9 November 2017

New Zealand Stock Exchange
Level 1, NZX Centre
11 Cable Street
Wellington 6011
New Zealand

Z Energy Limited (ZEL) half year results announcement (for the six months ended 30 September 2017)

Please find attached the financial information required by NZX Main Board / Debt Market Listing Rule 10.4.2 together with a copy of Z Energy's half year results presentation and Half Year Report for the six months ended 30 September 2017.

The information in this announcement should be read in conjunction with Z Energy's most recent Annual Report.

Attached:

1. NZX Appendix 1;
2. Market announcement in relation to the half year results;
3. Half year results presentation;
4. Z Energy's Half Year Report including group financial statements for the six months ended 30 September 2017 and the Auditor's review report; and
5. NZX Appendix 7, detailing the dividend of 10.4 cents (New Zealand currency) per ordinary shares to be paid on 12 December 2017 to those shareholders on the company's share register as at 5pm on 24 November 2017.

Yours sincerely

Debra Blackett
Chief Governance Officer, Z Energy

Appendix 1

Half year reporting periods

Reporting period	six months to 30 September 2017
Previous reporting period	six months to 30 September 2016[1]

Results for announcement to the market

	Six months to 30 September 2017 (NZ $m)	Percentage change[1]
Operational results		
Revenues from ordinary activities	2,086	26%
Profit (loss) from ordinary activities after tax attributable to security holders	80	10%
Net profit (loss) attributable to security holders	80	10%

	Amount per security (NZ cents)	Imputed amounts per security (NZ cents)
Dividends – Ordinary shares		
Interim dividend	10.4	4.0444
Record date		24 November 2017
Payment date		12 December 2017

There are currently no dividend or distribution reinvestment plans in operation.

Financial information and commentary

For commentary on the results please refer to the media announcement, half year report and results presentation. Appendix 1 should be read in conjunction with the interim Group financial statements for the six months ended 30 September 2017 as contained in the Half Year Report and our most recent Annual Report.

Net tangible assets per security

	30 September 2017 (NZ cents)	30 September 2016[1] (NZ cents)
Net tangible assets per security	5	-14

[1] Z's 30 September 20116 results have been restated to reflect the completion of the acquisition accounting of Z Energy 2015 Limited (previously known as Chevron New Zealand).

3 Queens Wharf
PO Box 2091
Wellington 6140
New Zealand

0800 474 355
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Subsidiaries, associates and joint operations

	Percentage holding
Subsidiaries	
Z Energy 2015 Limited (formerly Chevron New Zealand)	100%
Harbour City Property Investments Limited	100%
Z Energy ESPP Trustee Limited	100%
Z Energy LTI Trustee Limited	100%
Challenge Petroleum (dormant)	100%
Associates[1]	
Loyalty New Zealand Limited	25%
New Zealand Oil Services Limited	50%
Wiri Oil Services Limited	44%
Coastal Oil Logistics Limited	50%
Joint operations	
The Group has participating interests in five unincorporated jointly controlled operations relating to the storage and distribution of petroleum products	
Joint User Hydrant Installation (JUHI)[2]	33%
Joint Interplane Fuelling Services (JIFS) (Z & BP)	50%
Joint Ramp Service Operations Agreement (Z Energy 2015 & Mobil)	50%
Jointly Owned Storage Facility (JOSF) (Z & BP)	50%
Wiri to Auckland Airport Pipeline (WAP)[2]	40%

[1] Z no longer accounts for the New Zealand Refining Company (RNZ) as an associate as it does not meet the definition of an associate under NZGAAP (Z continues to own 15% of RNZ there has been no change in Z's shareholding).

[2] As a consequence of the acquisition of Z Energy 2015 Limited (previously known as Chevron New Zealand), Z Energy 2015 Limited was required under the terms of the joint venture arrangements to offer its ownership share in the JUHI and the WAP to the remaining participants (Z Energy Limited, Mobil and BP). As a result of the pre-emptive process, Z Energy 2015 Limited no longer has an ownership share in either the JUHI or the WAP, and Z Energy Limited has increased its interest in the JUHI to 33% and its interest in the WAP to 40%.

Accounting standards

The Group financial statements comply with NZ IAS 34: Interim Financial Reporting and IAS 34: Interim Financial Reporting. They do not include all the information required in the annual financial statements and should be read in conjunction with the Group financial statements for the year ended 31 March 2017.

Audit

This report is based on the unaudited interim Group financial statements. KPMG has provided a review report on the financial statements which is attached.

9 November 2017

Z delivers solid half year result, maintains full year guidance

Result and dividend
On a Historical Cost basis, Z Energy's net profit after tax for the six months to 30 September 2017 is $80 million, up from $73 million[i] in the prior comparable period (PCP).

On a non-GAAP Replacement Cost (RC) basis, which removes changes in the value of inventory from recorded profit, Z reported an Operating EBITDAF of $221 million, up from $186 million in the PCP, excluding $18 million of one-off transition expenses relating to the Caltex acquisition.

The six month period contains a full contribution from the Caltex business whereas the PCP contained four months.

The Z Board has declared an interim dividend of 10.4 cents per share, up from 9.4 cents per share in the prior half year. The interim dividend will be paid on 12 December 2017.

Z Chief Executive Mike Bennetts said he was pleased with the resilience of the Z business over the half year and the way in which all parts of the business have contributed to a solid financial result.

"We've seen softer contribution from the Retail business as retail margins appear to be at the top of cycle, while the Commercial business has improved both volumes and margins. Additionally, Z's strength across the supply chain has also contributed to the result due to greater economies of scale.

Guidance
Z's earnings guidance of $445-475 million for the full year remain unchanged.

Mike Bennetts said while Z's performance is historically slightly stronger in the second half of the financial year, there will also be some operational risks to manage.

Strategy: a more productive core business
During the period, Z started executing the company's third iteration of strategy – Strategy 3.0.

Following the successful integration of the Z and Caltex businesses in December 2016, Strategy 3.0 is designed to maximise the value from Z's new scale and presence across the supply chain. It is focused on delivering a more productive core business by shifting from being "asset" led to "capability" led.

"We believe the execution of Strategy 3.0 will deliver $35-40 million of additional earnings over the following three years, on top of the $40-42 million of synergy earnings which will be realised by the end of this financial year," said Mike.

Almost all of the earnings uplift will come from the Commercial and Supply and Distribution business units. Retail fuel margins are expected to contribute about 40 per cent of total earnings.

Rigorous approach to capital management
Following the debt and cash funding of the Caltex acquisition, debt leverage increased to 2.6x. A combination of earnings growth and debt repayment ($35 million was repaid in the half) has reduced leverage to 2.1x RC earnings at 30 September 2017 and Z is on track to reduce leverage to 2.0x by the end of FY18.

Mike Bennetts said Z had repaid debt rapidly and would reach 2.0 times debt to RC earnings ratio one year earlier than planned, enabling the introduction of a new distribution policy for shareholders.

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0800 474 355
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"Following consultation with shareholders, we have decided once we achieve 2.0 times RC earnings to slow the pace of the company's debt repayments. We will continue to pay down debt but at a slower rate until we reach a 1.5x ratio. This is estimated to be by the end of the 2021 financial year.

"Continuing to pay down debt to this level demonstrates Z's commitment to prudent financial management. The programme will provide Z with a strong balance sheet and the flexibility to respond to either opportunities or threats."

Z's capital allocation will include a focus on releasing capital from less productive assets to fund planned growth capex. Where divestments exceed planned capex choices will be made to either repay additional debt, invest in the business or increase dividends. It is expected that integrity capex will be capped at $40 million per annum with any additional requirements funded through divestment.

Step-change in distribution policy
The accelerated deleveraging over the past two years has enabled Z to introduce a new dividend policy which will apply from the start of FY19.

Currently Z has been following a policy objective to increase dividends by 10 per cent per annum. From the start of FY19 this will be replaced by a commitment to pay as dividend 80 - 100 per cent of underlying free cash flows (defined as net cash inflow from operating activities less maintenance capex and principal debt repayments and adjusted for short term working capital fluctuations).

It is expected that this will see a material increase in dividends per share while also continuing to deleverage at about half the rate achieved since the Caltex acquisition.

Extended debt maturity profile with successful United States Private Placement
Subsequent to 30 September 2017, Z has successfully completed its inaugural United States Private Placement (USPP) with the issue of USD270 million of debt. This is in three equal tranches, and will be used to repay existing bank debt.

Settlement will occur in January 2018. The issue was at an average tenor of 10 years with the funding cost competitive to New Zealand domestic issuance. The USPP further diversifies Z's funding sources and significantly extends the average duration of debt.

MBIE process
Mike Bennetts acknowledged a high level of market interest in the political process around the NZIER Fuel Market Financial Performance Study.

Z most recently submitted to MBIE on 13 October responding to the two points of inquiry being the possibility of a borrow and loan registry and a more liquid wholesale market.

"Given Z's scale and asset base, and our continued concern around the way the industry currently remunerates fixed infrastructure assets, neither of these points cause Z significant concern. However, given New Zealand's fuel supply has become more and more efficient over the last 30 years, any changes would need to be very carefully considered in order to avoid unintended negative consequences."

Z has not yet discussed the intent regarding the future of this piece of work with the new Minister but looks forward to doing so shortly.

"Z remains confident it can demonstrate that the New Zealand downstream fuels industry has never been more competitive, with low barriers to entry and that returns are fair and reasonable."

An integrated company with a view to the future
Mike Bennetts said Z has now been an integrated company with the Caltex business for well over a year.

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“We are now in action executing a clear strategy to ensure a more productive core business and to realise significantly more value through changing the way we operate within the industry.

“We’re also ensuring we are well prepared for what the future might hold. Through Z’s ‘What is Next’ programme (WIN), our longer-term strategic options are being rigorously evaluated.”

Mike said Z has a competitively advantaged core business, committed and engaged people, and continues to build the company’s capability to win under changing circumstances.

