board respects the right of every shareholder to put a motion to the Annual Meeting. However, it is regrettable that either motion is being put to shareholders today.

Mr. Halliwell's motion, 3(a) relates to fees charged for fuel oil sales by our customers, but it's premised on substantially incorrect information. Prior to the meeting, the Company felt duty bound to alert Mr Halliwell to the fact that his motion was based on factually incorrect data about product exports and should be withdrawn.

Mr Halliwell then wrote to the Company acknowledging that key assertions made in his statement were inaccurate and must be disregarded. Mr Halliwell acknowledged that the Company alerted him to these inaccuracies before he finalised his motion and he has apologised to the Company in writing for his failure to correct them.

Remarkably, however, notwithstanding his acknowledgement that his figures are wrong, Mr Halliwell informed the Company that he still wished his motion be put to shareholders.

Turning to Mr Waite's motion, 3(b), the Company also informed Mr Halliwell that Mr Waite's motion, with whom Mr Halliwell collaborated, should also be withdrawn because in late 2016 the Independent Directors had already commissioned a very similar independent review of the processing agreements to the one requested by the motion. Hale and Twomey – whom Mr Halliwell had previously recommended to the Company - were commissioned to undertake this latest review.

The matters raised by Mr Waite's resolution and supporting statement are not new. Very similar resolutions were put to the annual meeting of shareholders in 2010, 2013, 2014 and

2015 and strongly defeated by shareholder vote on each prior occasion by 98.89%, 99.4%, 94.51% and 96.54% respectively.

This meeting is now being asked to consider a similar motion in respect of the Processing Agreements for a fifth time.

The Independent Directors are extremely disappointed with Mr Halliwell's approach and his desire to proceed with his motion and that of his colleague, Mr Waite.

Shareholders will appreciate that dealing with Mr Halliwell's erroneous claims is time-consuming, and, given that it has been going on for a number of years, very costly. It is also a distraction to senior management who are committed to delivering value for all shareholders.

It is also a great shame, that this is a distraction for this annual meeting when I'm sure that the majority of shareholders here today would rather use this opportunity to focus on the real issues.

Mr Halliwell and Mr Waite will have the opportunity to speak to the meeting so I will not go into length about their resolutions at this point. Our considered reply will come later.

The Independent Directors strongly disagree with the resolutions put forward by Mr Halliwell and Mr Waite and have advised shareholders to vote against them.

2016 PERFORMANCE

Turning now to the Company's 2016 performance

2016 was a great year for Refining NZ: - margins were historically strong and an excellent operational performance allowed the refinery to capture the margins fully and deliver a \$47.5 million net profit after tax.

There were many good performances across the business contributing to this strong result which Sjoerd will present in detail, while I touch now on the following key highlights:

PERFORMANCE HIGHLIGHTS

The Gross Refining Margin was at the top of its historic USD 4-6 range, averaging USD 6.47 per barrel for the year. Underpinning this margin strength was the continued strong demand for gasoline driven by new vehicle sales in New Zealand and Asia, and New Zealand jet fuel demand, driven on by the continued growth in tourism.

The business's personal and process safety performance was pleasing and a major improvement on recent prior years. Of particular note, the shutdown in April 2016 was completed without injury to staff or inadvertent release of product during the restart of the processing units. All credit to our staff and maintenance contractors for remaining focused on working safely over the course of the shutdown.

An excellent operational performance in 2016 was supported by the contribution of our new petrol making unit, Te Mahi Hou (TMH) which marked a first full year of operations. TMH also contributed to the refinery achieving a record throughput of 42.7 million barrels of crude oil.

Cash generation from operations resulted in a strong free cash flow of \$47 million which meant we were able to finish the year close to the upper bound of the Company's target gearing ratio of 20%. This we achieved despite the New Zealand dollar remaining high against its US counterpart, at an average of USD 0.70 for the year.

STRATEGY

The Board has 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 in more detail about the Company's strategy going forward in his presentation.

BP SHAREHOLDING

In March 2017, as part of a global portfolio review, BP sold shares in the Company amounting to 11.09% of Refining NZ's issued share capital.

BP remains a significant shareholder with an equity stake of 10.1%. Processing arrangements with BP are unaffected by this sell-down and the Company has been assured that the refinery remains an important component to BP's success as a quality fuel retailer in this country.

The composition of the Company's share register has changed as a result: - the majority of shares on issue are now held by many smaller shareholders and institutional investors with oil companies combined shareholding amounting to 43%.

We have always considered it advantageous for the future prospects of the Company to have a larger 'free float' of investors who consider Refining NZ an attractive investment for the long term.

HALE AND TWOMEY REVIEW

In late 2016, respected industry specialists, Hale and Twomey were commissioned by the Independent Directors to review and report on whether the Company's customers' retention of 30% of the Gross Refining Margin was appropriate for the costs they incur in using the refinery.

Hale and Twomey's conclusions in respect of the processing fee arrangements are attached as an appendix to the Notice of Meeting. Sjoerd will talk further about the finding of this review when we address the motion put to the meeting by Mr Waite.

In addition, independent auditors, PriceWaterhouseCoopers (PWC) have performed an assurance review on the Company's compliance with the Processing Agreement.

A copy of the PWC assurance report is available at this meeting and has been posted on the NZX along with the Hale & Twomey Review. Both reports will also be available on the Company's website.

CONSTITUTIONAL CHANGES

At the Annual Meeting in May 2016, shareholders approved a change to the Constitution of the Company regarding the size of the board with the main change being a reduction in the required minimum number of directors from eight to three – in line with the NZX listing rules.

The Board now consists of seven members, with a majority of four Independent Directors and three Directors from shareholder oil companies.

We have listened to shareholder feedback and 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.

BOARD CHANGES

Independent Director, Peter Springford resigned in December 2016 after nine years on the Board, eight of which were served as Chair of the Board's Audit, Risk and Finance Committee. Speaking for my fellow directors I particularly wish to acknowledge Peter for his professionalism, and contribution as an Independent Director over that time.

Paul Zealand was appointed as an Independent Director in August 2016. A short biography of Paul is included in the Notice of Meeting.

In other changes, the resignation of Director Andrew Warrell in March created a vacancy which has been filled by Riccardo Cavallo. A short biography of Riccardo is included in the Notice of Meeting.

During the year we also accepted the resignations of directors Tim Wall and Stuart Brown. Thank you to Andrew, Tim and Stuart for their service to the Refining NZ Board.

Simon Allen
Chairman