

3 May 2018

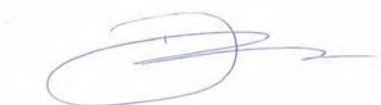
Z Energy Limited (ZEL) full year results announcement for the year ended 31 March 2018

Please find attached the financial information required by NZX Listing Rule 10.3.2 together with a copy of Z Energy's full year results presentation and Annual Report for the year ended 31 March 2018.

Attached:

1. Market announcement in relation to the full year results;
2. Full year results presentation;
3. Z Energy's Annual Report including group financial statements for the year ended 31 March 2018;
4. NZX Appendix 1;
5. NZX Appendix 7 detailing the dividend of 32.3 cents (New Zealand currency) per ordinary share to be paid on 30 May 2018 to those shareholders on the company's share register as at 5.00 pm on 18 May 2018;
6. ASX Compliance Confirmation under ASX Listing Rule 1.15.3;
7. Notice to shareholders under section 209C of the New Zealand Companies Act 1993.

Yours sincerely



Debra Blackett
Chief Governance Officer
Z Energy Limited

2018 Results Presentation

For the year ended 31 March 2018

3 May 2018

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 full year results announcement dated 3 May 2018. 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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Capability led strategy through to 2020

Progress update six months on from Investor Day



The commitments made at Investor Day 2017

- Deliver \$40-42m of synergies by the end of FY18 and \$30-35m of earnings from Strategy 3.0 by the end of FY20
- Shift from being asset led to capability led
- Limit the base of capital employed in the core business and fund ongoing growth investment through churning the least productive assets
- Preserve strategic optionality and build financial and operational resilience to an uncertain long term future
- Primary measure of financial performance is free cash flow
- Step change in shareholder distributions from FY19

Today's Update

- FY18 financial results and operational performance
- Cash, capital and dividends
- Delivery from Synergy and Strategy 3.0
- Progress on capability development
- Additional growth options
- Monitoring the long term future
- Looking forward to FY19

Headline financials

Earnings at the upper end of restated guidance in a year of pronounced volatility and operational challenges



Key financials ¹	FY18	FY17	Change
Historical cost net profit after tax (HC NPAT)	\$263m	\$243m	8%
Replacement cost EBITDAF (RC EBITDAF)	\$449m	\$423m ²	6%
Replacement cost Net Profit After Tax (RC NPAT)	\$205m	\$176m	16%
Net operating cashflow	\$395m	\$255m	55%
Final dividend declared	21.9 cents	19.9 cents	10%

- HC NPAT up \$20m largely reflecting an increase in commodity prices (18% YOY increase in Brent oil price)
- RC NPAT increased \$29m from an extra two months of Caltex contribution and synergy delivery
- Continued strong Refining margin and growth in non fuel revenue offset by impact of competitor discounting and one off supply disruption costs and price lag
- Net operating cash flow increased \$140m from PCP supporting debt repayments of \$75m as committed
- Fully imputed dividend record date 18 May 2018 with a payment date of 30 May 2018

Note 1: HC NPAT has been calculated in accordance with NZ GAAP. RC NPAT and RC BITDAF 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: FY17 RC EBITDAF excluding Caltex integration expenses of \$27m and adjusted for change in Refining NZ accounting treatment

Health, Safety, Security and Environment

Continued strong focus on front line operational risk management



Operational Metrics	FY18	FY17
Total recordable case frequency (TRCF)	0.86	1.36
Motor vehicle incident frequency rate (MVIFR)	0.58	1.27
Lost time injuries (LTIs)	13	23
Lost work days (LWDs)	66	259
Number of spills (loss of containment)	-	-
Security incidents (Z robberies only)	23	23
Product quality incidents (high risk)	1	-
Process safety incidents (Tier 1 & 2)	1	1
Food safety incidents	1	-

- External certification for ZORM under OHSAS 18001 confirmed 28 March 2018, effectively validating Z's management system to an international standard
- 16 out of 23 robberies this year did not involve any form of staff contact, i.e. failed safely. Evidence that training, controls and barriers that have been progressively implemented during the past 18 months are working
- HSSE engagement score of 94% demonstrated that safety amongst all employees is still a high priority and scored extremely favourably compared to other companies in the Australasian survey group
- Non-compliant firefighting foam is out of service, stockpiled and ready for disposal

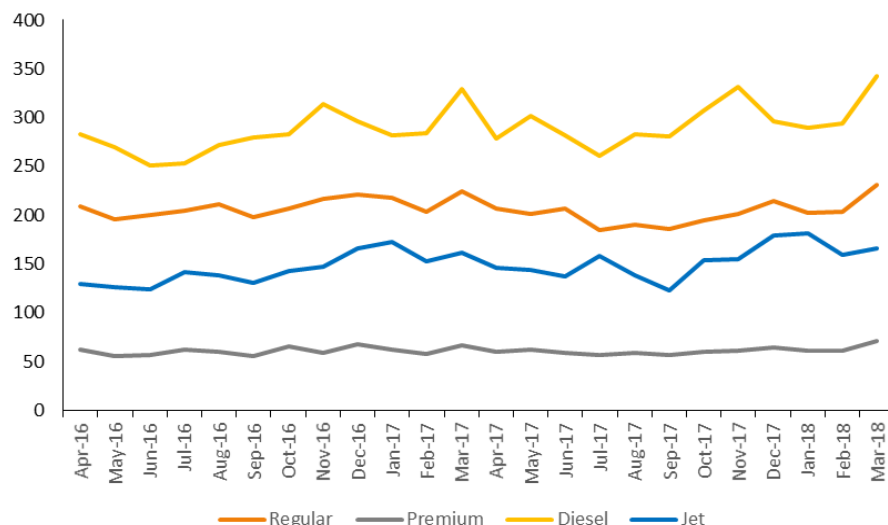
Note: Caltex robberies are not reported as Caltex's retail network is run by a group of independent dealers who, in almost all cases, own the assets and control the operational activities on the site

Trading conditions

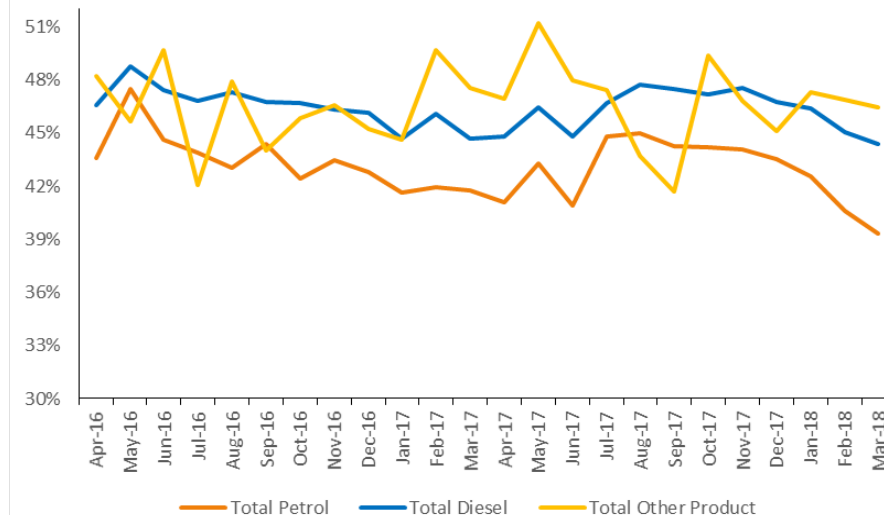
Industry volumes have been somewhat affected by periods of disruptive weather