Jonathan Hill: 04 498 0212

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[i] *Z’s financial results for the period ended 30 September 2016 have been revised to reflect the finalisation of the acquisition accounting judgements relating to Z Energy 2015 Limited that were recorded as provisional at 30 September 2016.*

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2018 Interim Results Presentation

For the six months ended 30 September 2017

9 November 2017

Mike Bennetts, Chief Executive

Chris Day, Chief Financial Officer

Disclaimer

Please read this page before the rest of the presentation

Please do not read this presentation in isolation

This presentation supplements our half year results announcement dated 9 November 2017. It should be read subject to and in conjunction with the additional information in that announcement and other material which we have released to NZX and ASX. This material is available on our website, www.z.co.nz. All references in $ are to New Zealand dollars unless otherwise stated

Forward looking statements are inherently fallible

This presentation contains forward-looking statements and projections. These reflect our current expectations, based on what we think are reasonable assumptions. But for any number of reasons the future could be different – potentially materially different. For example, assumptions may be wrong, risks may crystallise, unexpected things may happen. We give no warranty or representation as to our future financial performance or any future matter. Except as required by law or NZX or ASX listing rules, we are not obliged to update this presentation after its release – even if things change materially

Understand our non-GAAP information

Some of the financial information in this presentation has not been prepared in accordance with generally accepted accounting practice ("GAAP"). In particular, we show results calculated on the basis of "replacement cost accounting". It is very important that you understand how this non-GAAP information relates to our GAAP results. So please read the explanation in the appendices

There is no offer or investment advice in this presentation

This presentation is for information purposes only. It is not an offer of securities, or a proposal or invitation to make any such offer. It is not investment advice or a securities recommendation, and does not take into account any person's individual circumstances or objectives. Every investor should make an independent assessment of Z Energy on the basis of expert financial advice

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Headline financials

Z on track to deliver earnings guidance for FY18

Key financials[1]	1H FY18	1H FY17	Variance
Historical cost net profit after tax (HC NPAT)	$80m	$73m	10%
Replacement cost operating EBITDAF (RC Operating EBITDAF)	$221m	$186m[2]	19%
Operating cash flow	$185m	$131m	41%
Interim dividend declared	10.4 cents	9.4 cents	11%

- RC NPAT of $105m up from $58m PCP with growth driven by an extra two months of Caltex contribution and synergy delivery
- Operating cash flow of $185m up from $131m in PCP supporting debt reduction of $35m in 1H FY18
- Strong Refining margin offsetting the impact of competitor discounting and loyalty promotions on retail fuel margins

Note 1: HC NPAT has been calculated in accordance with NZ GAAP. RC NPAT and RC Operating EBITDAF have been calculated on the basis of "replacement cost accounting". In this presentation we show results calculated in accordance with NZ GAAP and results calculated on the basis of "replacement cost accounting". It is very important that you understand how the "replacement cost" results relates to our NZ GAAP results. Please read the explanation and consider the reconciliation information in the appendices.
Note 2: 1H FY17 RC Operating EBITDAF including transition expenses

Health, Safety, Security and Environment

Robbery prevention measures continue to be rolled out across the network

Operational Metrics	1H FY18	1H FY17
Total recordable case frequency (TRCF)	0.8	0.9
Motor vehicle incident frequency rate (MVIFR)	0	1.3
Lost time injuries (LTIs)	8	7
Lost work days (LWDs)	34	112
Number of spills (loss of containment)	0	0
Security incidents (Z robberies only)	21	15
Product quality incidents (high risk)	0	0
Process safety incidents (Tier 1 & 2)	0	0
Food safety incidents	0	0

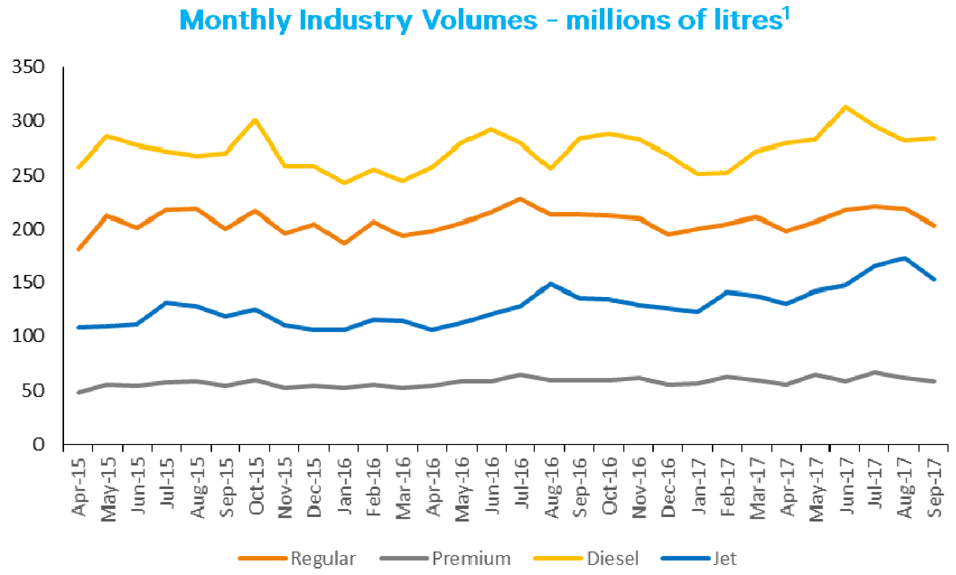
- Frequency and geographic spread of robberies has increased. Although Z share of industry robberies is lower than fuel market share
- Installation of security assets has prevented four robberies and prevented staff contact in 14. Execution of the network robberies response plan continues through broadening the geographic coverage
- Focus on road transport risk management has resulted in significant decrease in the average number of speed events per 100km recorded in Mini Tankers' operations – now 1, down from 6 in PCP
- Post LTI return to work focus has resulted in a significant decrease in LWDs

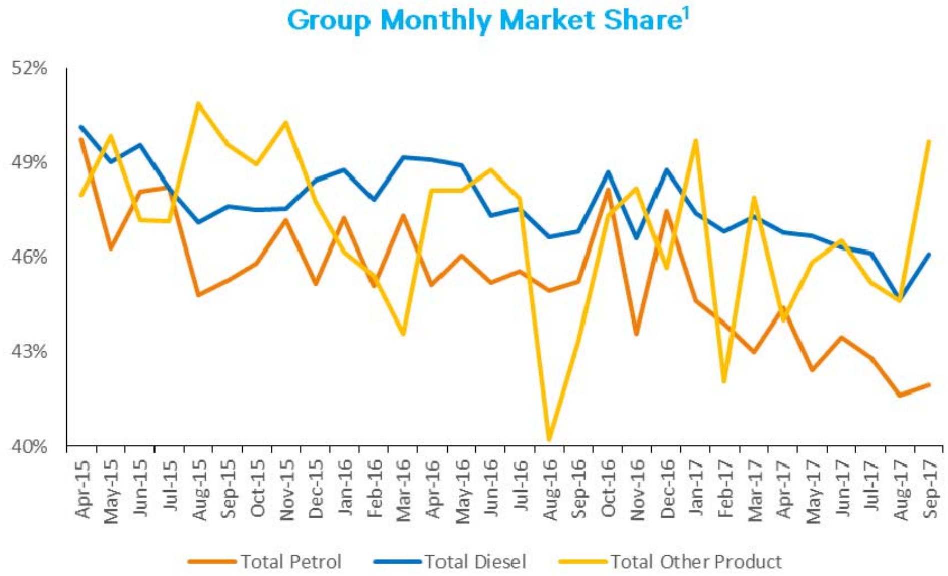
Note: All HSSE operational metrics are reported at a Z Group level from 1 June 2016, with the exception of robberies. Caltex robberies are not reported as Caltex's retail network is run by a group of independent dealers who, in almost all cases, own the assets and control the operational activities on the site.

Note 1: Mini Tanker Operations

Trading conditions

Unusually long periods of wet weather impacting industry volumes





- Industry Petrol volumes for 1HFY18[1] are down 3% on PCP
- Industry Diesel volumes for 1HFY18[1] are up 5% on PCP, evidence of strong GDP
- Industry Jet volumes for 1HFY18 are up 7% on PCP, driven by growth in Jet volumes at Auckland Airport

- Market remains sensitive to changes in industry loyalty offers with FlyBuys Pumped, dockets into AA Smartfuel, and Air NZ Airpoints in the market; changes still flowing through into customer behaviour
- Decrease in “other products” during 2Q FY18 due to share of industry fuel oil sales decreasing as a result of the Awanuia barge being dry docked for an extended annual maintenance period

Note 1: Source is Industry Exchange data at September 2017. This does not include ‘Supply – Industry and Export’ sales. From 1 July 2017, Gull (Mobil) is supplied from its parent company and is therefore excluded from industry data

RC Operating EBITDAF variances to 1H FY17

Caltex contribution and synergies drive RC EBITDAF growth

Refining

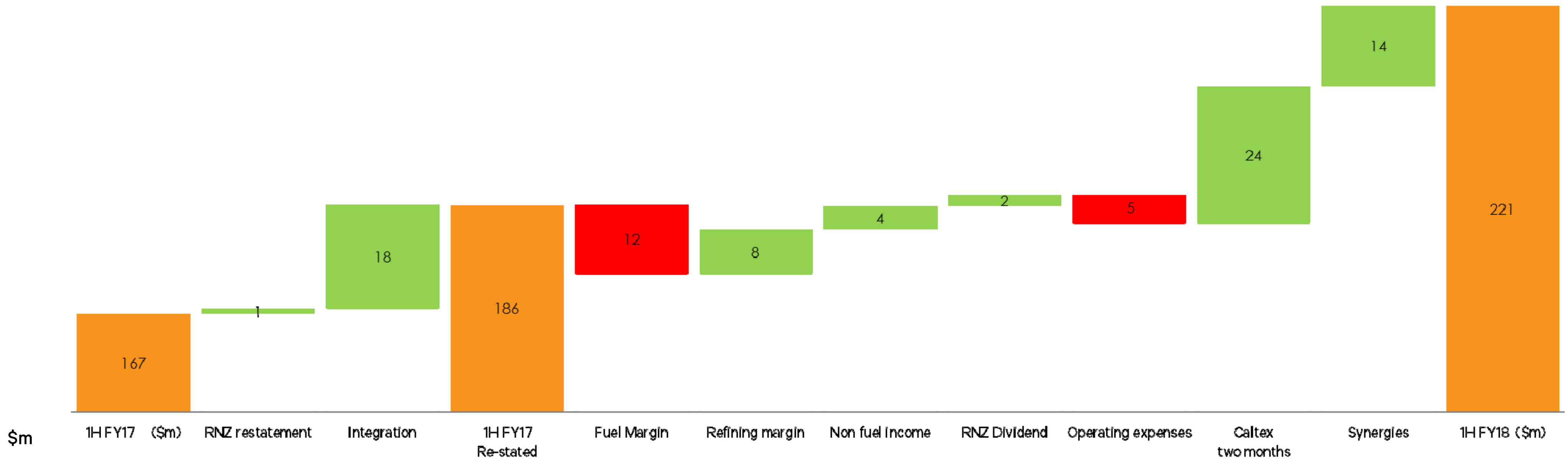
- Volume throughput up 25% (2.1m bbl) to PCP
- Per barrel margin up 22% to PCP
- Average NZD/USD exchange rate of 0.72 to PCP of 0.71

Fuels and non fuel

- Discounting and loyalty offers impacting fuel margins and volumes
- Non fuel margin growth at Z branded sites due to Tier 2 store upgrades and new product offerings

Operating expenses and one offs

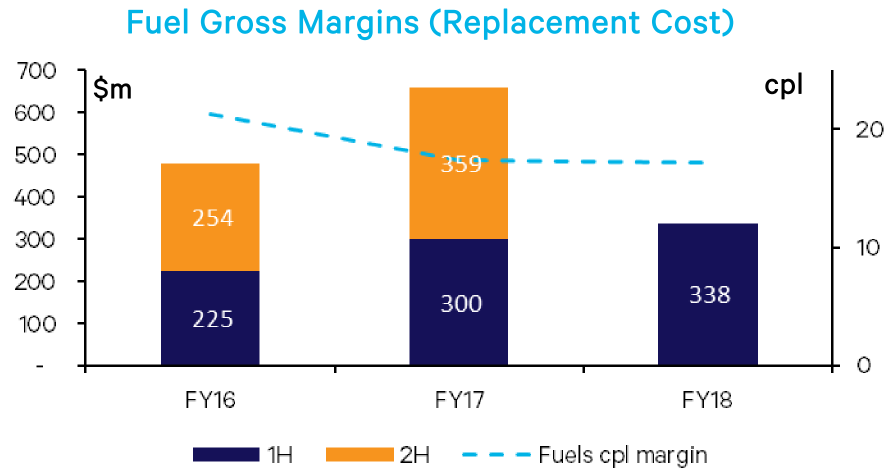
- Underlying opex has increased $5m as a result of refining NZ pipeline outage and after normalising for two additional months of Caltex expenses
- Focus on Synergies realisation continues post Caltex acquisition



