Annual Meeting of Shareholders - Chairman’s address

It is a pleasure to welcome you all to the Company’s Annual Meeting of shareholders.

2017 was a strong year for the refinery, both operationally and financially, despite the challenge of the leak last September on the Refinery to Auckland fuel pipeline. The Company has welcomed the finding of the Northland Regional Council that the refinery had no causative role in the rupture. After reviewing the external expert reports and having witnessed first-hand our containment and recovery processes, the Council decided not to prosecute and at the same time commended Refining NZ for its response.

2017 Performance

Our performance was marked by outstanding plant reliability, healthy refining margins, strong cash generation from operations, and a culture of teamwork, all of which allowed the Company to post a Net Profit after Tax (NPAT) of $78.5m (2016: $47m) for the year ended 31 December 2017.

In the circumstances this is a remarkable achievement that speak volumes for our talented team of over 500 staff and contractors.

Shareholder Day

At our Annual Meeting last year, the Board made a commitment to hold a Shareholder Day and on 25th January 2018 we were delighted to welcome over 350 shareholders to Marsden Point. Those of our shareholders who attended the event had the opportunity to meet some of the team first-hand; to hear about the work they do and their priorities for the year, as well as their experience of the pipeline incident. Shareholders left impressed with the dedication of our people and our workplace culture.

Performance Highlights

Sjoerd will go into more detail about the Company’s performance in his presentation. For now, there are a number of highlights worth noting about our 2017 performance.

Refining margins remained in a range of USD 7 per barrel to USD 11 per barrel for much of the year, with the Company GRM averaging USD 8.02 per barrel (2016: USD 6.47 per barrel) at the top of its historical range, supported by global demand growth.

As one of the few high hazard industrial sites in the country we are highly conscious of our health and safety. We hold ourselves accountable for the health and safety of every individual on our site and are always looking to improve our performance. While our Health and Safety performance in 2017 was impacted by a small number of injuries early in the year we finished strongly having gone the last three months of the year without a recordable case.

In 2017 we continued with implementing the recommendations of the 2015 DuPont review of our safety management systems. A subsequent DuPont review in 2017 found that the Company had made significant progress, further strengthening our process safety culture across the refinery. We also recently submitted a Safety Case to the regulator, WorkSafe, outlining the hazards associated with our refining operation and the robust safety management systems we have in place to continue to run our refinery safely.

A good environmental performance in 2017 was marred only by the RAP leak, and as I have already noted the Company's response has been acknowledged by the Regional Council. Remediation at the leak site is now complete and has been carried out to a very high standard.

An outstanding operational performance was underpinned by a world-class unplanned downtime of 0.60% (2016: 0.85%). This allowed the Company to capitalise on healthy refining margins and to generate a significant lift in operating revenue to $411.6m, up 16% on the previous year (2016: $353.6m). Our ability to maintain borrowings within the target average gearing ratio of 20% prepares us well for the major planned maintenance Shutdown in 2018.

Strategy

The Company maintains its aspiration to be the manufacturing and supply partner of choice for New Zealand. To achieve that aspiration we are continuing to pursue a series of smaller growth initiatives that will both grow revenue and contribute to the ongoing competitiveness of our Refinery.

We have also continued to invest in the Refinery to Auckland pipeline, increasing capacity by around 10% over the last year.

Dividend policy

At the Board meeting in February the Directors approved a new dividend policy for the Company. Refining NZ's dividend policy is to pay 80% of Free Cash Flow (FCF) as ordinary dividends subject to the Board's due consideration of the Company's medium-term asset investment programme, 20% targeted gearing level and future circumstances including the profitability, growth opportunities, and the financial and taxation position of Refining NZ. FCF is the Net Cash from Operating Activities less normalised stay-in-business capital.

Dividend payments are expected to be split into an interim dividend paid in September and a final dividend paid in March. It is the intention of the Board to attach imputation credits to dividends to the extent that they are available.

Shareholder Returns

The Company's Directors resolved to pay a fully imputed final dividend of 12 cents per share which was paid on 22 March 2018. With an interim dividend of six cents paid in September, the total dividend payment for the year was 18 cents.

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%, while the processing arrangements with BP remain in place.

Board and Management changes

In June 2017, Matthew Elliott resigned as a Director and was replaced by Deborah Boffa. As Deborah is nominated for election at this meeting a short biography is included in the Notice of Meeting. In March 2018, Mike Bennetts resigned and was replaced by Lindis Jones. A short biography of Lindis is included in the Notice of Meeting. Thank you to Matthew and Mike for their respective contributions to the Refining NZ Board.

At the Board meeting in February, Sjoerd Post advised the Directors of his decision to resign from his role as CEO and his intention to remain in the role until the end of July 2018. The Board appreciates the leadership provided by Sjoerd and the outstanding contribution over the length of his tenure, building a culture that is now strongly evident in the performance and resilience of the business. His leadership during the rupture on the Refinery to Auckland fuel pipeline has been widely recognised as a crucial factor in the rapid resolution of that crisis.

The Board is pleased that Sjoerd will remain in the business for the next few months to see through the succession process and critical work programmes, including the 2018 planned maintenance shutdown and the government inquiry into the pipeline incident.

Future Outlook

The Company has achieved a strong result through continued operational reliability, ability to capitalise on healthy margins, quality fuel production and a well-developed culture of team work amongst our staff and contractors, all under trying circumstances. Continuing to play to these core strengths sets us up for a successful 2018 shutdown. At the same time, pursuing a series of attractive growth initiatives will ensure we keep pace with the demand for quality fuel products driven by Auckland growth and will underpin the competitiveness of our refinery and the ongoing sustainability of our refining business.

Simon Allen
Chairman