Monthly Industry Volumes - millions of litres¹



Group Monthly Market Share¹



- Industry Petrol volumes for FY18¹ are down 2% on PCP driven by increase in diesel car sales and consumer preference for commercial vehicles (utes)²
- Industry Diesel volumes for FY18¹ are up 4% on PCP in line with 2.9% YoY growth in GDP
- Industry Jet volumes for FY18 are up 6% on PCP, driven by continued growth in Jet volumes at Auckland Airport as airlines commence operation on longer haul flight paths

- Month on month volatility in the group's market share as evidenced in March 18 is due to unusual variations in competitor monthly sales data reported through industry exchange
- 60 NTI (new to industry) sites built by competitors in past two years, growing capacity by 4% and raising concerns of over capitalisation leading into a period of uncertain long term demand

Note 1: Source is Industry Exchange data at March 2018. This does not include 'Supply – Industry and Export' sales

Note 2: Information taken from end of year registration 2017

RC EBITDAF variances to FY17

Fuel margins impacted by increased loyalty costs with YOY opex growth



Refining

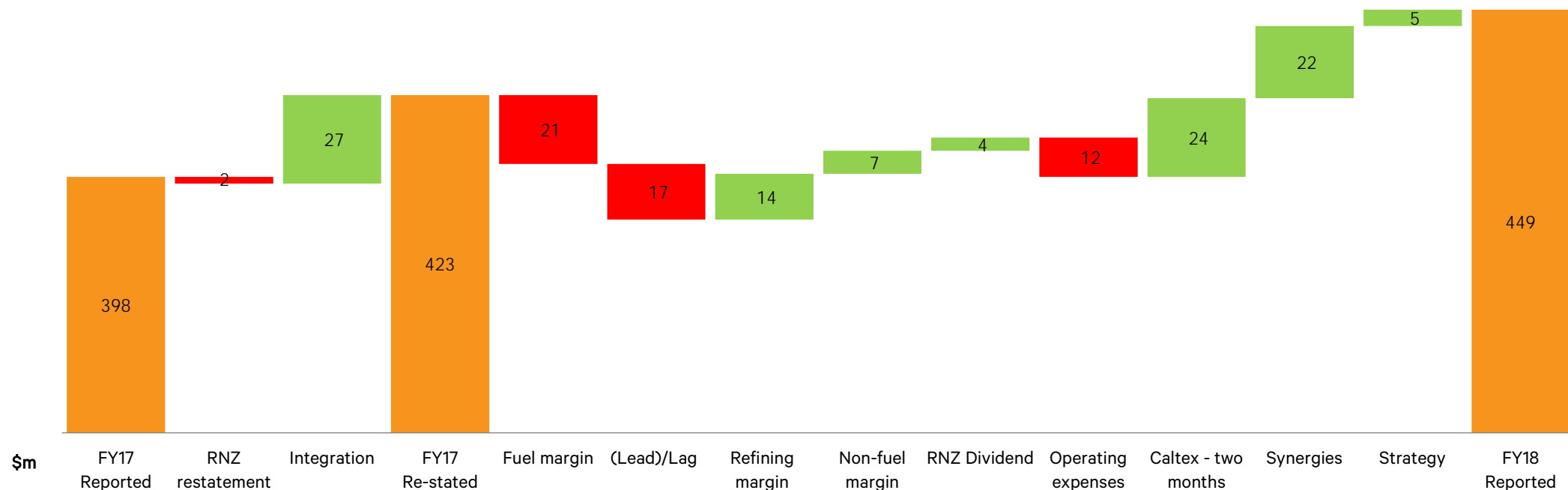
- Volume throughput up 16% (3m bbl) on PCP
- Per barrel margin up 14% on PCP
- Average NZD/USD exchange rate comparable to PCP (0.72 to 0.71)

Fuels and non fuel

- Fuel volumes relatively static, driven by market dynamics which have negatively impacted margin (discounting and loyalty)
- Price lag mainly in Jet contracts
- Non fuel margin YOY increase due to strategic promotional activities

Operating expenses and one-offs

- Opex has increased \$12m as a result of Refining NZ pipeline outage and Z's investment in capability development - customer experience, innovation, loyalty and data management



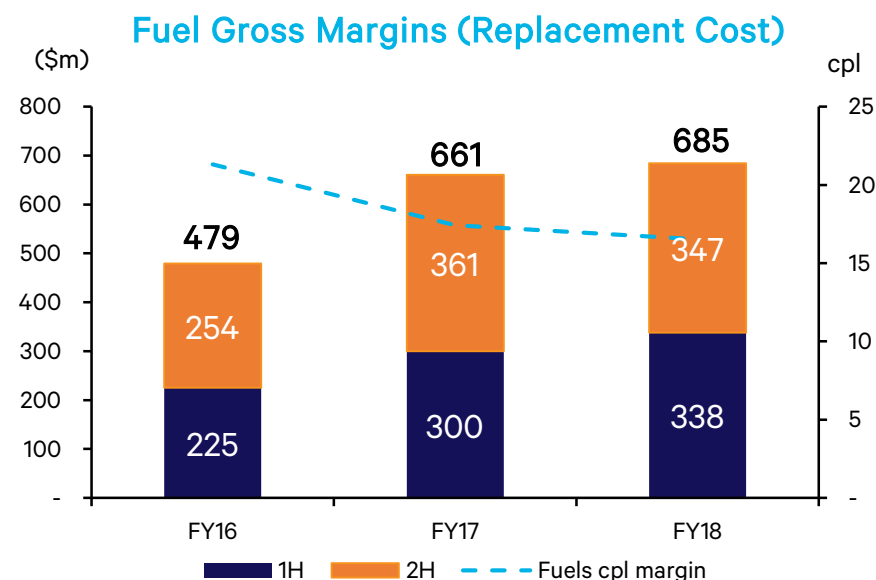
Fuel contribution +3% to PCP

Z marketing volume +1% on a like for like basis



Sales Volumes (ml)	FY18	FY17 ¹	Change	FY17
Petrol	1,351	1,410	(4%)	1,301
Diesel	1,644	1,584	4%	1,460
Other	1,150	1,090	6%	1,034
Total marketing volume	4,145	4,084	1%	3,795
Supply sales and exports	178	125	42%	113
Total Volume	4,323	4,209	3%	3,908

