

# Z Energy operational data for quarter ended December 2017

## Health, safety, security and environment (HSSE)

	December 2017	December 2016	September 2017	September 2016
Lost time injuries	2	6	3	3
Spills to ground	0	0	0	0
Robberies <sup>1</sup>	2	6	14	6
Fuel quality incidents	0	0	0	0
Process safety incidents	1	1	0	0
Food safety incidents	1	0	0	0
Total recordable case frequency	1.2	1.4	0.6	1.0
Motor vehicle incident frequency	2.2	0	0	0

## Fuels

All fuels in millions of litres	December 2017	December 2016	September 2017	September 2016
Total industry volumes (all fuels) <sup>2</sup>	2,386	2,332	2,106	2,123
Z Group total fuel volumes	1,121	1,068	1,082	1,007
Petrol - Z Retail	186	190	182	190
- Caltex Retail	121	132	114	124
Diesel - Z Retail	76	72	72	71
- Caltex Retail	44	46	39	42
- Commercial	214	204	195	186
Other fuels	311	277	245	236
Supply - Domestic	146	132	119	113
- Industry & Export	23	15	116	42

1 Robberies reported only relate to Z Retail sites. Caltex sites are owned and operated by independent dealers.

2 Excludes 'Supply - Industry & Export' sales.



## Refining

	December 2017	December 2016	September 2017	September 2016
<b>Refining NZ gross refining margin (GRM):</b>				
USD GRM per barrel	<b>6.83<sup>3</sup></b>	9.20	<b>8.87</b>	6.20
NZD GRM per barrel <sup>4</sup>	<b>9.88</b>	12.96	<b>12.10</b>	8.64

## Customer experience<sup>5</sup>

	December 2017	December 2016	September 2017	September 2016
Z Retail customer satisfaction <sup>6</sup>	<b>88%</b>	87%	<b>87%</b>	86%
Total Z Retail transaction count	<b>14.9 million</b>	14.6 million	<b>13.7 million</b>	13.8 million
Z Retail: fuel-only transactions	<b>7.7 million</b>	7.3 million	<b>7.2 million</b>	7.2 million
Z Retail: fuel and store transactions	<b>1.8 million</b>	1.9 million	<b>1.6 million</b>	1.7 million
Z Retail: store only transactions	<b>5.4 million</b>	5.4 million	<b>4.8 million</b>	4.9 million
Z Average weekly store sales	<b>\$36,981</b>	\$35,100	<b>\$32,809</b>	\$31,025
Z Average weekly store sales like-for-like	<b>\$37,210</b>	\$35,974	<b>\$33,084</b>	\$31,691
Number of Z branded service stations	<b>205</b>	204	<b>204</b>	211
Number of EV charging stations	<b>8</b>	7	<b>8</b>	7
Number of Caltex branded service stations	<b>140</b>	142	<b>140</b>	146
Number of truck stops <sup>7</sup>	<b>157</b>	156	<b>156</b>	161

3 This number is from Refining NZ published data for the Nov/Dec period.

4 The NZD conversion is calculated by Z.

5 Z's commercial customer satisfaction rating and Caltex's retail customer experience score have been removed as we have not collected the data for this quarter. Z is currently redefining the best process for these measures going forward.

6 Customer satisfaction determined using ongoing internal customer measurement.

7 This figure represents the combined Z and Caltex branded truck stops.

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# Z Energy quarterly update

## Downward revision to FY18 earnings guidance

Z's operational performance in 3QFY18 was negatively impacted by an unexpected series of disruptions to fuel supply in December and a sustained rise in crude oil prices since 30 September. To provide clarity, the commentary below explains each of these in further detail.

As a result of weaker than expected performance in the December quarter, Z has revised its earnings<sup>1</sup> guidance for FY18 from the previous range of \$445 million - \$475 million to a lower range of \$430 million - \$455 million. Although neither of the factors below impact underlying earnings, Z is updating guidance given this is based on a reported headline result.

### Supply disruptions

In November, Z reported an increase in operating expenditure resulting from the September outage of the Refinery to Auckland Pipeline (RAP). Z reported a financial impact of circa \$3 million for 1HFY18 with an estimated \$2 million to be incurred in 2HFY18 but remained committed to guidance.

Since then, Z has continued to manage the ongoing impact of the September RAP outage as well as a series of further unexpected fuel supply disruptions, mostly unrelated to the RAP. In December, the RAP was shut down temporarily due to reports of a possible leak that proved to be a false alarm. At the same time, as reflected in operational data above, demand for jet fuel increased with the onset of summer and a run of better than expected weather across the country resulted in increased demand for Commercial diesel. These dynamics placed additional pressure on already compromised stocks of petrol and diesel at Wiri resulting in stock outs in the Auckland region and additional costs associated with trucking fuel from Whangarei and Mt Maunganui.

Each of these fuel supply disruptions are one-off in nature and have been managed effectively to minimise business disruption. Z may have been affected to a greater extent than its competitors owing to a proportionately higher market share in the Auckland region as well as being more reliant upon the Refinery for the supply of premium fuel, i.e. Z's competitors import proportionately more of their premium fuel than Z does.

Z estimates the total impact on FY18 earnings from RAP outages and product stock outs to be circa \$7 million.

### Rising crude environment

Brent crude oil prices have been rising consistently from US\$53/bbl at the start of the financial year, to US\$58/bbl at the end of September, to a current US\$69/bbl. As has always been the case, in a rising crude environment, Z's earnings from the sales of commercial diesel, jet fuel and bitumen are negatively impacted by a price lag; equally, Z benefits to the same degree from a price lead in a falling crude environment. Price lags and leads occur because these products are contracted on an "m-1" basis, i.e. product sold in December is priced on the basis of November's input cost. This causes timing related volatility to headline earnings with a rule of thumb being a US\$1/bbl crude price change results in \$1 million impact on earnings.

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<sup>1</sup> Replacement Cost Operating Earnings Before Interest, Tax, Depreciation, Amortisation and Fair Value Adjustments

In the past, Z has been transparent around any significant impact resulting from price leads or lags. For FY18, the impact is noteworthy given the consistency of the rise in crude oil prices over an extended period of time combined with Z's increased size since the acquisition of Caltex.

Z does not anticipate crude prices reversing in 4QFY18 given the current Brent crude forward curve and estimates the total price lag impact on FY18 earnings to be in a range of \$14 million - \$18 million.