

Z Energy operational data for quarter ended June 2017

Health, safety, security and environment (HSSE)

	June 2017	June 2016	March 2017	March 2016
Lost time injuries	4	4	8	3
Spills to ground	0	0	0	1
Robberies ¹	7	9	2	6
Fuel quality incidents	0	0	0	0
Process safety incidents	0	0	0	0
Food safety incidents	0	0	0	0
Total recordable case frequency	0.8	0.9	1.7	1.1
Motor vehicle incident frequency	0	2.7	1.3	0

Fuels

All fuels in millions of litres	June 2017	June 2016	March 2017	March 2016
Total industry volumes (all fuels) ²	2,217	2,117	2,430	2,271
Z Group total fuel volumes	1,016	1,028 ³	1,097	1,104 ³
Petrol - Z Retail	181	189	186	199
- Caltex Retail	120	130 ³	126	141 ³
Diesel - Z Retail	71	71	70	72
- Caltex Retail	42	45 ³	44	47 ³
- Commercial	195	190 ³	201	189 ³
Other fuels	272	240 ³	332	274 ³
Supply - Domestic	119	111 ³	128	122 ³
- Industry & Export	16	53 ³	10	60 ³

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

2 Excludes 'Supply - Industry & Export' sales.

3 These numbers have been restated to reflect Caltex volumes prior to Caltex forming part of Z Group.



Refining

	June 2017	June 2016	March 2017	March 2016
Refining NZ gross refining margin (GRM):				
USD GRM per barrel	9.35⁴	1.84	6.58	7.96
NZD GRM per barrel ⁵	13.36	2.70	9.18	12.11

Customer experience

	June 2017	June 2016	March 2017	March 2016
Z Retail customer satisfaction ⁶	88%	86%	87%	86%
Total Z Retail transaction count	14.0 million	14.0 million	14.5 million	14.5 million
Z Retail: fuel-only transactions	7.3 million	7.3 million	7.5 million	7.3 million
Z Retail: fuel and store transactions	1.7 million	1.7 million	1.8 million	1.8 million
Z Retail: store only transactions	5.0 million	5.0 million	5.2 million	5.4 million
Z Average weekly store sales	\$34,052	\$31,555	\$34,859	\$33,744
Z Average weekly store sales like-for-like	\$34,430	\$32,274	\$35,280	\$34,568
Number of Z branded service stations	204	210	204	213
Number of EV charging stations	8	7	7	7
Caltex Retail customer experience score ⁶	89%	-	88%	-
Number of Caltex branded service stations	140	-	139	-
Commercial customer satisfaction ⁶	88%	90%	88%	88%
Number of truck stops	156⁷	92	156^{7,8}	92

4 This number is from Refining NZ published data for the Mar/Apr period.

5 The NZD conversion is calculated by Z.

6 Customer satisfaction determined using ongoing internal customer measurement.

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

8 Restated number of truck stops for March 2017 from 157 to 156.

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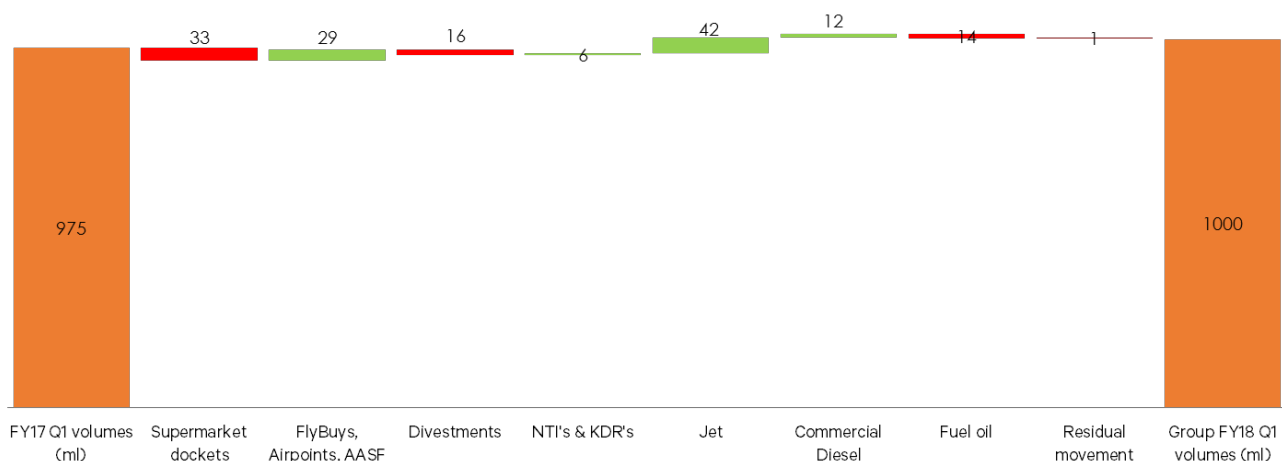
Z Energy quarterly update