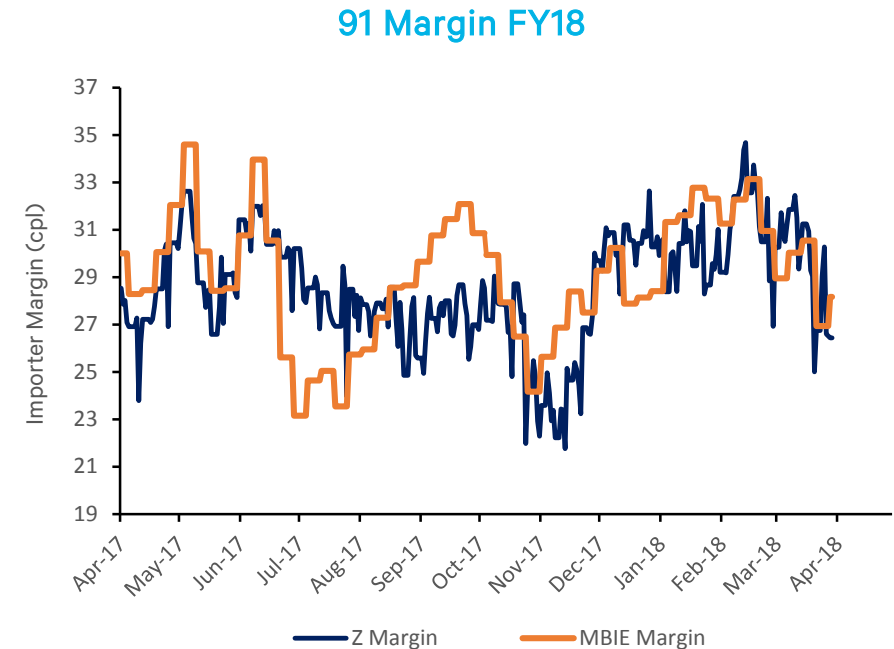
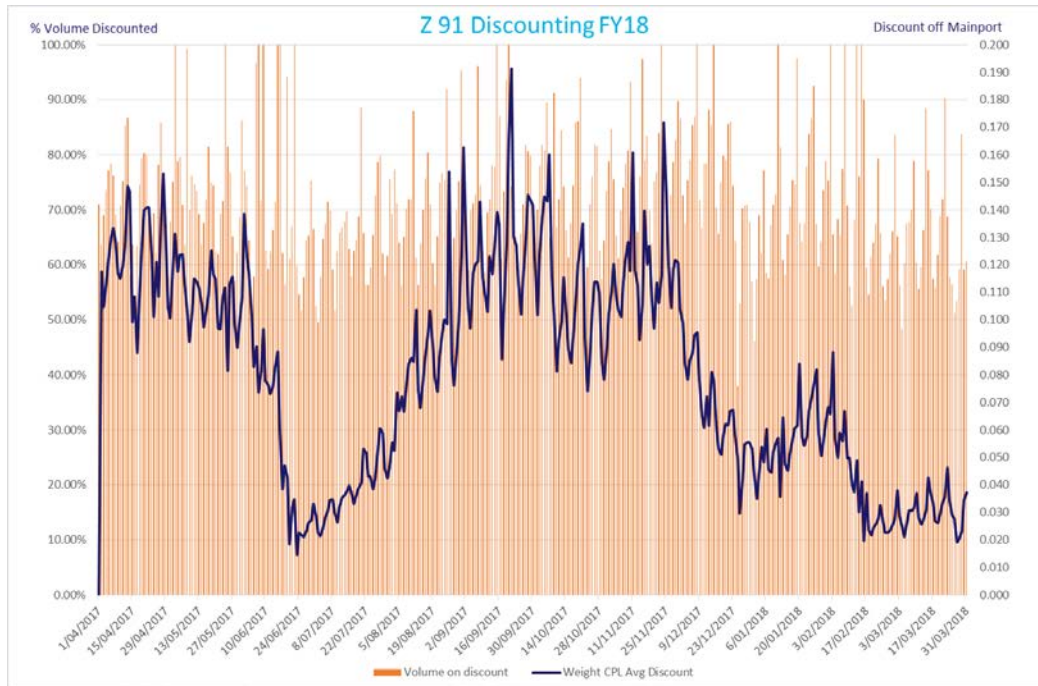
- Change in product mix with Diesel growth offsetting petrol decline and increase in Other driven by Jet volumes
- Supply sales and exports up compared to PCP due to Awanuia dry dock being longer than planned resulting in an increase in fuel oil exports



- Fuel unit margin of 16.5cpl down on PCP 17.4cpl reflecting product mix and loyalty costs
- Loyalty costs increased by 0.9 cpl on retail volume due to Flybuys Pumped! offer “always on” and an increase in AA Smartfuel promotions within the Caltex network

Retail fuel pricing

~70% of Z's fuel sold at a discount to what would otherwise be a mainport price



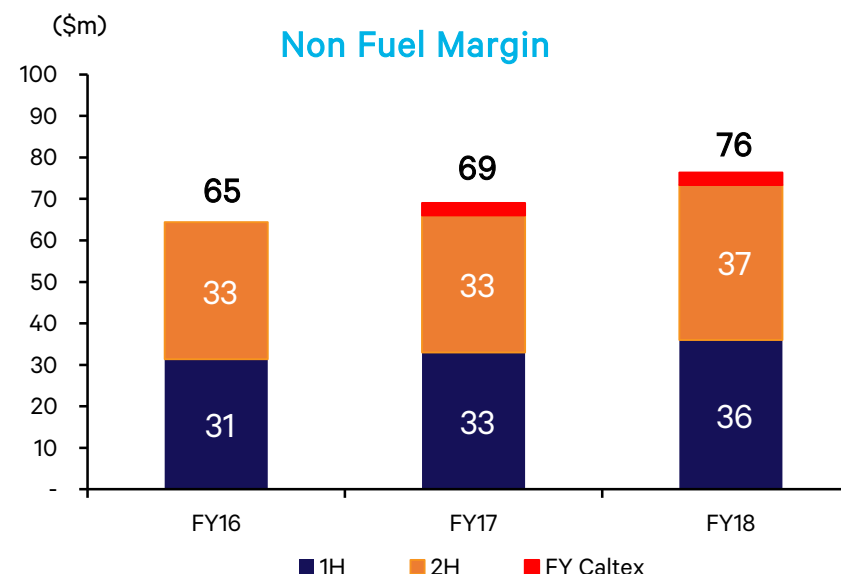
- Most likely outcome of last year's Fuel Market Study is a Commerce Commission market review once relevant legislation is passed later this year. In our view a market review is likely to find a competitive market dynamic working effectively as demonstrated by the tension between volume and margin for existing participants, multiple new entrants investing capital due to the low barriers to entry, and customers have a wide range of choices for price and non price based offers
- The weighted average cpl discount declined in 2H FY18 driven by a reduction in the price spread, contrary to previous experience where spreads have expanded in a rising crude price environment
- Most intense discount areas have shifted out of high population trading areas in line with an increase in new sites from regional distributors

Z brand convenience margin +11% to PCP

C-store margin growth driven by new offers and promotional activity



Operational Metrics	Tier 1	Tier 2	Tier 3
Number of stores ¹	93	67	44
<i>FY17</i>	<i>91</i>	<i>66</i>	<i>44</i>
Average weekly shop sales	\$47k	\$29k	\$18k
Sales growth	3%	4%	0%
Total transaction count YoY	1%	1%	0%
Store transaction count YoY	1%	2%	(4%)



- Average weekly shop sales up 5% (adjusted for divestments in FY17) with YOY growth driven by strategic promotional activity focusing on healthy food offers
- Successful sandwich and pie campaigns resulting in +15% YOY sales growth in food category across the year
- Two trial stores established in Auckland with focus on real time testing of innovation ideas, e.g. agile promotions
- Exit the use of plastic bags by June 2018

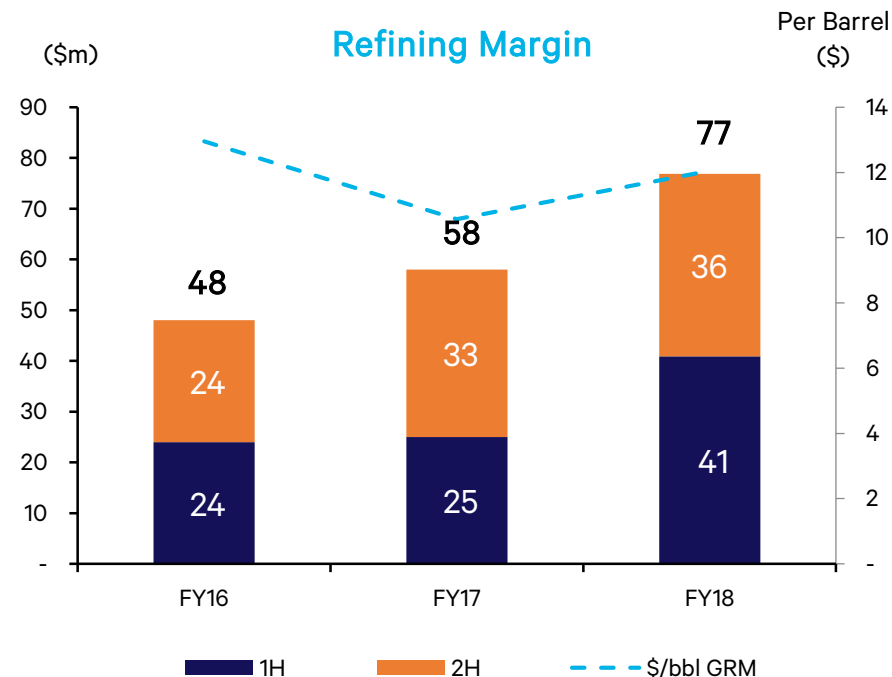
Refining margins +33% to PCP

Margin growth driven by refinery optimisation projects and regional demand



Regional markets and Refining NZ

- Gross refining margin growth reflects optimisation projects within Refining NZ
- Favourable international refining margins in H1 driven by refinery shutdowns in North America due to weather events
- The RAP was shutdown for ~2 weeks in September 2017 while repairs were made. The continued outage provided significant disruption to Z's network causing increased costs from using alternative distribution channels and lost GRM



