

21 June 2018

Chair's address
Z Energy ASM
3 Queen's Wharf
Wellington

Introduction and welcome

It is 3pm - if I could call the meeting to order.
Good afternoon and welcome to the 2018 Z Energy annual shareholders meeting.
My name is Peter Griffiths and I am Chair of the board of Z Energy.

It is my pleasure to welcome you to the Z Shed here in Wellington and also to welcome everyone who is joining us virtually over the internet or by phone. We are very pleased to have so many of you here connected to us today.

For those of you in the building, if there is a need to evacuate the building for any reason our alarm will ring and we will exit through these doors, go down the stairs and gather over on the far side of the courtyard in front of us. If there is an earthquake - please drop, cover, and hold and we will follow the wardens' instructions after the shake. Bathrooms are out the door to my left.

We will be using some slides during the meeting. For those of you on line you will be able to see these and follow us along. They will also be on our website.

Let me introduce my colleagues on the board. Abby Foote, Julia Raue, Mark Cross, Al Dunn and Steve Reindler. We also of course have Mike Bennetts our CEO here and I can see in the front rows we have other members of the Z leadership team. Our legal advisors from Minter Ellison Rudd Watts and Chapman Tripp are here and our auditors from KPMG are also present.

Shortly I will hand over to Mike. After he has spoken we will take questions. I then intend to move us on to the formal part of the meeting. We have three resolutions to consider today. First, we are seeking your support to fix the fees of the auditors and second, we will be proposing the re-election of two directors. I will ask each of them to make a few remarks and again there will be an opportunity for questions. We will be taking a poll on each resolution.

If you have not already voted and are participating online, your notice of meeting contains instructions on how to cast your vote. If you are in the room you will need to mark up and hand in your voting paper before leaving. Shareholders participating by telephone only will have an opportunity to vote at the conclusion of the meeting.

We have received a large number of postal votes and the results of these will be displayed behind me at the appropriate time. The Chair, and the other Z directors, hold 280,264,533 proxies which we will cast during the meeting.

The final results of the voting will be announced to the market later today.

For those of you on line our operator, Laura will be assisting us in taking questions from you during the meeting.

After the meeting, I invite you to join us for a tea or coffee.

Before I hand over to Mike I would like to make a few remarks.

Chair's address

Thanks and acknowledgement

I want to start by acknowledging all the people who have made the last year a successful one for your company.

The year in review

We were very busy with some large key projects that will set us up well for the future. I would like to mention some of them. We were also particularly challenged by external events.

Firstly, Project Jade, the renewal of our Enterprise Resource Plan or ERP - the core IT system that touches every single part of our business activities. Jade involved significant expenditure - \$34.4 million, a core team of 89 people, considerable effort and change from within the company. These types of projects are notoriously challenging. However, in this case the project was a significant success – it delivered what Z needed, was on budget and on time. One of the key stats for removing complexity in our business was bringing the number of customisations down from over 500 to under 100. None of the major risks identified by the team happened. As intended, most of our customers and suppliers didn't notice the bump. This didn't come about by accident but was the result of the hard work of a large team of people. I want to acknowledge their efforts and congratulate them. Jade will enable a smart future for Z. You will hear Mike talk about how we improve the productivity of the business. Jade is an example of this.

Not all our projects are on time and on budget. Our biodiesel plant, Te Kora Hou, has been a challenge it has taken a lot longer and cost more to construct and commission than originally intended. However, it has recently reached a major milestone, producing on-spec, Z Bio Diesel at scale. Our current focus is now on producing the required volume to allow initial deliveries to our foundation customers who have been with us every step of the way. Once we are producing sustainable supply, we'll move into a full commercial roll out from Taupō to Warkworth.

Post the Chevron purchase, we have been working a number of initiatives to capture the competitive cost advantage that our greater scale should generate.

One of these is Project Pataka which is bringing our terminal operations in house. Previously our terminals were operated by New Zealand Oil Services Limited - a JV between Z and BP. Chevron had always managed their own terminals. Post the acquisition, we could see the costs and benefits of both operational styles. Bringing all operations under a single operational system where we have full control will ensure the competitive advantage of a significant national network will fall to us.

We have also recently tendered for the delivery of our combined fuel volumes and awarded a new contract for all our requirements to a single haulier - again achieving the benefits of our increased size.

Where we see there is still a benefit in scale that we can't achieve on our own, we will work with partners. We have historically done this in the purchase of crude supplies for the New Zealand refinery at Marsden Point. We have recently changed our purchasing partner from BP to Mobil to further improve our returns.

These are all positive steps that occurred during the last year.

But it hasn't all been smooth sailing. The Refinery to Auckland Pipeline rupture in September last year created an unprecedented significant shortfall in supply of fuels of all types in Auckland and put all of the Z team's crisis management training into practice.