Fuel contribution + 13% PCP

Z volume growth largely driven by industry diesel and jet volumes

Sales Volumes (ml)	1H FY18	1H FY17[1]	Var	1H FY17
Petrol	663	701	(5%)	592
Diesel	784	763	3%	640
Other	518	480	8%	424
Total marketing volume	**1,965**	**1,944**	**1%**	**1,656**
Supply sales and exports	133	95	40%	87
Total Volume	**2,098**	**2,039**	**3%**	**1,743**



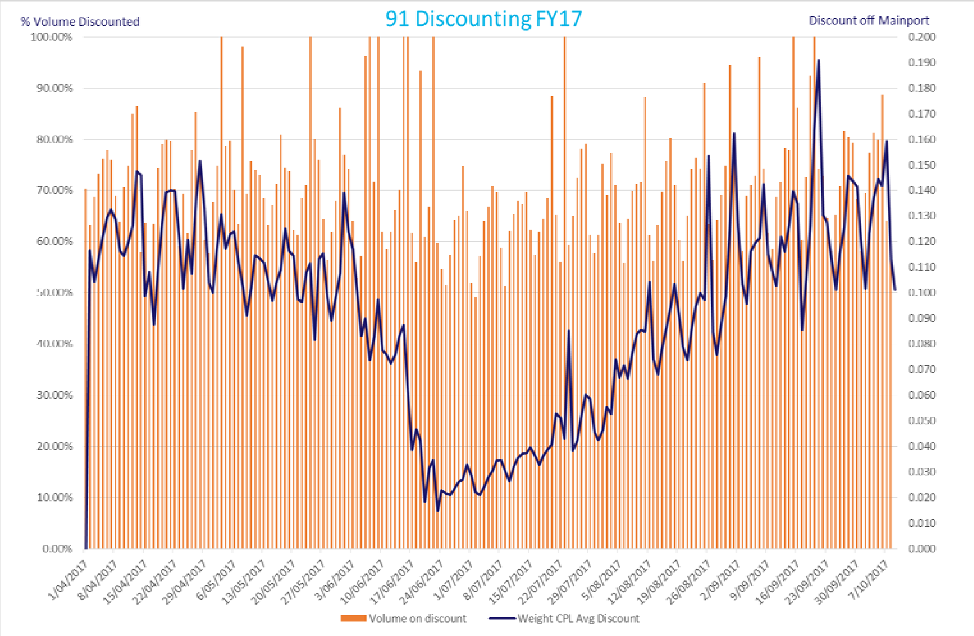
- Retail fuel margins pressured by increased cost of loyalty offers and increased discount days
- New FlyBuys Pumped and AirNZ Airpoints loyalty offers have retained volumes at Z sites, however insufficient to offset docket loss and shortfall not recovered through Caltex and AA Smartfuel

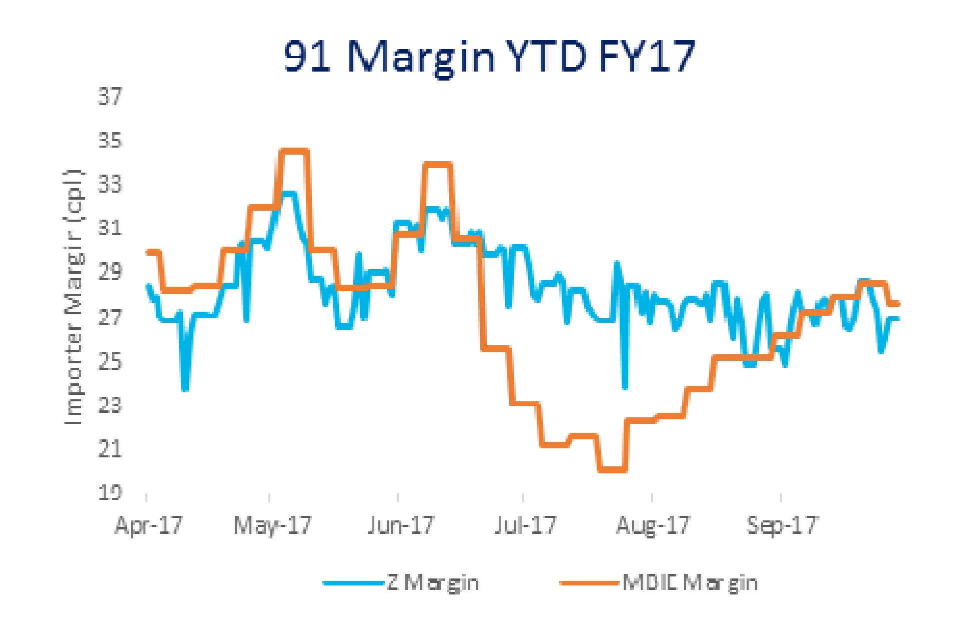
- Fuel unit margin of 17.3cpl down on PCP 18.2cpl
- Other volume includes marine (56ml), bitumen (52ml), jet (403ml), and lubricants (3ml)
- Supply sales and exports up 38ml compared to PCP due to Awanuia out of commission resulting in an increase in fuel oil exports

Note 1: Figures have been adjusted to add 2 months of Caltex volumes to provide a like-for-like comparison

Retail discounting continues

Retail market remains highly competitive





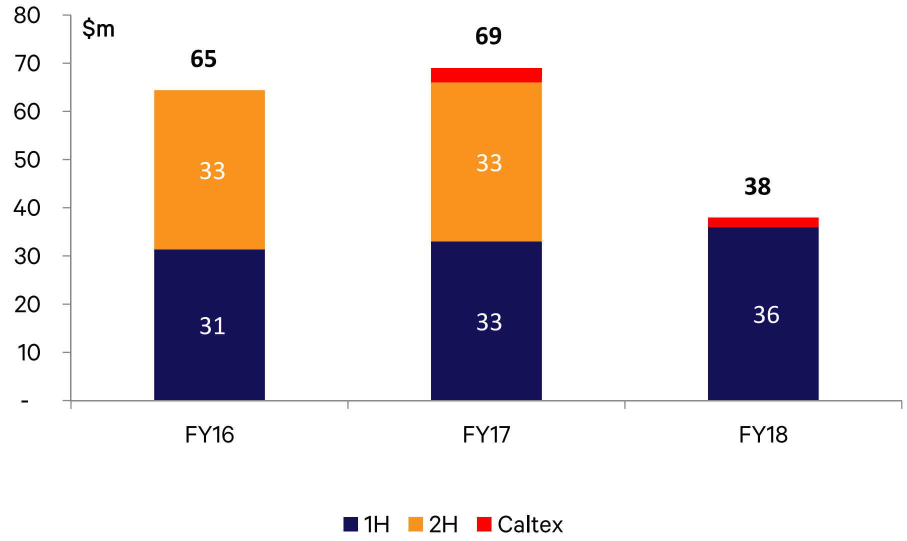
- Increased weighted average cpl discount driven by tactical pricing decisions in aggressive discounting areas
- Z branded sites continue with tactical pricing, including store promotions, discount days and expanded Z App offers
- Caltex sites maintain price board competitiveness with an increase in site specific AA Smartfuel promotions
- Increase in promotional activity, with all major brands now offering an additional cpl discount day each week

Z brand non fuel revenue +9% to PCP

C-store revenue continues to grow on the back of store upgrades and new offers

Operational Metrics	Tier 1	Tier 2	Tier 3
Number of stores[1]	91	67	46
1H FY17	*92*	*62*	*57*
Average weekly shop sales	$45k	$29k	$17k
Sales growth	4%	4%	0%
Total transaction count YoY	0%	0%	(1%)
Store transaction count YoY	1%	1%	(6%)

Non Fuel Gross Revenue



- Shop sales include full half year earnings from new product launches during FY17 (ChillZone and Lotto)
- Successful Pie Capital promotion held in 1Q FY18 driving 28% increase in pie sales during the promotion period
- New sandwich selection rolled out in 1H FY18 has seen a 8% growth in sandwich sales.

- Coffee sales +7% to PCP
- Food +19% to PCP
- Leisure +11% to PCP

Note: The number of stores shown excludes independents

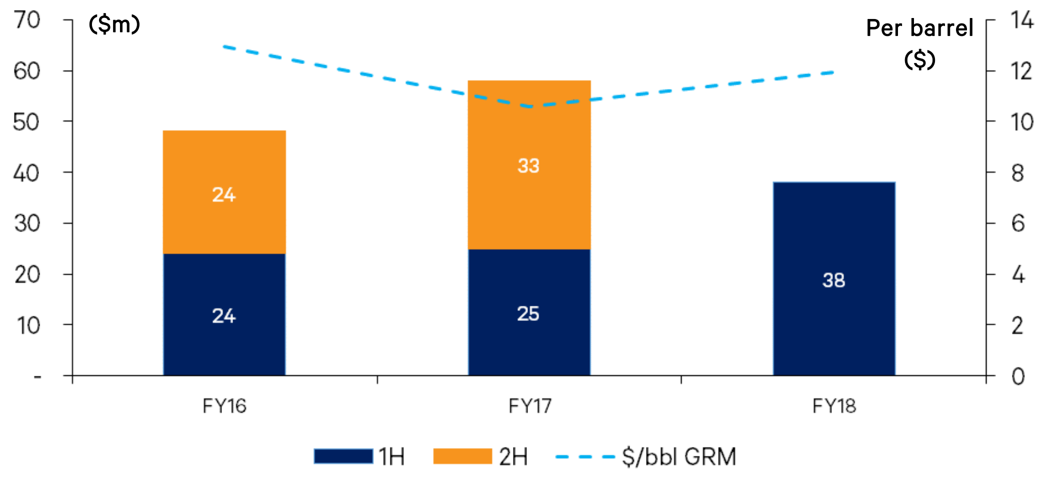
Refining margins +52% to PCP

Growth driven by increased processing volumes and strong regional GRM

Regional markets and Refining NZ

- Gross refining margin growth reflects synergies arising from optimisation projects and volume uplift due to full impact of Caltex acquisition compared to PCP
- Favourable international refining margins supported by refinery shutdowns in North America due to weather events