Z Performance

- Processing volumes increased to 21.3m barrels from 18.3m barrels to PCP as a result of the additional two months Caltex contribution
- Refining margin makes up 9% of total gross margin, up from 7% in PCP
- Average gross refining margins up \$1.49 per barrel compared to PCP

Cash, capital and dividends

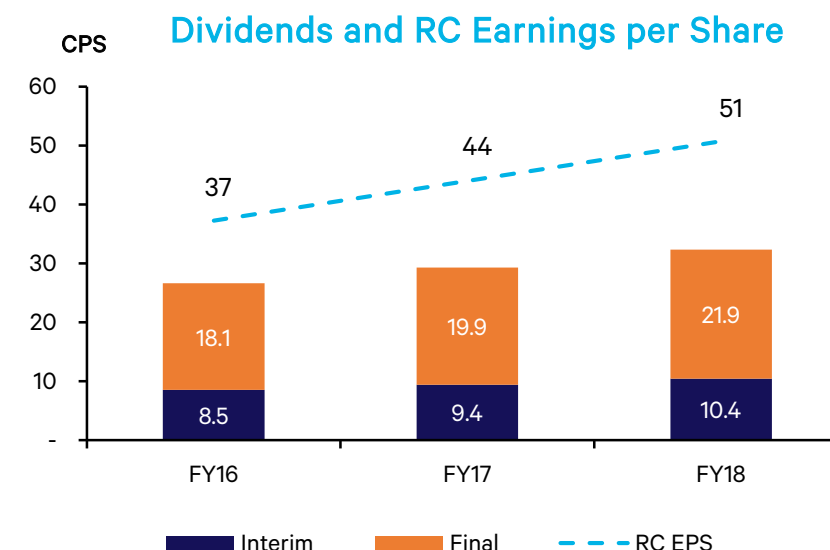
Increased RC EPS supports growth in dividends and continued deleveraging



Metrics	Mar 18	Mar 17	Change
Gearing – market capitalisation	25%	26%	1%
Gross debt ¹	\$920m	\$995m	\$75m
Debt/EBITDAF ²	2.1x	2.3x	0.2x
Cost of debt	5.2%	5.3%	0.1%

Capex (\$m)	FY18	FY17	Change
Growth	14	32	(18)
Integrity	77	45	32
Divestment Proceeds	(19)	(23)	4
Net capex	72	54	18

- Gross debt of \$920m, made up of \$505m domestic retail bonds, \$378m USPP and \$37m bank term debt
- Successful USD \$270m USPP bond issue generating optionality, diversification and extended tenor
- \$150m bond maturing in August 2018 to be refinanced via a combination of new retail bond and/or bank term debt given Z is now ahead of funding requirements
- Total FY18 dividend of 32.3cps (\$129m) compared to FY17 29.3 cps (\$117m)
- Elevated integrity capex spend reflecting investment in technology while maintaining integrity of Z's assets



Note 1: Gross is defined as the sum of gross domestic retail bonds, gross USPP issuance, bank debt and excludes working capital funding and cash on hand

Note 2: Debt coverage is calculated as gross debt divided by 12 months RC EBITDAF

Acquisition synergies

Synergies completed and delivered



Value creation	Description	FY18	FY18 Guidance
Supply chain Benefitting from scale	<ul style="list-style-type: none"> • RNZ optimisation • Crude and product procurement • Freight and secondary distribution 	\$19m	\$21 - 22m
People Integrating teams	<ul style="list-style-type: none"> • Duplication of roles • Simplification of task and process 	\$5m	\$5m
Corporate	<ul style="list-style-type: none"> • Offshore charges • Offset by Z incremental costs • Non-oil procurement 	\$12m	\$12m
Fuels marketing Retail and commercial channels	<ul style="list-style-type: none"> • Simplicity of task or process • Improved pricing controls 	\$3m	\$2 - 3m
Total		\$39m	\$40 - 42m

- Delivery of full synergies from refinery optimisation and secondary distribution compromised by RAP outage
- Synergies committed to post Caltex acquisition are now delivered and will not be reported on separately for FY19. Focus will move to productivity delivering additional sustainable value for the combined business

Strategy 3.0 – a more productive core business

Previously disclosed \$35-40m of earnings uplift by FY21



Business Unit	Workstreams (disclosed to date)	FY18	FY18 Guidance
Supply Leveraging scale	<ul style="list-style-type: none"> • Z terminal assets back in-house by 2Q FY19 and consolidated with Caltex heritage assets • Simplified distribution model targeted for 3Q FY19 • Change to Mobil for refinery optimisation for 2Q FY19 	-	-
Commercial Integrating offers and common platforms	<ul style="list-style-type: none"> • Repricing of Jet at Auckland airport to reflect structural changes in supply costs • IT project for common card platform underway 	\$9m	\$8 – 9m
Retail Clarity on brand positions, customer segmentation and loyalty offers	<ul style="list-style-type: none"> • Caltex lubricants into Z stores • Caltex pricing into Z's optimisation system • Caltex CORO sites being divested or rebranded to Z • POS system rollout 	-	\$1 – 2 m
Project delivery expenses		\$4m	\$6m
EBITDAF contribution		\$5m	\$3 - \$5m

- Input cost increases for lubricants have not been able to be recovered from the market, so \$1m of synergy missed in FY18
- The number of tier 3 conversions from Z to Caltex has been revised. Some of the Z sites still have greater economic value under the current operating model for the foreseeable future so only three are planned for conversion or divestment and will fund upgrades to eight Z tier 2 food and coffee offer

Further growth options from Strategy 3.0

Six initiatives through to FY21 have been developed with disclosure targeted for 1H FY19 results announcement



Initiative 1 confirmed - Partnership secured with Foodstuffs

- Strategic choice to secure new volumes at scale, demonstrating Z's preference for structural and capital light volume growth
- Partnership to leverage the capabilities of our respective organisations along with our joint shareholding in Loyalty New Zealand, who operate Fly Buys
- Z to take over Mobil fuel supply contract to 53 New World and Pak'nSave branded service stations
- Z network as redemption point for New World and Pak'nSave supermarket dockets
- Initial volume forecast to be 150mlpa with contract to commence in September 2018, and seven months of financial contribution reflected in FY19 guidance
- Z and New World will both continue to participate in the Fly Buys and Air New Zealand Airpoints programs
- Caltex network will continue to participate in the AA Smartfuel loyalty program



NEW WORLD



Capability led strategy

Investment in new capability has laid the foundations for FY19



Innovation

Innovation capability has been embedded within Z and investment in high calibre talent is driving positive results

- Fastlane – a world first (fuel up without touching your wallet) built in 13 weeks, trial operating at nine sites
- Next generation Z app launched to all users by 2nd May following a phased rollout
- Over 80 Z employees participated in an innovation masterclass, immersion day or design sprint
- Pipeline of Retail and Commercial offers due for delivery progressively throughout FY19 and FY20