Introduction

Given ongoing development of Strategy 3.0 and What is Next (strategy beyond 2020), quarterly operational data will be supplemented with additional information on an ongoing basis to ensure the market is well informed about synergy and strategy developments.

Operational performance

Operational data for 1QFY18 shows an increase in volumes against the prior comparable period. To provide further clarity, the chart below illustrates the components of the change in volumes between 1QFY17 and 1QFY18.



Key points to note are:

- The 29ml growth in volume from Z's three loyalty programmes (Fly Buys Pumped, Airpoints dollars and AA Smartfuel) almost offset the 33ml volume loss from exiting the supermarket dockets relationship with Progressive Enterprises.
- Given the timing of divestments, there is a significant impact on this quarter's operational performance from 16ml lost from sites divested as a condition of the clearance from the Commerce Commission for the Caltex acquisition.
- Jet volumes continue to show very strong growth. The 42ml growth in jet fuel sales this quarter includes the full impact of Z winning major contracts with two airlines new to Auckland International Airport Limited (AIAL). Z continues to successfully reprice contracts to reflect the increased cost of supplying airline customers with imported jet fuel.
- Commercial diesel volume growth has been driven by new and existing customers and reflects continued strong GDP growth.
- The 14ml reduction in fuel oil volume is mostly a seasonal effect, which Z anticipates will show up in a stronger 2QFY18.

Investor Day

Z will hold an investor day in Auckland on Thursday 28 September 2017. This will be a half day in which Z will provide a detailed update on Strategy 3.0, What is Next (the period post 2020) and capital management, including a revised distribution policy.

A brief update on synergy will be provided on investor day. Synergy is no longer reported on a quarterly basis given the material progress in FY17 (\$17m) and the explicit guidance on synergy for FY18 of \$40-45m.

Strategy 3.0

As a result of the Caltex acquisition, value from both synergy and strategy has been identified. The execution of Strategy 3.0 will result in earnings over and above the guidance for synergy.

Although Z is unable to confirm earnings from each of the strategic choices at this stage, Z can confirm the following progress has been made:

- Z's acceptance of the Farmlands card (NZ's largest farmer owned co-operative) went live on schedule on 1 June and is expected to result in an annualised 30ml of fuel sales through Z's retail network.
- Z's ERP system upgrade is progressing to plan with 'go live' scheduled in 3QFY18. The build phase will be complete by the end of July with the remaining months to 'go live' focused on testing, training and change management.
- The programme to replace Z's legacy card systems through four discrete projects is also running to plan with the release of a replacement Caltex gift card implemented on time and on budget in June.
- Z will adopt a simplified bulk fuel distribution model rather than continuing with the current differences between the Caltex and Z models. This project moved to the procurement phase in early July and Z is expecting to award a contract by the end of October, with implementation targeted by the end of the current financial year.

Quantification and timing of the earnings and capex for Strategy 3.0 will be provided at investor day.

MBIE fuel market study

Z was disappointed with the fuel market study conducted by the Ministry for Business, Innovation and Employment (MBIE) and the New Zealand Institute of Economic Research (NZIER), which was released in July. The study failed to address most of the Terms of Reference and did not report or comment on Z's submissions to the process beyond the data requests. The study was inconclusive owing to incomplete data from nominated participants, failure to engage with most of the industry participants and insufficient consideration for fundamental issues such as the reasonableness of profits (not just gross margins) and returns.

Z intends to engage constructively with officials and the Minister as the next steps are decided. No decision has yet been made regarding the possibility of a market study conducted by the Commerce Commission as this will require legislation to be enacted and that is presently scheduled for mid-2018. Z is confident that a well-resourced and independent study would clearly demonstrate that industry profits and returns are reasonable against international and domestic benchmarks; competitive intensity is high and continues to increase; and there are no barriers to entry into any geographic markets in New Zealand.

Z appreciates this is an item of significant investor interest and will provide a further update at investor day.