Gross Refining Margin



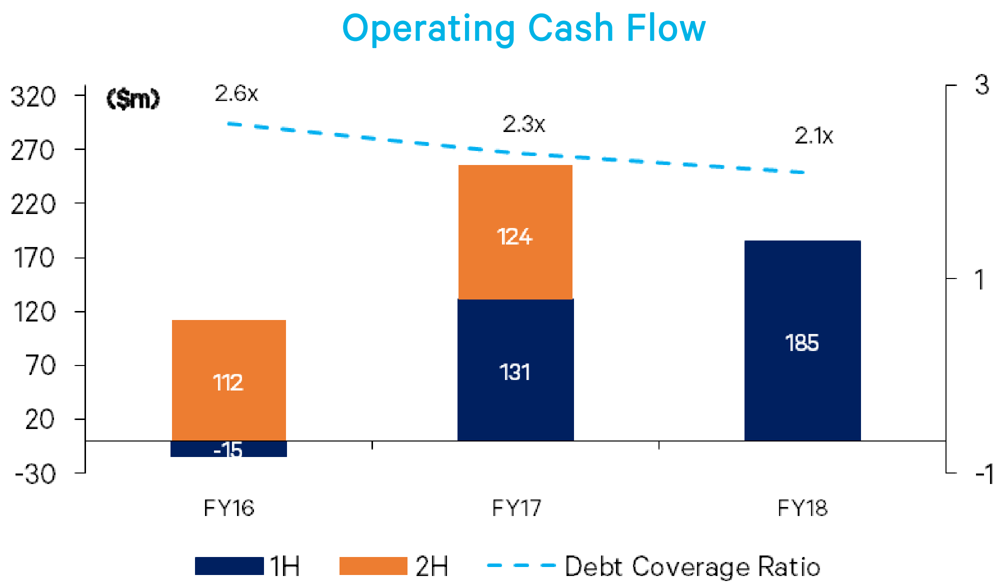
Z Performance

- Processing volumes increased to 10.6m barrels from 8.5m barrels PCP as a result of the additional two month Caltex contribution
- Refining margin makes up 9% of total gross margin, up from 7% in PCP
- Average gross refining margins up $2.15 per barrel compared to the PCP

Cash and capital

Deleveraging creates capital flexibility and enables increasing distributions

Metrics	Sep 17	Mar 17	Sep 16
Gearing – book value (debt to equity)	57%	58%	65%
Gearing – market capitalisation	25%	26%	24%
Net Debt	$960m	$986m	$1,086m
Debt coverage (Net debt/12 months RC operating EBITDAF)	2.1x	2.3x	2.6x



- Net debt of $960m, made up of $505m domestic retail bonds and $455m bank debt
- $35m of debt repaid in the period
- Successful USD $270m USPP bond issue generating optionality, diversification and extended tenor
- On track to deleverage debt to 2.0x RC Operating EBITDAF by the end of FY18

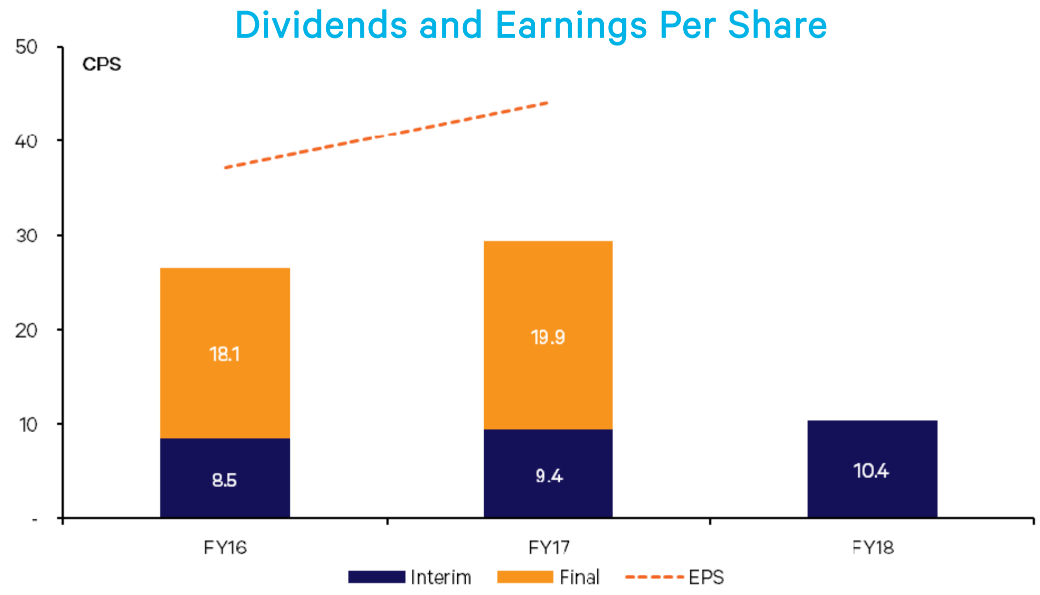
Note: In calculating gearing ratios in previous periods, acquisition deposit of $79m has been treated as cash. Debt coverage ratio is based on balance sheet debt calculation.

Earnings and distributions

11% increase in interim dividend on DPS and increasing yield from FY19

- Directors have declared a fully imputed interim dividend of 10.4 cents per share
  - Record date: 8 November 2017
  - Payment date: 12 December 2017

- New distribution policy[1] to deliver significantly higher DPS with intention for this to be consistent and sustainable over time
  - Target net debt / EBITDAF ratio of 1.4x – 1.6x by FY21
  - Debt repayments of $30 - $40m per annum from FY19
  - Guidance on dividends will be provided at the beginning of each financial year
  - Pay-out ratio provides flexibility for differing circumstances



Note 1: New distribution policy to return 80 – 100% of underlying free cash flow to shareholders takes effect from FY19 (starting with the interim dividend paid in December 2018). Free cash flow is defined as net cash inflow from operating activities less maintenance capex and principal debt repayments and adjusted for short term working capital fluctuations

Acquisition synergies

$18m of synergies realised in 1H FY18, +$14m to PCP

- Continued focus on benefit delivery in 2H FY18, particularly within the supply chain and refinery optimisation
- FY18 upper guidance reduced, key change being a smaller logistics synergy benefit over the short term due to increased bridging activity related to reduced pipeline capacity post RAP outage

Value creation	Description	1H FY18	FY18 Guidance
Supply chain Benefitting from scale	• RNZ optimisation • Crude and product procurement • Freight and secondary distribution	$9m	$21-22m
People Integrating teams	• Duplication of roles • Simplification of task and process	$2m	$5m
Corporate	• Offshore charges • Offset by Z incremental costs • Non-oil procurement	$6m	$12m
Fuels marketing Retail and commercial channels	• Simplicity of task or process • Improved pricing controls	$1m	$2-3m
	TOTAL	$18m	$40-42m

In summary

On track to deliver guidance focussing on synergy and Strategy 3.0 execution

Summarising 1H FY18

- Softer retail margins offset by synergy delivery and strong performance across C-store, Commercial and Supply
- ERP upgrade delivered as planned on 1 November 2017
- Commissioning of BioDiesel plant completing to revised schedule
- Successfully completed first USPP of ~NZD378m on 1 November 2017
- Total debt reduced by $35m to $960m taking leverage to 2.1x earnings
- Interim dividend +11% to PCP from strong operating cash flow

Looking forward to 2H FY18

- On track to deliver $40-42m of synergy, $9-11m of Strategy 3.0 benefit; guidance unchanged at $445 – 475m of RC earnings
- Debt repayment of ~$40m will reduce leverage to 2.0x earnings
- Capex of ~$119m (incl. $16m Terminal & $12m Retail integrity) offset by $26m of divestments as part of capital recycling programme
- Operational risks from RAP outage to be managed in 3Q
- First innovation project, Fastlane, will be trialled across 10 sites
- Critical focus remains on productivity, synergy and strategy execution

Appendices

1. Financial results
2. Profit and loss
3. Operating expenses
4. Items below RC Operating EBITDAF
5. Balance sheet
6. Working capital

Financial results

Basis of presentation

- 1H FY17 comparative financial information includes four months of Caltex contribution, except where explicitly stated adjustments have been made
- The Management Discussion and Analysis material prepared previously has been replaced by additional material in the appendices of this presentation
- Z no longer accounts for The New Zealand Refining Company Limited (Refining NZ) as an investment in associate

Non-GAAP Accounting Measure - Replacement Cost (RC) earnings:

- Is a non-GAAP measure used by the downstream fuel industry to measure and report business performance
- RC earnings adjusts purchases of crude and product as if the product sold in a month had been purchased in that month, rather than the Historical Cost (HC) which reflects the prices actually paid
- RC earnings exclude the impact of changes in crude oil and refined product prices on the value of inventory held by Z, thus it is a better measure of underlying performance
- The difference between HC earnings and RC earnings is the Cost of Sales Adjustment (COSA) and the foreign exchange and commodity gains and losses. Refer to the reconciliation between HC NPAT and RC NPAT in these appendices

Profit and loss

$m	1H FY18	1H FY17	Variance
Revenue	2,086	1,662	26%
- Fuel margin	338	300	13%
- Non Fuel margin	38	34	12%
- Refining margin	38	25	52%
RC gross margin	**414**	**359**	15%
Operating expenses	(193)	(192)	(1)%
RC Operating EBITDAF	**221**	**167**	32%
Share of earnings in associates	-	1	<>
RC EBITDAF	**221**	**168**	32%
Depreciation and amortisation	(47)	(40)	(18%)
Net financing expense	(27)	(26)	(4%)
Other	(2)	(9)	78%
Taxation	(40)	(35)	(14%)
RC NPAT	**105**	**58**	81%
Reconciliation from RC NPAT to statutory NPAT			
Tax on COSA	9	(2)	<>
COSA (difference between RC and HC Gross Margin and EBITDAF)	(34)	9	<>
Foreign exchange and commodity gains	-	8	<>
Net profit per the statutory financial statements	**80**	**73**	10%
HC gross margin	**380**	**368**	3%
HC operating EBITDAF	**187**	**185**	1%

Operating expenses

$m	1H FY18	1H FY17	Variance
Employee benefits	38	28	(36%)
Secondary distribution	33	30	(10%)
Selling commissions	30	30	<>
On-site	29	27	(7%)
Administration and other	29	25	(16%)
Marketing	10	12	17%
Professional fees	10	10	<>
Storage and handling	11	9	(22%)
Insurance	3	3	<>
Transition expenses	-	18	<>
Total operating expenses (excluding FX on commodity fuel purchases)	**193**	**192**	**(1%)**
FX on commodity (gains) on fuel purchases	-	(8)	<>
Total operating expenses	**193**	**184**	**(5%)**

- 1H FY17 includes four months of Caltex operating expenses, 1HFY18 includes six months
- Employee benefits have increased $10m compared to PCP as a result of additional two months of Caltex people costs and investment in capability – innovation, customer experience, loyalty and data
- Administration and other costs have increased $4m compared to PCP due to Z's sustainability commitments, one off NZOSL exit costs and stand alone IT costs to support the Caltex business

Items below RC Operating EBITDAF

$m	1H FY18	1H FY17	Variance
Taxation (incl. tax impact of COSA)	40	35	(14%)
Depreciation	30	27	(11%)
Net financing expenses	27	26	(4%)
Amortisation	17	13	(31%)
Fair value movements on interest rate derivatives	4	9	56%
Movements in decommissioning and restoration provision	1	-	<>
Gain on sale of fixed assets	(3)	-	<>
Total items below RC Operating EBITDAF	**116**	**110**	**(5%)**

- Increase in amortisation compared to PCP is due to an additional two months of amortisation associated with the intangibles assets acquired as part of Caltex acquisition
- Gain on sale of fixed assets relate to the sale of Harbour City land consistent with limiting Z's hydrocarbon capital employed and releasing value from where higher value uses of asset can be generated
- Fair value movements on interest rate swaps (net pay fixed/receive floating) representative of a fall in the swap curve resulting in an unrealised marked-to-market loss

Balance sheet

$m	1H FY18	1H FY17	Variance
Shareholders' equity	708	562	26%
Total current assets	724	708	2%
Total non current assets	1,688	1,726	(2%)
Total assets	2,412	2,434	(1%)
Total current liabilities	657	807	19%
Total non current liabilities	1,047	1,065	2%
Total liabilities	1,704	1,872	9%
Net assets	708	562	26%

- Net asset movement explained by:
  - Current assets have increased $16m on PCP due to higher receivables balance driven by increasing commodity prices, offset by two available for sale retail assets divested
  - Decrease in total current liabilities of $150m compared to PCP driven by repayment of short term debt

Working capital

	1H FY18	1H FY17	Variance
Accounts receivable and prepayments	$262m	$234m	12%
Average receivable days	22 days	21 days	1 day
Closing Inventory balance	$411m	$431m	(5%)
Closing barrels on hand	4.9m	5.5m	(0.6m)
Average inventory days	48 days	49 days	(1) day
Accounts payables, accruals and other liabilities	$420m	$425m	1%

- Accounts receivable and prepayments up $28m compared to 30 September 2016 due to increasing commodity prices, while average receivable days are up 1 day
- Closing inventory balance of $411m down $20m compared to 30 September 2016. This is due to a decrease in inventory on hand and offset by higher crude and product prices
- Inventory on hand at 30 September 2017 of 4.9m barrels, compared to 5.5m barrels at 30 September 2016. The decrease in inventory on hand is due to timing of Z's crude and product purchases and reduced production as a result of the RAP outage

Solving what matters for a moving world

Half-Year Report

For the 6 months ended 30 September 2017

We have a competitively advantaged core business, committed and engaged people, and we continue to build our capability to win under changing and mostly unpredictable circumstances.