Customer Experience (CX), Data and Loyalty

New CX capability on-boarded and Z's CX framework agreed

- Developed a CX vision for each area of the business and roadmaps nearing completion
- Further employee recruitment for CX in 1Q FY19 to increase pace of implementation

Building foundational capability to deliver 2020 data and loyalty aspirations (driving value through true loyalty)

- Proven the concept of a 'single view of customer' for Z and identified requirements to bring this in-house
- Identified 1.6m unique named Z customers and 40k unique named commercial/SME customers
- Established new KPI's to measure loyalty effectiveness – will enable us to more effectively reduce value leakage
- Conducted partnership trials for Fly Buys Pumped 2.0 to understand potential value and what's required
- Completed predictive model for identifying SME and Z Card customers at risk of churn

Commercial returns from Terminals

Implementing learning from 2016



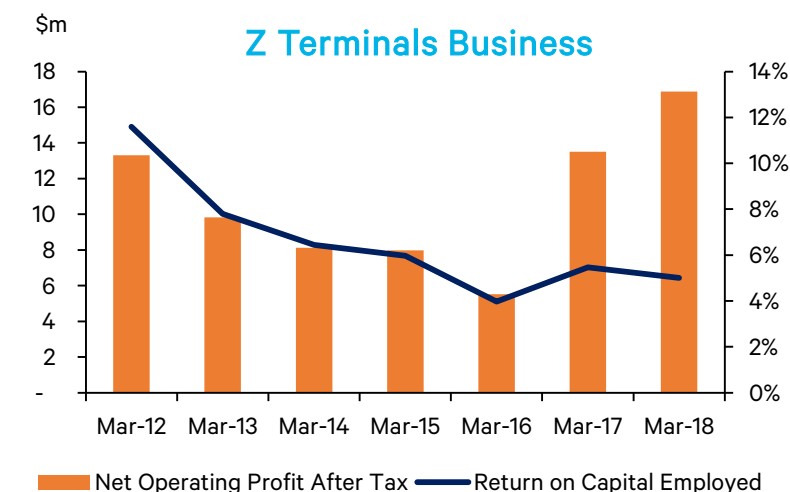
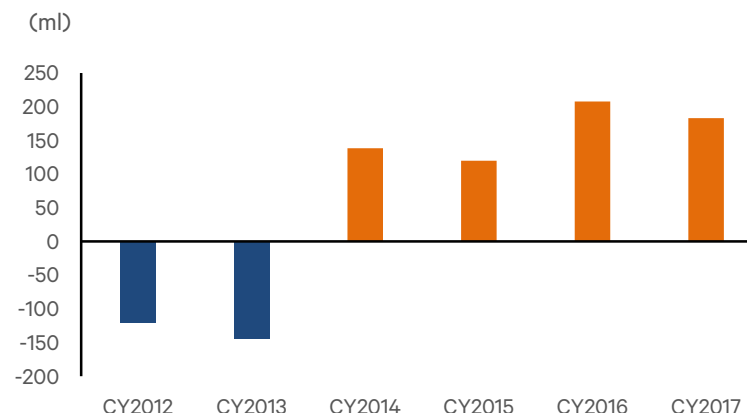
Context and Background

- Strategy 3.0 discovery revealed Caltex terminals not operated on commercial terms as they were in Z
- Decision not to make any changes during the period of the Fuel Market Study because potential outcomes could have included terminal pricing
- Sought input from qualified external advisors to develop a model consistent with a regulated utility, as the existing commercial model (for either of Z or Caltex) does not reflect all costs and capital employed
- Since 2014 Z has been a net lender under existing borrow and loan arrangements

Actions Arising

- Z terminals internally managed by end September 2018
- Standardised commercial terms and pricing model, both internally and for any external counterparty
- Internal transfer price changed by ~1.4 cpl from April 2018
- Renegotiate bilateral agreements for each terminal over the next 2 years
- No intent or requirement to move to segment reporting

Z Borrow and Loan balances (net)



Ongoing monitoring of the long term future

Tracking within the range of the Waka and Kayak scenarios



Signposts	1Q FY17	4Q FY18	Change
EV Purchase Price Premium (%)	39	42	+3
PHEV Purchase Price Premium (%)	25	23	-2
BNEF Battery Pack Cost USD \$/KWh	273	209	-64
EV Light Vehicle Fleet Size (No)	1,518	7,233	+5,715
Waka Scenario EV Fleet size (implied)	32,000	34,000	
EV % of NZ Light Vehicle Fleet (%)	0.04%	0.19%	+0.15%
Carbon Price (\$/T of CO ₂)	15	21	+6
Vehicle Use (Vehicle Km Travelled)	11,772	11,425	-347
Industry Volumes	8,586	9,155	+569

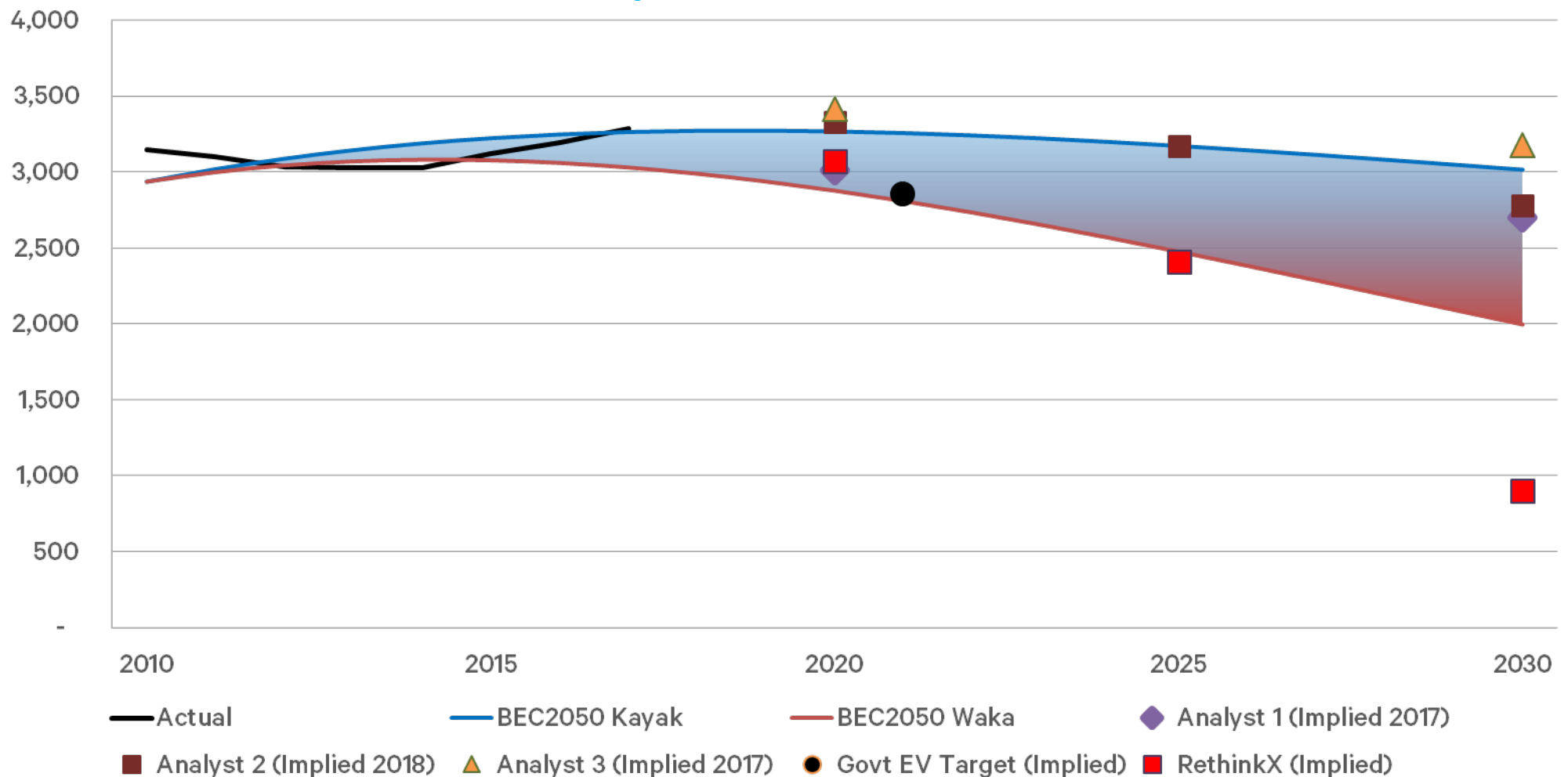
- Insignificant change in lead indicators of disruption, EV uptake continues to grow, from a low base
- Battery pack costs continue to decline however pricing and availability vs internal combustion engine remains challenging