The physical damage was quickly found and rapidly repaired. However, the disruption to fuel supplies went on for considerably longer as it took an extended period to not only satisfy immediate shortfall in demand but also to rebuild stocks to proper levels. While many Z customers were unfortunately inconvenienced, the disruption was most keenly experienced by the aviation industry as the years of rapid growth in demand at Auckland airport had reduced the capability of the supply system to respond to unexpected events.

The possibility of disruption of this type was not entirely unknown. Z wrote to the government advising of this risk in 2012. The progressive closure of other Auckland fuel facilities, particularly those in Freemans Bay, to make way for other uses of those areas have meant that there was an increasing reliance on the pipeline and that any issues there would impact Auckland supply very quickly. Despite the high level of care and protection afforded to the system, undetected illegal excavation activity damaged the pipe wall leading to its eventual failure.

The world we operate in

The Government has announced an inquiry into supply chain resilience and we are very interested in participating in that process when it gets underway. The Z team are looking at possible options and would like to be a part of the solution to improve the resilience in the Auckland supply chain, but we will only do this if it makes commercial sense for us to do so

This is not our only area of scrutiny; petrol prices have reached a new high in the last few weeks as international crude and product prices recover from an extended period of record lows and government levies are increased and for the first time we will shortly see the application of a regional petrol tax.

At this meeting last year, I spoke to you about how competitive the NZ fuels market actually is. That statement remains true a year on and there is an increasingly diverse range of participants and their share of the market is growing. There are now 23 retail brands. The number of retail outlets is actually growing, not decreasing, principally as new entrants continue to invest and build out their networks. This is happening throughout the country in both islands. Of the current 1301 stations, about 561 of them have their prices set by independent parties outside the traditional big oil companies. As a result of these different price setters, we are seeing pockets of intense competition as the local market dynamics play out. The areas of low price or discounting are moving around all over New Zealand. It is not a blanket cheap in the north versus pricy in the south situation as often reported. You may be surprised to know the cheapest fuel in the last month was actually in Invercargill.

We will of course participate in the study by the Commerce Commission, using its announced, but not yet conferred Market Studies power. When this study will actually take place is still some way off with no firm dates announced. However, we remain confident that any study will find the market is competitive and even in the event that there are some changes mandated we are equally confident that Z will be able to compete very successfully and continue to return appropriate returns to its owners – you, our shareholders.

What matters today

We know EV disruption is coming, we're planning for it, but it is a way off. In the near term and I mean the coming decade we expect the liquid fuels market to continue to be an essential part of the New Zealand's economic success. This will provide us with a significant and ongoing opportunity to be a vibrant and successful business. We intend to remain the market leader and to continue to solve what matters for a moving world for New Zealanders.

Thank you for your attendance here today and your support of Z Energy over the past year.

I will now hand over to Mike Bennetts to share his perspective on the year and how we are setting ourselves up for the future.

Chief Executive's Review

Thank you very much Mike.

Questions

Now we will have some time to answer questions. This year we have received a number of questions from shareholders in advance of the meeting. I will go through these questions now and then we will take questions from the floor, online and over the phone.

First, Kevin Taylor has asked, "why do we [Z] not have a dividend reinvestment scheme?"

We have looked at doing this over the years and it is our view that if a shareholder wants to reinvest their dividend with us, then they are free to do so. Most dividend reinvestment schemes offer reinvestment at a discount to market share price. We have deliberately chosen not to do this as we feel it advantages one group of shareholders over another. The way we see it, "better with you than with us". We'd rather give all of our shareholders the dividend, and let you all make the decision on whether to reinvest that with Z or not at a market price, without diluting the value (increasing the number of shares) for others.

William Robert Ellicott has asked, "would the Directors of Z Energy consider including Super Gold Card holders in their discount Policy? Presently Gull Stations offer a 10 c per Litre discount to Gold Card Holders 24/7 in Dunedin and they capture a considerable volume of Business.

Z does not currently have any plans for a national offer for Super Gold Card. However, we do have a standard Fly Buys offer in play which allows all participating card holders an immediate 6 cents per litre off pump price - combined with frequent promotional offers.

We have received a few shareholder questions with similar themes – namely the future of Z and EVs. In relation to the future of Z, Dora Roberts asked which direction Z's Research and Development is headed And Jo Anne Maree Bain has stated that some stock brokers are saying Z will be good for another 10 years or so but what is Z going to do after that?

I hope Mike has answered these questions through his presentation, but to reiterate, we are generating options with a specific focus on three particular areas. They are Future fuels which is where we are focusing on the adoption of low / zero carbon products, Mobility which we are defining as Future movement of people and Last Mile - looking at ways we can leverage off our network of service stations for the delivery of goods and services.