Find what you are looking for

Our performance snapshot

$80m Historical cost net profit after tax (net profit)	**156** Truck stops in the Z network
$105m Replacement cost net profit after tax	**98%** Health, safety, security, and environment actions close-out rate
$221m Replacement cost operating EBITDAF profit	**21** Robberies at Z-branded retail sites
10.4 cents Interim dividend per share	**0.8** Total recordable case frequency[1]
1,965 million litres Total fuel volume (retail and commercial)	**345** Retail service stations across our network
27.6m Transactions at Z-branded retail stores	**0** Spills (loss of containment to ground or water)
8 Electric vehicle charging stations in the Z network	**2.1x** Debt coverage (net debt /12 months RC operating EBITDAF)

1 Recordable safety incidents for every 200,000 hours worked. This includes medical treatment cases, restricted work cases, lost time injuries, and fatalities (of which there were none).

Management review

Strategy focused on productivity, preparing for the future

Tēnā koutou katoa o te whānau a Z Energy.

The first 6 months of Z's 2018 financial year have been dynamic to say the least. We've managed a significant jet fuel shortage in the middle of an election campaign, worked through an initial review of the fuel industry with government, set and communicated Z's strategy for the next three years, and landed a new dividend policy for next year and beyond.

We've also developed our longer-term strategic thinking around what a disruptive future might hold for our industry and, in the midst of all this, we've continued to deliver strong financial performance and value to our customers and shareholders.

Michael Bennetts
Chief Executive

Chris Day
Chief Financial Officer

Result and dividend

On a historical cost basis, Z's net profit after tax for the 6 months to 30 September 2017 was $80 million, up from $73 million (restated[1]) for the comparable period last year. It's important to note that this half year contains a full contribution from the Caltex heritage business whereas the prior corresponding period was only a 4 month contribution.

Z reported Replacement Cost Operating EBITDAF of $221 million, up from $186 million ($167 million including one-off transition expenses) in the previous corresponding period.

Continuing strong competition in the New Zealand fuels market has provided further support for the underlying investment rationale for the acquisition of Chevron New Zealand (CNZ). While the industry is continuing to experience year-on-year volume growth, the strategy and synergy choices created through the acquisition have begun to deliver unique sources of value for Z. Acquisition and transition activities relating to CNZ were completed by 31 March 2017 – as a consequence there were no further transition expenses in this half.

The Z Board has determined that Z will pay an interim dividend of 10.4 cents per share, up from 9.4 cents (or 11 percent) per share for the prior half year. The interim dividend will be paid on 12 December 2017.

"Z has delivered on two key milestones in its journey to leverage technology and simplify operations."

We're pleased with Z's financial performance over this half year – particularly in how it has been generated from across the integrated business. The Retail contribution has been softer as retail fuel margins reduced from what we believe was the top of the cycle, and competition for volume remains vigorous across all parts of the country. In contrast, Commercial has grown its volumes and margins, while Supply and Distribution has grown through some smart decisions arising from our increased economies of scale post the Caltex deal.

The resilience of our operational performance reflects our strategic intent to have a diverse geographic and customer spread within our portfolio and the leverage we get from an increased economy of scale.

Guidance

The half-year result means we remain on track for our earnings guidance of $445–475m for the full year. As we look at the second half of the year, we expect our usual seasonal uplift, although there are some risks that the company will be managing.

These include managing the impact of September's outage of the Refinery to Auckland Pipeline and its effects. In particular, the speed at which the pipeline moves from 80 percent of capacity back to 100 percent will have implications for Z. At 80 percent of pipeline capacity, more diesel will be trucked longer distances, at higher cost and operational risk.

That said, Z has managed the costs associated with the pipeline outage in the first half of the year and remains committed to current guidance.

1 Z's financial results for the period ended 30 September 2016 have been revised to reflect the finalisation of the acquisition accounting judgements relating to Z Energy 2015 Limited that were recorded as provisional at 30 September 2016.

Strategy: a more productive core business and options post 2020

On 28 September, Z held an institutional investor day in which the company provided an update of its strategic thinking. All of the detail can be found at z.co.nz/investor-centre.

For what we call Strategy 3.0, our focus through to the end of this decade is on a more productive core business – delivering more with less – by shifting from being asset-led to capability-led. We confirmed we will deliver $40–45m of synergy by the end of this financial year and committed to deliver $35–40m of additional earnings from strategy over the following three years. Almost all of these earnings will come from our Commercial and Supply and Distribution business units and will result in Retail fuels only being about 40 percent of our total earnings.

For our Retail and Commercial businesses, we will deliver distinctive customer experiences using innovation to deliver unique offers, and de-risk investment through experimentation. For the supply chain we will drive change to ensure we are rewarded for our scale.

Our strategy work for the period post-2020 is what we call WIN – what is next. Through this we have identified three market spaces where we can legitimately extend our existing brand and/or capabilities to sensibly diversify our earnings away from fossil fuels. In the next six to 12 months we will deepen our understanding of these three market spaces and begin to develop options that we could eventually develop into projects and investments.

Capital management

Following the debt and cash funding of the Caltex acquisition, leverage increased to 2.6× RC Operating EBITDAF at 30 September 2016. A combination of earnings growth and debt repayment ($35m was repaid in this half) has reduced leverage to 2.1× at 30 September 2017 and is on track to reduce to 2.0× by the end of FY18 – a year ahead of the original schedule.

We've consulted with our shareholders on the future shape of Z's distribution policy and the ideal gearing for the company. As a result, once Z meets its targeted 2.0× net debt to earnings ratio, it will then slow its debt repayment programme to pay down further debt to reach 1.5× replacement cost earnings by the end of the 2021 financial year.

This reduction in gearing provides Z with a flexible and strong balance sheet and further de-risks Z from potential adverse impacts from any technology disruption.

The accelerated deleveraging over the past two years has enabled Z to introduce a new dividend policy that will apply from FY19. Z is moving away from a policy of a 10 percent annual increase in dividend per share to paying out 80–100 percent of underlying free cash flows, less principal debt repayments and maintenance capex, as dividends. It is expected that this will see a material increase in dividends per share while also continuing to deleverage at about half the rate achieved since the Caltex acquisition.

The change in dividend policy is consistent with Z transitioning to a more rigorous approach to capital allocation. Z's capital allocation choices will include a focus on releasing capital from less productive assets to fund planned growth capex. Where divestments exceed planned growth capex, choices will be made to repay additional debt, fund new growth opportunities, or increase dividends.

The rationale for this policy is simply 'better with you than us' as we do not want to have some form of 'war chest' just in case we need it. This policy rewards investors for their support and will see Z as one of the leading yield stocks across the NZX, without the complexity and unpredictability of share buy backs or special dividends.

Since 30 September 2017, Z has successfully completed its inaugural United States Private Placement (USPP) through the issue of USD270m in three equal tranches to refinance existing bank debt. Settlement will occur in January 2018. The issue was at an average tenor of 10 years with the funding cost competitive to New Zealand domestic issuance. The USPP further diversifies Z's funding sources, significantly extends the average duration of Z's debt, and provides options for future financing decisions.

MBIE process

Z has not yet discussed the MBIE Fuel Market Financial Performance Study with the new Minister for Energy and Resources, but expects to do so shortly. Z remains confident it can demonstrate that the New Zealand downstream fuels industry is highly competitive with low barriers to entry, and that returns are fair and reasonable.

In October, Z submitted to MBIE on the operation of the industry 'borrow and loan' fuel supply arrangements that underpin the operation of the fuel supply chain and the possibility of a liquid wholesale fuel market.

Given Z's scale and asset base, and our continued concern around the way the industry currently remunerates fixed infrastructure assets, neither of these areas causes Z significant concern. However, given New Zealand's fuel supply has become more and more efficient over the last 30 years, any changes would need to be carefully considered to avoid unintended negative consequences.

Refinery to Auckland Pipeline failure

We can also expect public and political interest in this industry to continue, particularly off the back of the Refinery to Auckland Pipeline failure in September. We reckon this is a good thing. Z has consistently raised the heavy reliance New Zealand places on the pipeline to Auckland and the potential for significant disruption should operation of this pipeline be compromised. Z will be a part of the conversations about what a more resilient fuel supply to Auckland might look like and how any changes could be funded.

The industry, with support from government, did a very good job of managing supply to Auckland following the pipeline outage. But the issue does highlight the fact that nearly 40 percent of New Zealand's total transport fuels travel 170 kilometres down a 25-centimetre diameter pipe to Auckland.

Technology platforms

In FY17 we referred to Z undertaking a significant investment in key technology platforms to improve their integrity and make them fit for purpose in realising Z's strategy over the medium term.

We're pleased to share that Z has delivered on two key milestones in its journey to leverage technology and simplify operations. The re-instancing and broadening of Z's Enterprise Resource Planning (ERP) system went live on 1 November, on time and on budget.

Z has also rolled out a replacement point of sale (POS) system at all Z-branded service stations and consideration is being given to doing the same for the Caltex network next year. Z is also now well advanced in delivering a multi-year project to upgrade Z's fuel card systems across both the Z and Caltex legacy systems.

The delivery of these projects creates opportunities for new ways of working within Z, such as enabling Z to continue to be innovative with customer offerings.

An integrated company with a view to the future

Z has now been an integrated company with our Caltex-heritage colleagues for well over a year. We have a clear strategy to ensure a more productive core business and to realise significantly more value through changing the way we operate within the industry.

Through WIN, our longer-term strategic options are being rigorously evaluated. Recently we have taken another small step towards cleaner, more sustainable future transport technologies. We have invested $250,000 in an equity stake in the electric vehicle car sharing service, Mevo (mevo.co.nz). Mevo provides app-based, on-demand access to electric vehicles in Wellington and is looking at other markets to expand their offer to.

A certain company in an uncertain world

Regardless of the industry, the world is increasingly uncertain and disruption challenges are everywhere. At Z, we believe we have a vital role to play not only in supporting New Zealand's economic, social and environmental sustainability but also for providing the leadership and confidence to evolve and prosper in changing times.