Long term demand scenarios

Industry petrol demand tracking above the more optimistic Kayak scenario



Industry demand for petrol fuels (mlpa)
Range of scenarios to 2030

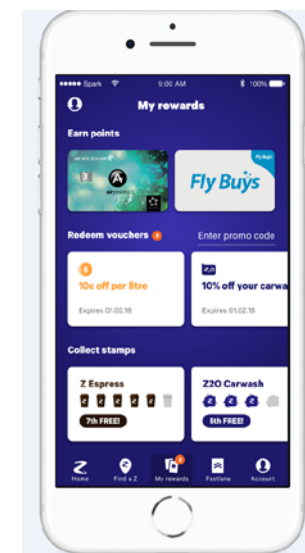


Looking forward

Further growth in earnings for FY19 and a material increase in dividend



- Guidance of \$450-485m of RC EBITDAF includes adjustment for FY18 price lag, Strategy 3.0 delivery, seven months of Foodstuffs contract, one off project costs and RNZ shutdown impacts on both GRM and refinery optimisation
- Majority of \$14-18m of Strategy 3.0 value in FY19 generated in Commercial – truck stops, Jet, distributor and SME opportunities
- Integrity capex of \$40m and one off ICT projects of \$20m, with \$35m growth capex funded by FY18 and some of FY19's divestment proceeds
- Targeting debt repayment of \$30-50m
- Targeting dividend payout ratio of 90-100% of underlying free cash flow, i.e. 50-55 cents per share at midpoint of guidance
- Progressive rollout of new offers arising from CX and Innovation capability
- Commencing an internal focus on Productivity and Digitisation
- Further evolution of Strategy 3.0, with additional core business growth initiatives being worked on and targeting for disclosure at 1H FY19 results announcement



Appendices

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



Financial results

Basis of presentation



- Consistent with 1H FY18 reporting 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 and given the immateriality of associate earnings has included these in RC EBITDAF removing the term 'operating' from RC EBITDAF.

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	FY18	FY17 ¹	Change
Revenue	4,570	3,863	18%
- Fuel margin	685	661	4%
- Non Fuel margin	76	69	10%
- Refining margin	77	58	33%
- RNZ Dividend and other	9	6	50%
RC gross margin	847	794	7%
Operating expenses	(398)	(396)	(1%)
RC EBITDAF	449	398	13%
Depreciation and amortisation	(102)	(89)	(15%)
Net financing expense	(52)	(56)	7%
Other	(8)	(1)	<>
Taxation	(82)	(76)	(8%)
RC NPAT	205	176	16%
Reconciliation from RC NPAT to statutory NPAT			
Tax on COSA	(21)	(23)	9%
COSA (difference between RC and HC Gross Margin and EBITDAF)	78	83	(6%)
Foreign exchange and commodity gains	1	7	<>
Net profit per the statutory financial statements	263	243	8%
HC gross margin	925	877	5%
HC EBITDAF	528	488	10%

Note 1: FY17 RC EBITDAF includes Caltex integration expenses of \$27m

Operating Expenses

Opex per marketing litre reduced from 9.7cpl to 9.6cpl despite impact of RAP outage and shift to capability rather than capital projects in Strategy 3.0



\$m	FY18	FY17 ¹	Change
Secondary distribution	71	64	7
Employee benefits	69	61	8
Administration and other	62	53	9
On-site	59	57	2
Selling commissions	59	58	1
Marketing ¹	28	27	1
Storage and handling	22	20	2
Professional fees	22	23	(1)
Insurance	6	6	-
Total operating expenses (excluding FX on fuel purchases and transition expenses)	398	369	29

Of the \$29m increase, \$18m relates to the additional two months of Caltex included in FY18.

- Secondary distribution – increased \$7m compared to PCP due to additional distribution costs associated with the RAP outage and additional two months Caltex
- Employee benefits \$8m increase to PCP due to Caltex, Z Bio Diesel \$4m, as the plant is getting ready for production, strategy 3.0 delivery expenses and investment in capability – innovation, customer experience, loyalty and data
- Administration and other expenses increased \$9m to PCP due to Z's sustainability commitments, one off NZOSL exit fees and stand alone IT expenses to support the Caltex business

Note 1: FY17 excludes transition expenses of \$27m, also direct loyalty costs have been reclassified to fuel margin reducing marketing costs by \$8m

Items below RC EBITDAF



\$m	FY18	FY17	Change
Taxation (incl. tax impact of COSA)	82	76	8%
Depreciation	62	58	7%
Net financing expenses	52	56	7%
Amortisation	40	31	29%
Fair value movements on interest rate derivatives	9	(3)	<>
Movements in decommissioning and restoration provision	3	(2)	<>
Other	-	5	<>
Gain on sale of fixed assets	(4)	1	<>
Total items below RC EBITDAF	244	222	10%

- Increase in amortisation compared to PCP is due to 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 capital allocation decisions 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 mark-to-market loss

Balance sheet



\$m	FY18	FY17	Change
Shareholders' equity	857	702	22%
Total current assets	1,064	755	41%
Total non current assets	1,741	1,718	1%
Total assets	2,805	2,473	13%
Total current liabilities	950	534	78%
Total non current liabilities	998	1,237	19%
Total liabilities	1,948	1,771	9%
Net assets	857	702	22%

Net asset movement explained by:

- Current assets have increased \$309m on PCP due to higher cash on hand, \$63m and closing inventory, \$178m and higher trade receivables, \$64m
- Increase in total current liabilities of \$410m compared to PCP driven by higher payables, \$207m associated with higher closing inventory holding and \$100m increase in short term borrowings resulting from \$150m bond maturing in August 2018

Working capital



	FY18	FY17	Change
Accounts receivable and prepayments	\$337m	\$278m	21%
Average receivable days	21 days	22 days	(1) days
Closing Inventory balance	\$642m	\$464m	38%
Closing barrels on hand	5.9m	5.0m	0.9m
Average inventory days	50 days	46 days	4 days
Accounts payables, accruals and other liabilities	\$696m	\$431m	61%

- Accounts receivable and prepayments up \$71m compared to PCP due to increasing commodity prices, while average receivable days are down 1 day consistent with Z's proactive cash management
- Closing inventory balance has increased by \$178m due to rising commodity prices and an increase in the number of barrels on hand due to pending refinery shutdown in May 2018
- Payables and accruals have increased \$265m due to ETS obligation, \$50m, driven by increased surrender rate and \$126m product payables due to timing of crude purchasing in 4Q FY2018



3 May 2018

Earnings at upper end of restated guidance in a year of pronounced volatility and operational challenges

Result and Dividend

Z Energy Limited (Z) released its results for the year ended 31 March 2018 today.