We **are** good for another 10 years, and beyond that. We think there is a lot of value still to be gained from our existing business. Yes, disruption is coming to our industry, but it is a long way off. We don't know exactly when it is, and we don't know exactly what we are going to do in the face of it. We think you should be more concerned about our future value if we did. It's too early for us to be 'backing a single horse' and be really defined about exactly what we will be doing a decade from now. We are working on lots of things, and we are learning a lot. For now, we are exploring our options within a defined set of criteria.

As regards to electric vehicles specifically, Jonathan Vee Leong The asked how Z will diversify to address the threat of EVs and Paul Clarke asked how EV uptake is likely to affect shareholder returns. I shall answer these questions together.

I reiterate, we are working on lots of things in order to diversify Z's offering. But I'd also like to clarify that we don't really see EVs as a threat, but rather as an opportunity. An opportunity for us to really make a difference at be at the heart of the solution for NZ.

We still live in a world where oil is the transport fuel of choice – no other energy source has yet combined the same availability, storability, and energy density. We believe that from the middle of the next decade, demand for petrol and diesel will start to decline as traditional internal combustion engines are replaced in greater numbers by electric vehicles. We can see the 'sunset' coming. This is not a blind-disruption scenario. We have the time to prepare and the benefit of seeing how the decline plays out in other markets across the world before it happens in New Zealand. So we've lots of time and we'll be using it to make sure we diversify in the right places.

A further question was asked by Paul Clarke, "can you please advise how sustainable a business model it is for Z to have on average retail fuel product prices generally at the upper end of the pricing relative to other service stations and also how much would Z's profitability be affected if its fuel prices were brought in line exactly with its competitors."

Returns can still be attractive in an industry in decline. In our industry, we'd have minimal excess capacity (terminal storage facilities) and low price elasticity of demand. Consolidation can occur, and Z has already done this – with possibly more to come. Our medium-term focus is on maximising value from the core business we know today. It's a capability-led strategy to increase productivity by optimising the scale of the two businesses (Z and Caltex NZ) we joined together.

Thank you all for sending in those questions.

Does anybody have any questions they would like to ask of either Mike or me from either online or in the room? There will be an opportunity for questions at the end of proceedings, but we are prepared to also take a few now.

Are there any questions from telephone participants?

Thank you for that question.

Are there any further questions from telephone participants?

Thanks.

Ordinary resolutions

I will now move to the formal part of the meeting, being the vote on the three resolutions contained in the notice of meeting.

As I mentioned earlier, the vote on all of these resolutions will be by poll. For those of you in the room, you will need to mark your voting paper for each resolution and these will be collected at the end of the meeting. For those of you online you will need to follow the instruction on the screens. Your votes will be recorded and the results will be released to the markets and posted on our website as soon as they are available later today.

Resolution 1 is that the Board be authorised to fix the fees and expenses of KPMG as auditor for the next year.

If anyone has any questions regarding this resolution, please ask these now.

If you could please mark your papers and record your votes on that resolution. Thank you.

The final two resolutions concern the election of directors.

Resolution 2 is that Ms Abby Foote, who retires by rotation and is eligible for re-election, be elected as a director of Z Energy Limited.

I will now invite Abby to briefly address the meeting.

Thank you Abby.

If anybody has any questions they would like to ask Abby, please feel free to do so now. Are there any questions from telephone participants?

Are there any further questions from telephone participants?

If you could please mark your papers and record your votes on that resolution. Shareholders participating by telephone will have an opportunity to vote at the conclusion of the meeting. Thank you.

Resolution 3 is that Mr Mark Cross, who retires by rotation and is eligible for re-election, be elected as a director of Z Energy Limited.

I will now ask Mark to briefly address the meeting.

Thank you Mark.

Does anybody have any questions they would like to address to Mark?

If you could please mark your papers and record your votes on that resolution. Shareholders participating by telephone will have an opportunity to vote at the conclusion of the meeting. Thank you.

In the interests of time, I will move on and encourage any further questions to be asked either over a cup of tea in just a few minutes' time or directly through Z.

The company has multiple feedback channels including the company's Facebook page, website at z.co.nz, including its investor centre, or a good old fashioned phone call. Please feel free to contact Z's management at any time with anything at all that is on your mind. In particular, I would appreciate your feedback on the format and experience of this annual shareholders' meeting.

That brings us to the end of this 2018 annual shareholders meeting. Thank you for your attendance and participation today both here in the room and to those on the phone and on-line.

If you could place your papers in the ballot boxes provided as you exit this room that would be much appreciated. Shareholders participating by telephone only will be able to vote following close of the meeting using their dial pad. Please follow the operator instructions to complete your vote.

Results will be posted as soon as they are available.

I declare this meeting closed.

Please join us for refreshments.

Thank you.