We have a competitively advantaged core business, committed and engaged people, and we continue to build our capability to win under changing and mostly unpredictable circumstances.

The half year sees your company well positioned and increasingly profitable for the near term while developing strategic options and choices for the longer term.

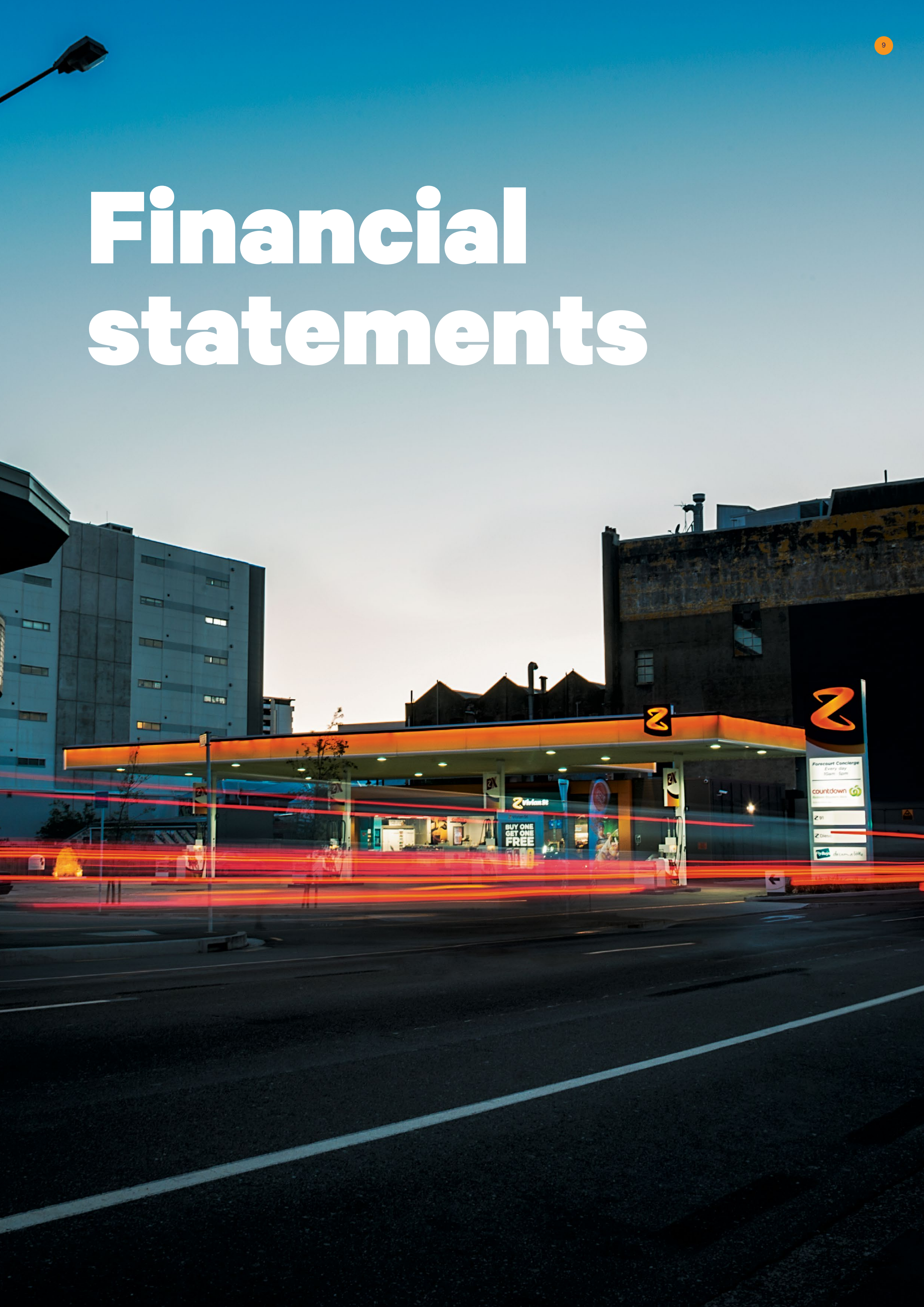
Thanks for your ongoing support of Z – it is never taken for granted.

Nō reira, tēnā koutou katoa.

Mike Bennetts
Chief Executive

Chris Day
Chief Financial Officer

Financial statements



Statement of comprehensive income

for the 6 months ended 30 September 2017

	Unaudited 6 months ended 30 September 2017 $m	Restated Unaudited 6 months ended 30 September 2016 $m	Audited 12 months ended 31 March 2017 $m
Revenue	**2,086**	1,662	3,864
Purchases of crude and product	**(1,193)**	(848)	(2,010)
Excise and carbon expense	**(492)**	(426)	(941)
Primary distribution expenses	**(21)**	(20)	(41)
Operating expenses	**(193)**	(184)	(390)
Share of earnings of associate companies (net of tax)	**–**	1	6
Earnings before interest, taxation, depreciation (including gains and (losses) on sale of fixed assets), amortisation, impairment, fair value movements in interest rate derivatives and movements in decommissioning and restoration provision (EBITDAF)	**187**	**185**	**488**
Depreciation and amortisation	**(47)**	(40)	(89)
Net financing expense	**(27)**	(26)	(56)
Fair value movements in interest rate derivatives	**(4)**	(9)	3
Impairment	**–**	–	(5)
Gain / (loss) on sale of PPE	**3**	–	(1)
Movements in decommissioning and restoration provision	**(1)**	–	2
Net profit before taxation	**111**	**110**	**342**
Taxation expense	**(31)**	(37)	(99)
Net profit for the period	**80**	**73**	**243**
Net profit attributable to owners of the company	**80**	**73**	**243**
Revaluation of land and buildings (net of tax)	**–**	–	5
Share of associate other comprehensive (loss) after tax	**–**	(3)	(1)
Revaluation of investments	**8**	–	–
Other comprehensive income / (loss) net of tax	**8**	**(3)**	**4**
Total comprehensive income for the period	**88**	**70**	**247**
Total comprehensive income attributable to owners of the company	**88**	**70**	**247**
Basic and diluted earnings per share (cents)	**22**	18	62

The accompanying notes form part of these financial statements.

Statement of changes in equity

for the 6 months ended 30 September 2017

	Capital $m	Restated Retained earnings $m	Investment revaluation $m	Employee share reserve $m	Asset revaluation reserve $m	Total equity $m
Balance at 1 April 2017	**430**	**40**	**–**	**(3)**	**235**	**702**
Net profit for the period	**–**	**80**	**–**	**–**	**–**	**80**
Other comprehensive income	**–**	**–**	**8**	**–**	**–**	**8**
Disposal of revalued assets	**–**	**3**	**–**	**–**	**(3)**	**–**
Total comprehensive income for the period	**–**	**83**	**8**	**–**	**(3)**	**88**
Transactions with owners recorded directly in equity:						
Own shares acquired	**–**	**–**	**–**	**(2)**	**–**	**(2)**
Dividends to equity holders	**–**	**(80)**	**–**	**–**	**–**	**(80)**
Supplementary dividends to equity holders	**–**	**(8)**	**–**	**–**	**–**	**(8)**
Tax credit on supplementary dividends	**–**	**8**	**–**	**–**	**–**	**8**
Total transactions with owners recorded directly in equity	**–**	**(80)**	**–**	**(2)**	**–**	**(82)**
Unaudited closing balance at 30 September 2017	**430**	**43**	**8**	**(5)**	**232**	**708**
Balance at 1 April 2016	431	(94)	–	(3)	232	566
Net profit for the period	–	73	–	–	–	73
Other comprehensive income	–	(3)	–	–	–	(3)
Total comprehensive income for the period	**–**	**70**	**–**	**–**	**–**	**70**
Transactions with owners recorded directly in equity:						
Own shares acquired	–	–	–	(2)	–	(2)
Dividends to equity holders	–	(72)	–	–	–	(72)
Supplementary dividends to equity holders	–	(7)	–	–	–	(7)
Tax credit on supplementary dividends	–	7	–	–	–	7
Total transactions with owners recorded directly in equity	**–**	**(72)**	**–**	**(2)**	**–**	**(74)**
Unaudited closing balance at 30 September 2016	**431**	**(96)**	**–**	**(5)**	**232**	**562**

The accompanying notes form part of these financial statements.

Statement of changes in equity (continued)

for the 6 months ended 30 September 2017

	Capital $m	Restated Retained earnings $m	Investment revaluation $m	Employee share reserve $m	Asset revaluation reserve $m	Total equity $m
Balance at 1 April 2016	431	(94)	–	(3)	232	566
Net profit for the year	–	243	–	–	–	243
Other comprehensive income	–	(1)	–	–	5	4
Disposal of revalued assets	–	2	–	–	(2)	–
Total comprehensive income for the year	**–**	**244**	**–**	**–**	**3**	**247**
Transactions with owners recorded directly in equity:						
Own shares acquired	–	–	–	(1)	–	(1)
Share-based payment	(1)	–	–	1	–	–
Dividends to equity holders	–	(110)	–	–	–	(110)
Supplementary dividends to equity holders	–	(11)	–	–	–	(11)
Tax credit on supplementary dividends	–	11	–	–	–	11
Total transactions with owners recorded directly in equity	**(1)**	**(110)**	**–**	**–**	**–**	**(111)**
Audited closing balance at 31 March 2017	**430**	**40**	**–**	**(3)**	**235**	**702**

The accompanying notes form part of these financial statements.

Statement of financial position

as at 30 September 2017

	Notes	Unaudited 30 September 2017 $m	Restated Unaudited 30 September 2016 $m	Audited 31 March 2017 $m
Shareholders' equity		**708**	**562**	**702**
Represented by:				
Current assets				
Cash and cash equivalents		**31**	29	9
Accounts receivable and prepayments		**262**	234	278
Inventories	4	**411**	431	464
Derivative financial instruments		**12**	6	4
Assets held for sale		**8**	3	–
Other current assets		**–**	5	–
Total current assets		**724**	**708**	**755**
Non current assets				
Property, plant and equipment	5,2	**893**	921	900
Goodwill	2	**158**	158	158
Intangible assets		**505**	520	535
Investments	6	**125**	113	116
Derivative financial instruments		**3**	10	5
Other non-current assets		**4**	4	4
Total non-current assets		**1,688**	**1,726**	**1,718**
Total assets		**2,412**	**2,434**	**2,473**
Current liabilities				
Accounts payable, accruals and other liabilities	3	**420**	425	426
Income tax payable		**11**	–	24
Provisions		**23**	22	23
Short-term loan	8	**40**	204	51
Bonds		**150**	147	–
Derivative financial instruments		**13**	9	10
Total current liabilities		**657**	**807**	**534**
Non-current liabilities				
Other liabilities		**15**	18	14
Provisions		**47**	52	50
Derivative financial instruments		**15**	28	12
Deferred tax		**163**	169	170
Bonds		**352**	283	501
Long term loan	8	**455**	515	490
Total non-current liabilities		**1,047**	**1,065**	**1,237**
Total liabilities		**1,704**	**1,872**	**1,771**
Net assets		**708**	**562**	**702**

Approved on behalf of the Board on 8 November 2017

Peter Ward Griffiths
Chair

Andrew Mark Cross
Chair, Audit and Risk Committee

The accompanying notes form part of these financial statements.