Z has delivered Historical Cost Net Profit after Tax (HC NPAT) of \$263 million, up \$20 million from the prior corresponding period (PCP). The 8% increase reflects two additional months' contribution from the Caltex business and an 18% increase in crude oil (Brent) commodity prices.

The changing value of inventory under historic cost accounting can artificially distort profitability, therefore Z also reports its results on a replacement cost basis.

Replacement Cost EBITDAF (RC EBITDAF) increased 6%¹ to \$449 million, at the upper end of the company's guidance range.

Replacement Cost Net Profit After Tax (RC NPAT) was \$205 million, up 16%, principally due to two additional months' contribution from the Caltex business and the delivery of synergies and strategy value arising from the transaction.

Net operating cash flow for the year was \$395 million, an increase of 55% or \$140m over the PCP supporting debt principal repayments of \$75m. Debt coverage stands at 2.1x RC EBITDAF² down from 2.3x at the end of FY17.

The Z Board has declared a fully imputed final dividend of 21.9 cents per share up 10% per share over the PCP bringing total dividends to 32.3 cents per share for the year. The dividend will be paid on 30 May. This reflects Z's dividend policy of "better with you than us".

¹ FY17 RC EBITDAF has been restated to \$423 million to exclude transition expenses of \$27m and adjusted for changes in Refining NZ accounting treatment

² Debt coverage is calculated as gross debt divided by 12 months RC EBITDAF



Drivers of the result

Z's Chief Executive Officer, Mike Bennetts, said that there were four main drivers of the result, synergies, value from strategy execution, refining margin and volume growth in diesel and jet fuel.

"We have delivered a financial benefit of \$39 million in FY18 as a result of the synergies obtained from our increased scale and the business choices we've made since acquiring Caltex nearly two years ago.

"Z's Strategy 3.0, which focuses on a more productive core business, has delivered \$5 million EBITDAF in its first year of execution. This is in line with previously stated guidance, and on track to realise \$35 – 40 million of earnings uplift by FY21," said Mike.

Z reported a change in the volume mix of products sold which was in line with changes in industry volumes. Growth in diesel sales offset the decline in petrol volume, and the increase in 'other' fuels has been driven by a 13% increase in jet fuel volumes in FY18.

Z's non-fuel sales continue to perform well, with Z-branded convenience stores increasing margin by 11%. Average weekly shop sales were up 5% on a like-for-like basis with growth driven by promotional activity and new healthy food offers.

Refining margin grew 33% compared to PCP which reflects the optimisation projects Z has completed with Refining NZ and a 16% increase in processing volumes as a result of the additional two months of Caltex contribution to the result. Average gross refining margins were up \$1.49 per barrel.

Results were offset by lower fuel unit margins, increased operational expenditure (opex) as a result of the Refinery to Auckland Pipeline (RAP) outage, and a price lag that affects commercial sales in a rising crude oil environment.

Z's fuel unit margin of 16.5 cents per litre (cpl) was down on PCP of 17.4cpl, reflecting the change in product mix and growing loyalty costs in the Retail business.

Mike said that fuel market remains intensely competitive with 21 different retail fuel brands in the market, with different levels of service, pricing and discounts.

"In just the past two years, New Zealand has seen 60 new to industry sites built by competitors, effectively increasing industry capacity by 4%," said Mike.

The Refinery to Auckland Pipeline (RAP) was shut down for nearly two weeks in September 2017 while emergency repairs were made. The RAP outage meant significant disruption to Z's network and increased costs of \$7million from using alternative distribution channels and lost Gross Refining Margin.



Results were also impacted by the rising crude environment, which reduced Z's ability to recover product costs within FY18 from Commercial sales, resulting in a price lag of \$17 million.

Health, safety, security and the environment (HSSE)

Robberies continue to be a major source of concern for the safety and well-being of retail site employees, but Z is beginning to see benefits from the new safety measures put in place over FY17 and FY18.

"There were 23 robberies or attempted robberies recorded during FY18," said Mike.

"What's encouraging is that Z has seen a significant reduction in the second half of the year with just two attempted robberies in the fourth quarter of the year.

"While even one would be one too many, we see this as evidence that the training, controls and barriers that have been progressively implemented during the past 18 months are working.

"Notably, 16 out of the 23 robberies recorded this year did not involve any form of staff contact. While we failed to keep the robbers out, we failed in a way that successfully prioritised keeping our staff and customers safe," said Mike.

The company received external certification for ZORM (Z's operational risk management system) under OHSAS 18001 which was confirmed on 28 March 2018.

During the year, the company recorded an HSSE engagement score of 94%, demonstrating that safety amongst all employees continues to be a high priority. Z's score is 11% higher than the top quartile of companies surveyed in the Asia Pacific region.

Building loyalty through capability in innovation and technology

Embedding innovation capability has been a focus in FY18 and the company has invested in high calibre talent that is achieving positive results.

"Outcomes from our innovation capability were seen with the launch in recent weeks of the next generation Z app to all users, and the introduction of [Z Fastlane](#) – a world first – which was built in 13 weeks and currently in trial at nine locations," said Mike.

The company continues to develop a new Customer Experience (CX) capability and framework, which will be critical to building loyalty in an intensely competitive market.



One of six growth initiatives additional to Strategy 3.0 confirmed

Z has entered into an exclusive agreement with Foodstuffs (NZ) Limited (Foodstuffs) to supply fuel to the New World and PAK'nSAVE brands across New Zealand. This replaces the current arrangement between Foodstuffs and Mobil.

Effective from 1 September 2018, Z will supply fuel to 53 New World and PAK'nSAVE branded service stations and will enable the redemption of Foodstuffs (New World and PAK'nSAVE) supermarket dockets at Z branded service stations.

The earnings uplift from the agreement is over and above Z's existing guidance for earnings (RC EBITDAF) growth resulting from the company's Strategy 3.0 projects. For FY19, the uplift for seven months will be largely offset by one-off set up costs to be incurred during the first six months of the fuel supply agreement.

Z's initial forecast is the fuel supply agreement will secure an additional 150 million litres of fuel volume in the first full year, as well as increasing convenience store sales and providing supply chain benefits to Z's integrated business.

Z's General Manager of Marketing, Jane Anthony, said the new partnership of two Kiwi brands will give customers the attractive loyalty choice of being able to shop at the country's favourite supermarkets while getting rewarded with fuel discounts through a Kiwi company.

"This partnership will leverage the capabilities of our respective organisations along with our joint shareholding in Loyalty New Zealand, who operate Fly Buys," said Jane.

New World and Z will continue to participate in the Fly Buys and Air New Zealand Airpoints loyalty programmes allowing customers to choose how they wish to be rewarded for their grocery and fuel purchases.

The Caltex network will not be part of the partnership and will continue to focus on providing fuel discounts through the AA Smartfuel loyalty programme.

Outlook and guidance

For the 2019 financial year Z is forecasting RC EBITDAF of between \$450 - \$485 million and net capex of \$60m. Capex comprises Integrity capex of \$40m and one off ICT projects of \$20 million. Additionally, \$35m of growth capex is funded from divestments consistent with the stated intention to recycle capital.

The company is also providing one off guidance on expected dividends. In FY19, at the midpoint of earnings guidance the Board expects to pay a dividend of 90 – 100% of underlying free cash flow, equating to 50-55 cents per share.



In summarising FY18, Mike said that it's been a year of execution, productivity and capability building for Z.

"The business is delivering as promised, with initiatives in the short and medium term to provide profitable growth in earnings.

"Through all of this, we continue to have an eye prudently on the longer term challenges," said Mike.

A conference call for media and investors will be held at 10am, Thursday 3 May 2018.

