



3 April 2014

Z Energy market update

Earnings guidance

Z Energy today confirmed earnings guidance at between \$205 million and \$215 million of Replacement Cost Operating EBITDAF for the full year to 31 March 2014.

This is consistent with Z's guidance at its half year results.

Annual result date

Z Energy also confirmed its annual result for the 2014 financial year will be released to the NZX and ASX on the morning of 8 May.

Institutional investor update

This afternoon Z Energy will hold an investor update for institutional investors in Wellington.

The presentations will be focused on the next iteration of the company's strategy and presentations will be recorded and uploaded to Z Energy's investor centre by midday tomorrow 4 April for anybody to watch at z.co.nz/investor.

The slides for the presentation are released with this update to both the NZX and ASX as well as at z.co.nz/investor.

Z update on biodiesel production facility

Z Energy also announced it intends to invest \$21 million in a domestic biodiesel manufacturing plant to be built in Auckland and the associated supply chain infrastructure in Auckland and Mount Maunganui.

The investment will be made over the 2015 financial year and will see Z Energy producing 20 million litres of sustainable biodiesel per annum. The biodiesel will be manufactured from inedible tallow feedstock and will satisfy the highest New Zealand and European fuel specifications.

Z Chief Executive Mike Bennetts said while Z has publicly discussed the potential for this project in the past, the Z Board has approved the project, subject to the completion of regulatory and resource consenting – including approvals from competitor companies to construct a blending facility at the Wiri fuel terminal - and the finalisation of key contracts.

“We appreciate that others have tried and failed to bring domestically produced biodiesel at this sort of scale to the New Zealand market. However we have refined and investigated this particular option rigorously over the last four years, we are not trying to grow a feedstock supply and with the core of our business in distribution and marketing

liquid transport fuels we have confidence in our ability to successfully bring biodiesel to the New Zealand market."

Mike Bennetts said the company has had conversations with a number of core commercial customers who have expressed commitments to take volume from Z's initial production.

"We expect strong customer support for a high-quality, genuinely sustainable biodiesel and indeed our decision to proceed is at least partially based on these indications of support."

Mike Bennetts said Z's biodiesel would be manufactured from a by-product of New Zealand's agriculture industry, would create local jobs and would enable customers to choose a diesel option that lowers their carbon footprint and produces cleaner emissions.

"I want to be clear that the economics around biofuels remain very challenging and we have worked this project non-stop for four years to get to this point. We believe we have the knowledge and capability to manage the various operating and financial risks while offering our customers a quality product at a similar price to mineral diesel," said Mike.

"While we are mitigating the level of downside risk through feedstock supply chain agreements, the extent to which this project is a success will be determined by how much customers value a cleaner, more sustainable alternative."

Mike Bennetts said initial production would likely be allocated to commercial customers who would typically use the biodiesel in B5 to B20 (five to 20 per cent biodiesel to mineral diesel) blends in heavy vehicles but the company expected to also supply upper North Island retail sites with a B5 biodiesel blend.

"We didn't enter this industry to be just another oil company and we are advantaged in that we have the flexibility and the scope to look at non fossil fuel options.

"We aspire to give our customers different choices around the things that really matter to them. We're prepared to be first and to stand for the possibility of a more sustainable transport fuel industry," he said.

Mike Bennetts said the option existed to double the plant's production to 40 million litres of pure biodiesel quite quickly if consumer demand and the economics supported it.

"We will provide more updates on this project over time, including confirmation of when the few outstanding conditions have been satisfied and construction can begin."

Initial plant plan drawings attached.

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