Statement of cash flows

for the 6 months ended 30 September 2017

	Notes	Unaudited 6 months ended 30 September 2017 $m	Unaudited 6 months ended 30 September 2016 $m	Audited 12 months ended 31 March 2017 $m
Cash flows from operating activities				
Receipts from customers		**2,156**	1,762	3,911
Dividends received		**3**	1	4
Interest received		**2**	13	23
Payments to suppliers and employees		**(1,383)**	(1,180)	(2,622)
Excise and carbon paid		**(527)**	(420)	(940)
Interest paid		**(24)**	(32)	(71)
Taxation paid		**(42)**	(13)	(50)
Net cash inflow from operating activities		**185**	**131**	**255**
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		**15**	–	23
Net proceeds from divestments		**–**	–	18
Purchase of intangible assets		**(1)**	(1)	(5)
Purchase of investment	2	**(1)**	(778)	(778)
Purchase of property, plant and equipment		**(40)**	(37)	(70)
Net cash (outflow) from investing activities		**(27)**	**(816)**	**(812)**
Cash flows from financing activities				
Net (repayment) / proceeds from bank loan		**(46)**	719	541
Issue of bonds		**–**	–	220
Purchase of shares	7	**(2)**	(2)	(3)
Dividends paid to owners of the company	7	**(88)**	(79)	(121)
Repayment of bonds		**–**	–	(147)
Net cash (outflow) / inflow from financing activities		**(136)**	**638**	**490**
Net increase / (decrease) in cash		**22**	(47)	(67)
Cash balances at beginning of period		**9**	76	76
Cash at end of period		**31**	**29**	**9**

The accompanying notes form part of these financial statements.

Notes to the financial statements

for the 6 months ended 30 September 2017

1.

Basis of accounting

Reporting entity

Z Energy Limited is registered in New Zealand under the Companies Act 1993 and is a FMC Reporting Entity in terms of the Financial Markets Conduct Act 2013. The financial statements have been prepared in accordance with the requirements of these Acts and the Financial Reporting Act 2013. Z Energy Limited is listed on the New Zealand (NZX) and Australia (ASX Limited) stock exchanges and has three series of bonds quoted on the NZX Debt Market.

The interim Group financial statements for the 6 months ended 30 September 2017 presented are those of Z Energy Limited (the Company, Parent or the Parent Company) together with its subsidiaries, interests in associates and jointly controlled operations ("Z" or "the Group").

Basis of preparation

The Group financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and the Financial Reporting Act 2013. The financial statements comply with New Zealand International Accounting Standards (NZ IAS) 34: Interim Financial Reporting and International Accounting Standards (IAS) 34: Interim Financial Reporting. They do not include all the information required in annual financial statements and should be read in conjunction with the Group financial statements for the year ended 31 March 2017. Z has reported as a Tier 1 entity under the External Reporting Board (XRB) Accounting Standards Framework. Z meets the definition of a Tier 1 entity because it is 'publicly accountable' and 'large' as defined by the XRB.

The functional and reporting currency used in the preparation of the financial statements is New Zealand dollars (NZD), rounded to the nearest million ($m).

The period ended 30 September 2016 has been revised to reflect the finalisation of the acquisition accounting judgements relating to Z Energy 2015 Limited that were recorded as provisional at 30 September 2016.

Z no longer accounts for The New Zealand Refining Company Limited (Refining NZ) as an investment in associate as it is not considered to meet the criteria under NZ IAS 28: Investments in Associates and Joint Ventures (NZ IAS 28). On the early adoption of NZ IFRS 9 Financial Instruments (NZ IFRS 9), the accounting treatment for the equity investment in Refining NZ was considered and it is now treated as a financial asset at fair value through other comprehensive income. Refer to note 6 for impact.

Certain comparatives have been reclassified between revenue and operating expense within the Statement of comprehensive income to align with the current period's presentation. However, the impact is immaterial.

Accounting policies and standards

The accounting policies set out in the 31 March 2017 financial statements have been applied consistently to all periods presented in these Group financial statements, with the exception of NZ IFRS 9 . NZ IFRS 9 has been adopted early from 1 April 2017, but there are no material impacts in the financial statements for the 6 months ended 30 September 2017.

Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income, and expenses. Actual results may differ from these estimates.

The Group's significant areas of estimation and critical judgements in these Group financial statements are the same as those contained in the Group financial statements for the year ended 31 March 2017.

2.

Business combination

Summary of acquisition

On 1 June 2016, Z Energy acquired 100 percent of the share capital of Z Energy 2015 Limited (previously Chevron New Zealand), an importer, distributor and seller of transport fuel and related products. The acquisition has strengthened the Group's fuel network within New Zealand.

Details of the purchase consideration, the net assets acquired and goodwill are as follows.

	$m
Cash paid	147
Debt	710
Total purchase consideration	**857**

The assets and liabilities recognised as a result of the acquisition are shown below. A comparison between the provisional values assigned at 30 September 2016 and finalised fair value is also provided below. The 30 September 2016 numbers within these financial statements have been restated to reflect the finalised fair value.

	Audited finalised fair value effective 1 June 2016 $m	Unaudited provisional fair value 30 September 2016 $m
Trade receivables	86	89
Inventories	195	193
Assets available for sale	–	10
Property, plant and equipment	246	75
Intangible assets	484	9
Other current assets	4	–
Other non-current assets	4	4
Investment in subsidiaries and associates	1	–
Deferred tax	(148)	8
Trade payables	(135)	(141)
Taxation payable	–	(2)
Provisions	(34)	(22)
GST and FBT payable	(4)	–
Net identifiable assets acquired	**699**	**223**
Assets to be identified (including goodwill)	–	634
Goodwill	158	–
Net assets acquired	**857**	**857**

The impact on the Statement of comprehensive income for the period ended 30 September 2016 for the finalised fair value is a decrease to net profit of $9m. Depreciation and amortisation increased by $12m and taxation expenses decreased by $3m.

The goodwill is attributable to the future earnings of the Group. There has been no movement in goodwill since 31 March 2017. Goodwill is not deductible for tax purposes.

Contingent liabilities

A contingent liability has been recorded for back-dated excise duty claims by New Zealand Customs Service for periods 1 October 1996 to 31 December 2013, and 1 January 2015 to 30 September 2016.

On 7 March 2017, Z Energy 2015 Limited received an assessment for excise and additional duty of $54m. This has been paid and the portion of the assessment that relates to the period before 1 June 2016 ($53m) has been funded by a third party under indemnity.

3.

Accounts payable, accruals and other liabilities

	Unaudited 30 September 2017 $m	Unaudited 30 September 2016 $m	Audited 31 March 2017 $m
Accounts payable	**385**	380	378
Accruals and other liabilities	**21**	35	30
Employee benefits payable	**14**	10	18
	420	**425**	**426**

4.

Inventories

Inventory is stated at the lower of cost or net realisable value. The cost of inventories is based on the first-in-first-out principle. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

	Unaudited 30 September 2017 $m	Unaudited 30 September 2016 $m	Audited 31 March 2017 $m
Raw materials and consumables	**168**	162	158
Finished goods/trading products	**243**	269	306
	411	**431**	**464**

During the period, there was a reversal of the write down of inventories to net realisable value amounting to $1m (30 September 2016: write down of $7m, 31 March 2017: reversal of write down of $10m). The movement is included in purchases of crude and product in the Statement of comprehensive income.

5.

Property, plant and equipment

During the period, the Group recognised additions of $14m to Buildings, Land and improvements and Plant and equipment. Included within work in progress is $26m relating to the ERP implementation.

6. Investments

The Group's investment in Refining NZ has been derecognised as an investment in associate as the Group no longer has significant influence. The investment is now accounted for as an equity investment at fair value through other comprehensive income in compliance with NZ IFRS 9, adopted early from 1 April 2017. The change in accounting treatment has been applied prospectively from 1 April 2017.

The impact of changing the accounting treatment for the investment in Refining NZ from an investment in associate in compliance with NZ IAS 28 to an equity investment in compliance with NZ IFRS 9 is as follows.

Total comprehensive income increased by net $5m for period ended 30 September 2017:

- Increase attributable to dividends now recognised as revenue of $3m and fair value movements now recognised in other comprehensive income of $8m.
- Offset by share of equity earnings no longer recognised in profit and loss of $7m and share of Refining NZ's other comprehensive income no longer recognised of $1m loss.

Investment in Refining NZ in the statement of financial position has increased by a net $5m to reflect fair value movement in the share price of Refining NZ to $2.55 at 30 September 2017. The increase also reflects the share of equity earnings and dividends no longer being offset against the investment value.

	NZ IFRS 9 $m	NZ IAS 28 $m	Variance $m
Statement of comprehensive income			
Revenue – dividends received	**3**	–	3
Share of equity earnings of associate companies	**–**	7	(7)
Other comprehensive income / (loss)	**8**	(1)	9
Statement of financial position			
Investments – in Refining NZ	**122**	117	5

7. Share capital and distributions

During the period, 238,751 shares at a cost of $2m (30 September 2016: 225,984 shares, $2m; 31 March 2017: 238,751 shares, $2m) were purchased and held by Z Energy LTI Trustee Limited for Z's restricted share long-term incentive plan.

	cents per share	Unaudited 6 months ended 30 September 2017 $m	Unaudited 6 months ended 30 September 2016 $m	Audited 12 months ended 31 March 2017 $m
Dividend				
2016 Final dividend (paid June 16)	18.1	–	72	72
2017 Interim dividend (paid December 16)	9.4	–	–	38
2017 Final dividend (paid June 17)	**19.9**	**80**	**–**	**–**

8.

Financing arrangements

The Group's debt includes bank facilities secured against certain assets of the Group. The facilities require Z to operate within defined performance and gearing ratios and include restrictions over the sale or disposal of certain assets without bank agreement.

Throughout the period, the Group has complied with all debt covenant requirements as imposed by lenders.

At 30 September 2017 the Group had secured bank debt facilities of $890m (30 September 2016: $1,030m, 31 March 2017: $890m). At 30 September 2017 there was $495m drawn against these facilities (30 September 2016: $719m, 31 March 2017: $541m). The facilities comprise a $540m revolving term debt facility drawn to $455m plus a $350m working capital facility drawn to $40m, both maturing May 2019.

The bank debt facilities are able to be drawn down as required, provided Z complies with debt covenants. All loans must be repaid on the relevant due dates. Interest rates are determined by reference to prevailing money market rates at the time of draw-down plus a margin. Interest rates paid during the 6 months ended 30 September 2017 ranged from 2.8 percent to 3.2 percent (30 September 2016: 3.0 percent to 3.8 percent, 31 March 2017: 3.0 percent to 3.8 percent).

Borrowings are initially recorded at fair value, net of transaction costs. After initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the Statement of comprehensive income over the period of the borrowing, using the effective interest rate. Bond and bank debt issue expenses, fees and other costs incurred in arranging finance are capitalised and amortised over the term of the relevant debt instrument or debt facility, using the effective interest rate method.

9.