Dial in details have been provided at <https://investor-centre.z.co.nz/investor-centre/assets/Uploads/FY18-results-date-and-details.pdf>

Investor: Matt Hardwick 027 787 4688

Media: Sheena Thomas 027 551 2589

	2018 \$m
Statutory net profit after tax	263
COSA	(78)
Foreign exchange and commodity (gains) on fuel purchases	(1)
Tax benefit on COSA	21
Replacement cost net profit after tax	205
Depreciation and amortisation	102
Net financing expense	52
Fair value movements in interest rate derivatives	9
Taxation (including tax on COSA and foreign exchange and commodity gains and losses on fuel purchase)	82
(Gains) / losses on sale of PPE and impairment	(4)
Movements in decommissioning and restoration provision	3
Replacement cost EBITDAF	449

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

3 / 5 / 2018

Nature of event
Tick as appropriate

Bonus
Issue

☐

If ticked,
state whether:

☐

Taxable

☐

/ Non Taxable

☐

Conversion

☐

Interest

☐

Rights Issue
Renounceable

☐

Rights Issue
non-renounceable

☐

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

Treatment of Fractions

Enter N/A if not
applicable

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)

\$0.219

Source of
Payment

Retained Earnings

Excluded income per security
(only applicable to listed PIEs)

Currency

NZ Dollars

Supplementary
dividend
details -
NZSX Listing Rule 7.12.7

Amount per security
in dollars and cents

\$0.038647

Total monies

\$87,600,000

Date Payable

30 May, 2018

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

\$0.015208

Imputation Credits
(Give details)

\$0.085167

Foreign
Withholding Tax

FDP Credits
(Give details)

Timing

(Refer Appendix 8 in the NZSX Listing Rules)

Record Date 5pm

For calculation of entitlements -

18 May, 2018

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.

30 May, 2018

Notice Date

Entitlement letters, call notices,
conversion notices mailed

Not applicable

Allotment Date

For the issue of new securities.
Must be within 5 business days
of application closing date.

Not applicable

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:



Appendix 1

Full year reporting periods

Reporting period	Twelve months to 31 March 2018
Previous reporting period	Twelve months to 31 March 2017

Results for announcement to the market

	Twelve months to 31 March 2018 (NZ \$m)	Percentage change
Operational results		
Revenues from ordinary activities	4,750	23%
Profit (loss) from ordinary activities after tax attributable to security holders	263	8%
Net profit (loss) attributable to security holders	263	8%

	Amount per security (NZ cents)	Imputed amounts per security (NZ cents)
Dividends – Ordinary shares		
Final dividend	21.9	8.5167
Record date	18 May 2018	
Payment date	30 May 2018	

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. Appendix 1 should be read in conjunction with the Group financial statements for the twelve months ended 31 March 2018 contained in the Annual Report.

Net tangible assets per security

	31 March 2018 (NZ cents)	31 March 2017 (NZ cents)
Net tangible assets per security	9	1

Subsidiaries, associates and joint operations

	Percentage holding
Subsidiaries	
Z Energy 2015 Limited (formerly Chevron New Zealand)	100%
Harbour City Property Investments Limited ¹	0%
Z Energy ESPP Trustee Limited	100%
Z Energy LTI Trustee Limited	100%
Challenge Petroleum (dormant) ¹	0%
Associates²	
Loyalty New Zealand Limited	25%
New Zealand Oil Services Limited	50%
Wiri Oil Services Limited	44%
Coastal Oil Logistics Limited	50%
Joint operations	
<i>The Group has participating interests in five unincorporated jointly controlled operations relating to the storage and distribution of petroleum products</i>	
Joint User Hydrant Installation (JUHI) ³	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) ³	40%

¹ On 29 March 2018 Harbour City Property Investments Limited and Challenge Petroleum were amalgamated into Z Energy Limited.

² 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).

³ 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 decreased its interest in the JUHI to 33% and its interest in the WAP to 40%.

Accounting standards

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ('NZ GAAP') and the Financial Reporting Act 2013. They comply with the NZ equivalents to International Financial Reporting Standards ('NZ IFRS') as appropriate for profit-oriented entities, and with International Financial Reporting Standards ('IFRS'). 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.



Audit

This report is based on the audited financial statements. KPMG has provided an Audit report on the financial statements which is attached.



3 May 2018

Company Announcements Office
Exchange Centre
Level 6
20 Bridge Street
Sydney NSW 2000
Australia

Z Energy Limited (ZEL) – COMPLIANCE CONFIRMATION UNDER ASX LISTING RULE 1.15.3

For the purposes of ASX Listing Rules 1.15.3, Z Energy Limited confirms that it continues to comply with the NZX Main Board / Debt Market Listing Rules.

Yours Sincerely

Debra Blackett
Chief Governance Office



3 May 2018

Z Energy Limited – 2018 Annual Report is now available

Dear Shareholder

Our annual report for the period 1 April 2017 to 31 March 2018 is now available and can be viewed or downloaded by shareholders on our website <https://investor-centre.z.co.nz/investor-centre/home/announcements-and-reports/> at any time.

Annual reports and half yearly reports, which will be available in May and December respectively each year, for all future accounting periods will similarly be made publicly available on our website (as noted above) as they are published. These annual reports and half yearly reports will remain available on our website for at least 5 years.

The law says that companies like Z Energy may make their annual and half yearly reports available by electronic means, and only provide printed copies to investors who have elected to receive them in that form.

I want to be really straight up with you that we have a strong preference for electronic annual reports. Not only are they much more sustainable and cost-effective but they also provide a much more interactive platform through which we can communicate with each other.

I recognise that some people have a preference for a hard copy, so of course you have the right to request a free printed copy, of the most recent, and future, annual reports and half yearly reports to be directly sent to you. If you opt for a printed report we will print and post one to you, free of charge, each time that a report is published.

To help ensure we print only the number we need, please tick the box below and return this form to Z Energy's registry, Link Market Services, either by:

- Requesting this through the Link Market Services Investor Centre on: <https://investorcentre.linkmarketservices.co.nz> and electing 'communication preferences' from the menu. You will need to provide your holder number/CSN and FIN for secure access to your holding.
- Mailing it in the reply paid envelope supplied (if received by post). If you mail this from outside New Zealand please affix the necessary postage.
- Fax to +64 (9) 375 5990.
- Scanning and emailing it to operations@linkmarketservices.com (please put Z Energy annual report in the subject line for easy identification).

I would like to receive a hard copy of the annual and half yearly reports

☐

Please mark this box with a "✓" if you wish to receive a printed copy of Z Energy's annual and half yearly reports (when available). Should you wish to change your election you need to advise the Link Market Services in writing.

Previous election no longer apply

If you have previously requested Z Energy to send you hard copies of annual and half yearly reports, you should note that section 209C(2) of the Companies Act 1993 means that those previous requests no longer apply, and you will

need to "refresh" your requests in accordance with the instructions above to continue to receive hard copies.

Electronic communications

If you have received this notice by mail, you can now elect to receive your future Z Energy investor communications by email, by providing the registry with your email address in the space provided below.

Again, I'd encourage you to opt for the electronic option if you can and if it works for you.

Please communicate to me by email to the following email address as provided below:

The Z Energy annual report referred to above is required to satisfy Z Energy's obligations under the Companies Act 1993, the Financial Markets Conduct Act 2013, the NZX Main Board / Debt Market Listing Rules and the ASX Listing Rules. This notice was given to you under regulation 61E of the Financial Markets Conduct Regulations 2014.

Thanks again for your support of Z Energy.

Yours Sincerely,

A handwritten signature in blue ink, appearing to read 'Mike Bennetts', with a stylized flourish at the end.

Mike Bennetts
Chief Executive
Z Energy Limited