Related parties

Transactions with related parties Received /(paid)	**Unaudited 6 months ended 30 September 2017 $m**	**Unaudited 6 months ended 30 September 2016 $m**	**Audited 12 months ended 31 March 2017 $m**
Associates – sale of goods and services	–	1	1
Associates – purchase of goods and services			
Coastal Oil Logistics Limited	**(7)**	(14)	(24)
New Zealand Oil Services Limited	**(6)**	(10)	(18)
Wiri Oil Services Limited	**(3)**	(4)	(10)
Other	**(3)**	(4)	(10)
Refining NZ – purchase of goods and services			
Refining NZ – processing fees, customs and excise	**(407)**	(339)	(756)
Key management personnel			
Short-term employee benefits	**(5)**	(5)	(7)
Other long-term benefits	**(1)**	(2)	(2)
Balances at end of period			
Associates – payable	**(2)**	(3)	(4)
Refining NZ – processing fees, customs and excise duties payable	**(49)**	(67)	(56)

10.

Contingent liabilities

The Group has guaranteed an exposure of up to USD3m ($4m) to a financier of one of the Group's associate companies (30 September 2016: USD5m ($7m), 31 March 2017: USD4m ($6m)). This guarantee reduces by USD1m annually.

11.

Events after balance date

US Private Placement

On 4 October 2017, Z finalised the terms of its inaugural US Private Placement (USPP) issuing a series of fixed-term notes across multiple tenors for a combined USD270m ($378m). The notes will be drawn on 4 January 2018. The funds will be used to refinance existing drawn amounts from bank facilities.

Dividend

On 8 November 2017, Directors approved a fully imputed dividend of 10.4 cents per share, equal to $42m to be paid on 12 December 2017 (30 September 2016: $38m, 9.4 cents per share, 31 March 2017: $80m, 19.9 cents per share).

KPMG

Independent Review Report

To the shareholders of Z Energy Limited

Report on the interim consolidated financial statements

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements on pages 10 – 20 do not:

i. present fairly in all material respects the Group's financial position as at 30 September 2017 and its financial performance and cash flows for the 6 month period ended on that date; and

ii. comply with NZ IAS 34 Interim Financial Reporting.

We have completed a review of the accompanying interim consolidated financial statements which comprise:

- the consolidated statement of financial position as at 30 September 2017;
- the consolidated statements of comprehensive income, changes in equity and cash flows for the 6 month period then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.

Basis for conclusion

A review of interim consolidated financial statements in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410") is a limited assurance engagement. The auditor performs procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

As the auditor of Z Energy Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

Included in the audit fee is an additional fee for the initial adoption of IFRS 9. Our firm has also provided other services to the group in relation the review of the cost of sales adjustment. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as reviewer of the group. The firm has no other relationship with, or interest in, the group.

Use of this Independent Review Report

This report is made solely to the shareholders as a body. Our review work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the Independent Review Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our review work, this report, or any of the opinions we have formed.

KPMG

Responsibilities of the Directors for the interim consolidated financial statements

The Directors, on behalf of the group, are responsible for:

- the preparation and fair presentation of the interim consolidated financial statements in accordance with NZ IAS 34 Interim Financial Reporting;
- implementing necessary internal control to enable the preparation of interim consolidated financial statements that are fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the interim consolidated financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with NZ IAS 34 Interim Financial Reporting.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on these interim consolidated financial statements.

This description forms part of our Independent Review Report.

KPMG

KPMG
Wellington

8 November 2017

Supplementary financial information

for the 6 months ended 30 September 2017

The supplementary financial information does not form part of the financial statements. To assist in understanding the Group's performance, the directors have provided additional disclosure of the Group's results for the 6 months on a replacement cost basis.

Income statement on replacement cost basis[1]	6 months ended 30 September 2017 $m	Restated 6 months ended 30 September 2016 $m	12 months ended 31 March 2017 $m
Revenue	**2,086**	1,662	3,864
Purchases of crude and product	**(1,193)**	(848)	(2,010)
Excise and carbon expense	**(492)**	(426)	(941)
Primary distribution expenses	**(21)**	(20)	(41)
Cost of sales adjustment (COSA)	**34**	(9)	(83)
Operating expenses	**(193)**	(192)	(397)
Replacement cost operating EBITDAF	**221**	**167**	**392**
Share of earnings of associate companies (net of tax)	**–**	1	6
Replacement cost EBITDAF	**221**	**168**	**398**
Depreciation and amortisation	**(47)**	(40)	(89)
Net financing expense	**(27)**	(26)	(56)
Fair value movements on interest rate derivatives	**(4)**	(9)	3
Gains / (losses) on sale of PPE and (impairment)	**3**	–	(6)
Movements in decommissioning and restoration provision	**(1)**	–	2
Replacement cost net profit before taxation	**145**	**93**	**252**
Taxation expense	**(31)**	(37)	(99)
Tax (expense) / benefit on COSA	**(9)**	2	23
Replacement cost net profit after taxation	**105**	**58**	**176**

Reconciliation from statutory net profit after tax to RC operating EBITDAF	6 months ended 30 September 2017 $m	Restated 6 months ended 30 September 2016 $m	12 months ended 31 March 2017 $m
Statutory net profit after tax	**80**	73	243
COSA	**34**	(9)	(83)
Foreign exchange and commodity (gains) on fuel purchases	–	(8)	(7)
Tax (expense) / benefit on COSA	**(9)**	2	23
Replacement cost net profit after tax	**105**	**58**	**176**
Depreciation and amortisation	**47**	40	89
Net financing expense	**27**	26	56
Fair value movements on interest rate derivatives	**4**	9	(3)
Taxation (including tax on COSA and foreign exchange and commodity gains and losses on fuel purchases)	**40**	35	76
Share of earnings in associates	**–**	(1)	(6)
(Gains) / losses on sale of PPE and impairment	**(3)**	–	6
Movements in decommissioning and restoration provision	**1**	–	(2)
Replacement cost operating EBITDAF	**221**	**167**	**392**

1 Replacement cost is a non-GAAP measure used by the downstream fuel industry to report earnings. The difference between HC earnings and RC earnings is the Cost of Sales Adjustment (COSA) and foreign exchange and commodity gains and losses. Full reconciliation from Statutory net profit after tax to RC operating EBITDAF is provided.

Company directory

Registered and head office – New Zealand

3 Queens Wharf
Wellington 6011
z.co.nz

Contact us

For general enquiries
Phone: 0800 474 355
and select '0' or
email: general@z.co.nz

Facebook: Z Energy

LinkedIn: Z Energy

Directors

Peter Ward Griffiths (Chair)

Andrew Mark Cross

Alan Michael Dunn

Abigail Kate Foote

Paul Lightle Fowler
(Resigned 31 October 2017)

Justine Mary Munro

Julia Margaret Raue

Stephen Reindler
(Appointed 1 May 2017)

Executive team

Michael Bennetts
Chief Executive

Christopher Day
Chief Financial Officer

Jane Anthony
General Manager, Marketing

David Binnie
General Manager, Supply and Distribution

Debra Blackett
Chief Governance Officer

Mark Forsyth
General Manager, Retail

Julian Hughes
General Manager, Health, Safety, Security, and Environment

Lindis Jones
General Manager, Corporate

Sharlene Taylor
General Manager, People and Culture
(Resigned 31 October 2017)

Meredith Ussher
General Counsel

Nicolas Williams
General Manager, Commercial

Share Registrar

Link Market Services – New Zealand
PO Box 91976
Auckland 1142
New Zealand
+64 9 375 5998
linkmarketservices.co.nz

Link Market Services – Australia
Locked Bag A14
Sydney South NSW 1235
Australia
+61 2 8280 7100

Auditor

KPMG
Maritime Tower
10 Customhouse Quay
PO Box 996
Wellington 6140

Lawyers

Chapman Tripp
10 Customhouse Quay
Wellington 6140

Minter Ellison Rudd Watts
18 / 125 The Terrace
Wellington 6140

Bankers

ANZ Bank New Zealand Limited
215–229 Lambton Quay
Wellington

Bank of New Zealand
80 Queen Street
Auckland

Hong Kong and Shanghai Banking Corporation
HSBC Tower
195 Lambton Quay
Wellington

Westpac Banking Corporation
188 Quay Street
Auckland

Registered Office – Australia

c/- TMF Corporate Services (Aust) Pty Limited
Level 16, 201 Elizabeth Street
Sydney NSW 2000
Australia
PO Box A2224
Sydney South NSW 1235
Australia
+61 2 8988 5800

Australia Registered Business Number

164 438 448

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IS FOR NEW ZEALAND

APPENDIX 7 – NZSX Listing Rules

EMAIL: announce@nzx.com

Notice of event affecting securities

NZSX Listing Rule 7.12.2. For rights, NZSX Listing Rules 7.10.9 and 7.10.10.
For change to allotment, NZSX Listing Rule 7.12.1, a separate advice is required.

Number of pages including this one (Please provide any other relevant details on additional pages): 1

Full name of Issuer	Z Energy Limited
Name of officer authorised to make this notice	Chris Day
Authority for event, e.g. Directors' resolution	Directors' resolution
Contact phone number	+64 4 462 4620
Contact fax number	
Date	8 / 11 / 2017

Nature of event
Tick as appropriate

Bonus Issue ☐ *If ticked, state whether:* *Taxable* ☐ */ Non Taxable* ☐ *Conversion* ☐ *Interest* ☐ *Rights Issue Renouncable* ☐
Rights Issue non-renouncable ☐ Capital change ☐ Call ☐ Dividend ☑ If ticked, state whether: Interim ☑ Full Year ☐ Special ☐ DRP Applies ☐

EXISTING securities affected by this — *If more than one security is affected by the event, use a separate form.*

Description of the class of securities	Ordinary Shares
ISIN	NZZELE0001S1 (*If unknown, contact NZX*)

Details of securities issued pursuant to this event — *If more than one class of security is to be issued, use a separate form for each class.*

Description of the class of securities	
ISIN	(*If unknown, contact NZX*)
Number of Securities to be issued following event	
Minimum Entitlement	
Ratio, e.g 1 for 2	for
Conversion, Maturity, Call Payable or Exercise Date	(*Enter N/A if not applicable*)
Treatment of Fractions	
Tick if pari passu	☐ *OR provide an explanation of the ranking*
Strike price per security for any issue in lieu or date Strike Price available.	

Monies Associated with Event — *Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.*

In dollars and cents

Amount per security (does not include any excluded income)	$0.104
Source of Payment	Retained Earnings
Excluded income per security (only applicable to listed PIEs)	
Currency	NZ Dollars
Total monies	$41,600,000

Supplementary dividend details - NZSX Listing Rule 7.12.7

Amount per security in dollars and cents	$0.018353
Date Payable	12 December, 2017

Taxation — *Amount per Security in Dollars and cents to six decimal places*

In the case of a taxable bonus issue state strike price	$
Resident Withholding Tax	$0.007222
Imputation Credits (Give details)	$0.040444
Foreign Withholding Tax	
FDP Credits (Give details)	

Timing (Refer Appendix 8 in the NZSX Listing Rules)

Record Date 5pm *For calculation of entitlements -*	24 November, 2017
Application Date *Also, Call Payable, Dividend / Interest Payable, Exercise Date, Conversion Date. In the case of applications this must be the last business day of the week.*	12 December, 2017
Notice Date *Entitlement letters, call notices, conversion notices mailed*	
Allotment Date *For the issue of new securities. Must be within 5 business days of application closing date.*	

OFFICE USE ONLY
Ex Date:
Commence Quoting Rights:
Cease Quoting Rights 5pm:
Commence Quoting New Securities:
Cease Quoting Old Security 5pm:

Security Code:

Security Code: