2014 Full Year Results

For the year ended 31 March 2014

8 May 2014

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 8 May 2014. It should be read subject to and in conjunction with the additional information in that release, other material that we have released to NZX and ASX and our combined Investment Statement and Prospectus dated 25 July 2013. That 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 Pro Forma results and results calculated on the basis of New Zealand "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 Limited on the basis of expert financial advice.

Please observe any applicable legal restrictions on distribution
Distribution of this presentation (including electronically) may be restricted by law. You should observe all such restrictions which may apply in your jurisdiction.

Disclaimer
To the maximum extent permitted by law, we will not be liable (whether in tort (including negligence) or otherwise) to you or any other person in relation to this presentation, including any error in it.

Headline financials

Operational and financial momentum continues

Key Financials	FY14	FY13	Variance
Historical Cost Net Profit After Tax (HC NPAT)	$95m	$137m	(31%)
Pro Forma Replacement Cost NPAT (RC NPAT)	$101m	$138m	(27%)
Replacement Cost Operating EBITDAF (RC Operating EBITDAF)	$219m	$196m	12%

Final dividend declared	14.3 cps

- Total dividends of 22 cps as per Prospective Financial Information (PFI) forecast

- RC Operating EBITDAF above guidance due to year end valuation of inventory positions: $4.8m of unrealised FX and commodity gains likely to unwind in 1Q FY15
- Growth in RC Operating EBITDAF earnings consistent with previous three years CAGR of >10%
- Delivery of earnings demonstrates the benefits of being integrated and responsive to changing market conditions
- Final year of three year strategy programme delivered on time with results consistent with business cases
- FY13 RC NPAT included after tax profit on sale of property assets of $46m relating to sale and leaseback initiative

Note: *HC NPAT has been calculated in accordance with NZ GAAP. RC Operating EBITDAF has been calculated on the basis of "replacement cost accounting". In this presentation, we show results calculated in accordance with NZ GAAP, pro forma results and results calculated on the basis of "replacement cost accounting". It is very important that you understand how the pro forma results and "replacement costs" results relate to our NZ GAAP results, so please read the explanation and consider the reconciliation information in the appendices.*

Health, Safety, Security & Environment

Some improvements while front footing impending legislative changes

Operational metrics	FY14	FY13
Total recordable case frequency (TRCF)	4.72	3.28
Lost time injuries (LTI)	13	8
Number of Lost Time Days	50	66
Number of spills (loss of containment)	1	8
Security incidents (robberies only)	5	5
Product quality incidents (red, i.e. high risk)	0	0
Process safety incidents (Tier 1 & 2)	0	0

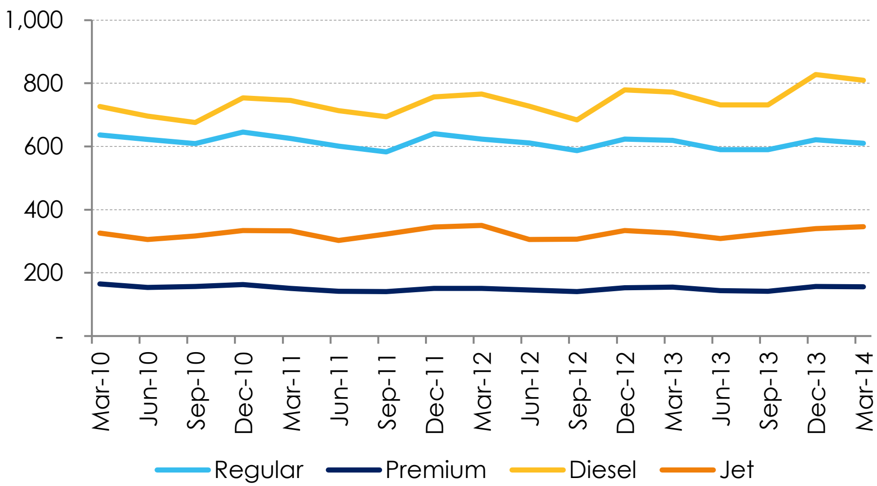
- The process of learning from incidents is enabled by the improved capture of events using the new incident reporting system
- No employee LTIs, however attention remains on those who are not employees but who work on our sites and projects
- Multi year investment underway for on site deterrents (e.g. CCTV license plate recognition) which protect people and assets
- Continuing to take a proactive approach to the impending changes to the legislative environment:
  - Z representatives on three WorkSafe NZ guidance groups
  - Benchmarking Z's HSSE Management System to international standards

- *The reporting environment captures Z employees, Mini-Tankers franchisees, Retailers' employees (207 sites) and tanker drivers from Pacific Fuel Haulage, contractors from City Care, Gilbarco, Chemicals, Aviation, and the Awanuia.*
- *Total recordable case frequency is based on total number of LTI (loss time injuries), RWI (restricted work injuries) and MTI (medically treated injuries) per 200,000 work hours.*

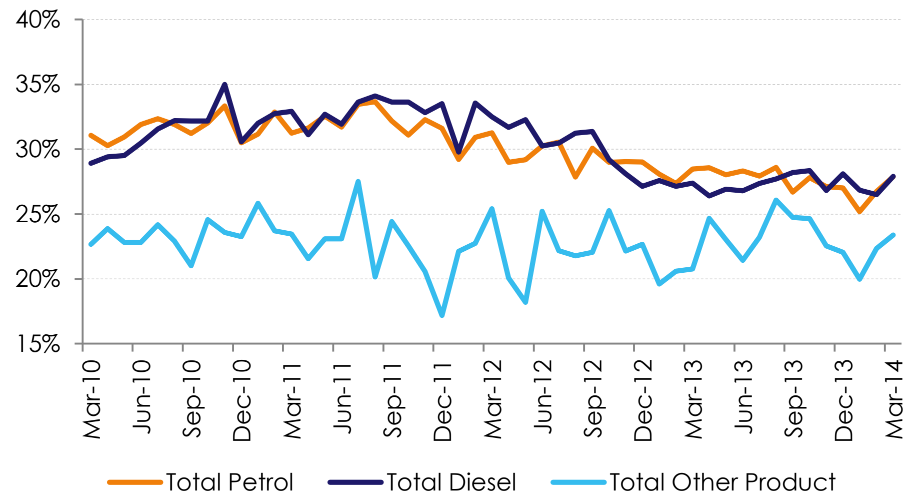
Trading conditions remain competitive

Continue to target an optimal mix between volume and margin

Quarterly industry volumes - million litres



Market share



- Industry petrol volumes are -0.8% on the prior year compared to full year PFI of -2.0%
- Industry diesel volumes are +4.6% against prior year compared to full year PFI of +2.0%
- Business and consumer confidence remains strong however higher price points and adverse weather dampened consumer demand for some weeks in 2H

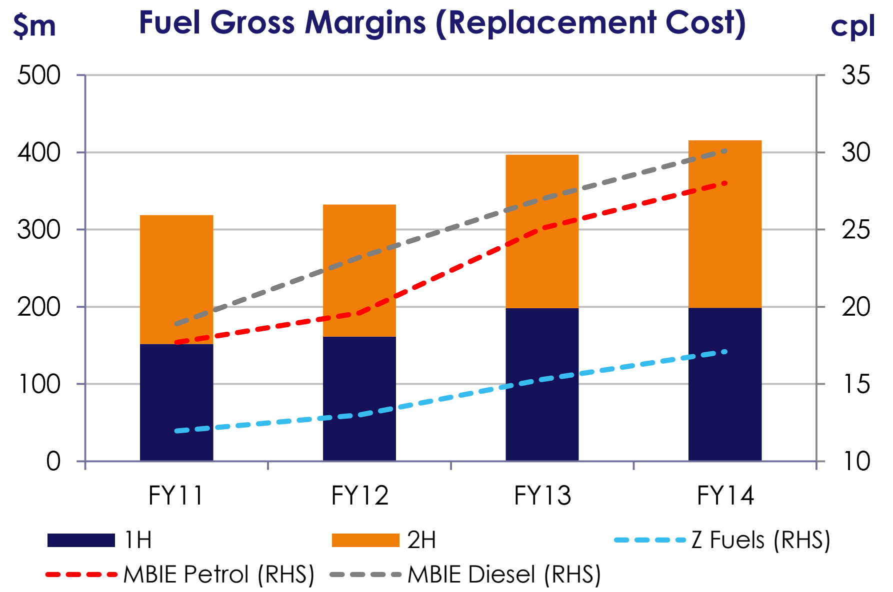
- Market share data does not include supply sales and exports
- Retail trading conditions in 2H similar to the back end of 1H (e.g. continued price promotions) although Z has been regularly and selectively matching up
- Commercial trading conditions in 2H characterised by increased competition for large volume diesel and jet tenders

Sources: Industry Exchange data as at March 2014

Fuel margin up 5% over pcp

Procurement and portfolio optimisation delivers material benefits

Sales volumes (ml)	FY14	FY13	Variance
Petrol	832	884	(6%)
Diesel	852	874	(3%)
Other	634	656	(3%)
Supply sales and exports	114	92	24%
Total sales	**2,432**	**2,506**	**(3%)**



- Decline in petrol volumes due to optimising the volume and margin mix, but this was not sufficiently offset by new sites and rebuilds
- Volumes sold through supermarket dockets were down 38ml compared to pcp
- Diesel decline has turned around in 2H as we selectively acquire new accounts
- Supply sales capture both non discretionary fuel oil exports and tactical supply chain decisions – only 16ml in 2H compared to 98ml in 1H

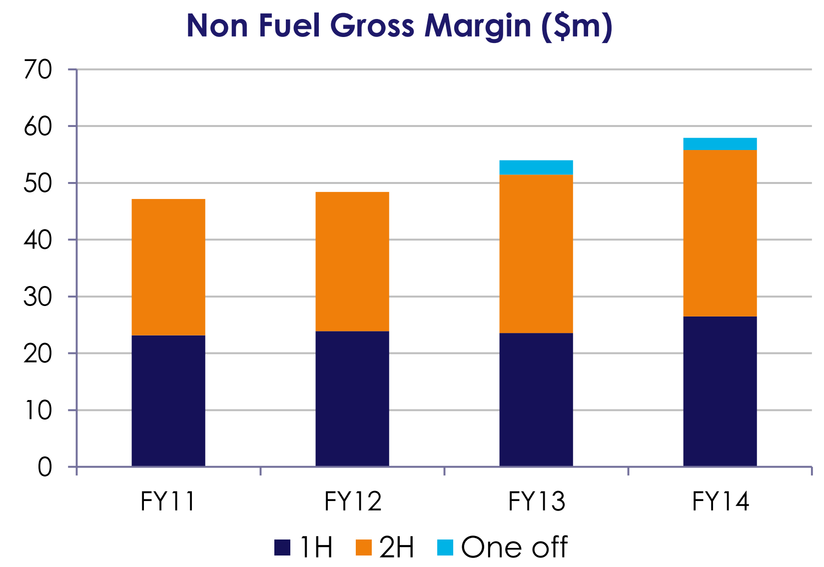
- Unit margins at 17.1 cpl (cents per litre), ahead of the full year PFI of 16.5 cpl
- Commercial gross margin improved in 2H due to the usual seasonal product mix
- Z's average Retail fuel gross margin in 2H was 1.8 cpl higher than 1H
- Weekly Ministry of Business Innovation and Employment (MBIE) data does not capture impact of "off price board" discounting and promotions

Non fuels margin up 7% over pcp

Growth from investments coupled with improved execution

Operational metrics	Tier 1	Tier 2	Tier 3
Number of stores	80	23	104
Average weekly shop sales	$37k	$22k	$19k
Like for like sales growth	+9%	+4%	+0%
Total transactions YoY	+0%	-1%	-6%
Store transactions YoY	+7%	+5%	-4%

- Planned store upgrades completed by July 2013
- Decline in total transactions driven by decisions on optimising fuel margins and the competitive conditions in the market
- Growth in store transactions reflecting the enhanced range and growing awareness of the offer



- FY13 and FY14 gross margins include one-off insurance refunds relating to Christchurch earthquakes of $2.5m and $2.1m respectively
- Store royalty +8% compared to pcp
- Coffee sales of ~50k units per week
- Highest growth categories were coffee, food and chilled beverages
- Carwash sales +13% compared to pcp

Refining margin down 20% over pcp

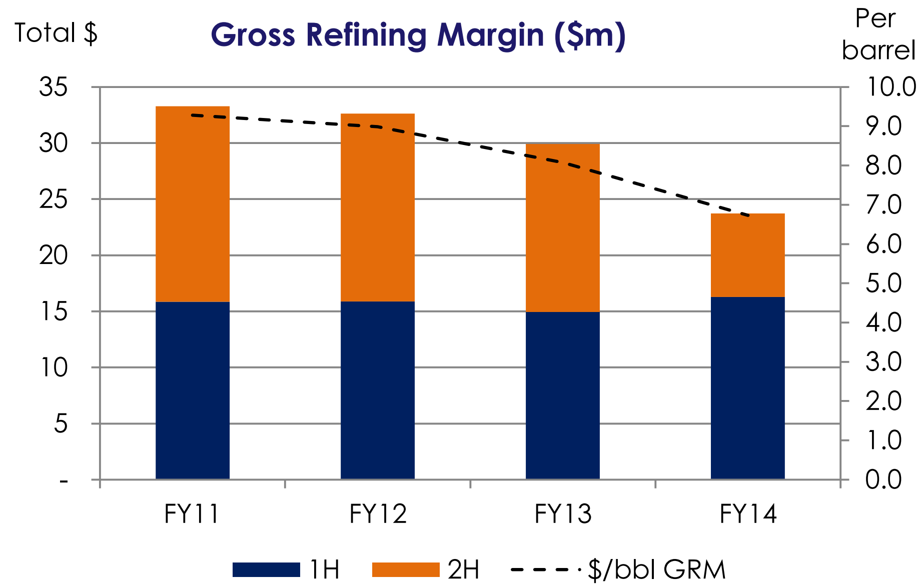
2H margins significantly lower than PFI and half year forecasts

Macro environment

- In 2H NZD/USD traded at higher end of range for an extended period of time
- Renaissance in US refining due to shale oil production has impacted refining margins on a global basis

Local conditions and refinery performance

- Full year processing volumes were 11.7 million barrels, a reduction of 0.9 million barrels to PFI with two refinery shutdowns in the year compared to the PFI assumption of just one
- 4Q FY14 shutdown was 22 days longer than planned with $4-6m of downside to materialise in 1Q FY15
- Refining NZ will improve underlying competitiveness through a number of margin improvement projects over the next two years ahead of Te Mahi Hou being on stream in 2016



Refining margin $m LHS and per barrel margin RHS

FX rates and underlying refining margins had a material impact on FY14 actuals compared to PFI:

- Refining margin is -$8m to PFI affecting both EBITDAF and NPAT
- Equity accounted earnings are -$10m to PFI affecting NPAT

Strategy projects support momentum

Programme delivered on time with results consistent with business cases

FY14 was the final year of the current three year programme

- New imported product contract started on 1 January 2014 with reduced costs of $2m per annum
- 100 store refits completed in July 2013 with sales tracking to plan
- Opened five new retail sites (plan of seven) and zero rebuilds (plan of one)
- “Speed” offers in Retail: stretchy hoses, diesel on all lanes and upgraded point of sale operating by December 2013, with pay at pump roll-out due for completion in July 2014
- Retail and Commercial customer satisfaction metrics continue to lead the market
- Continual progress on projects that address Commercial customer dissatisfaction, e.g. incorrect invoices down by 90%
- Truck delivery optimisation benefits realised through further IT investments
- Closure and decommissioning of Gracefield plant and exit from the Chemicals business – plant now being offered to international buyers and site being readied for sale as alternative use

Delivering against IPO forecasts

Pro Forma Results are stated as follows:

$m	FY14 Pro Forma Actual	FY14 Pro Forma Prospective	FY13 Pro Forma Actual
Revenue[1]	3,371	3,548	3,558
RC gross margin[2]	500	503	485
Operating costs (excluding primary distribution costs)	(281)	(296)	(289)
RC Operating EBITDAF	**219**	**207**	**196**
Share of earnings in associates	(1)	9	6
RC EBITDAF	**218**	**216**	**202**
Depreciation and amortisation	(39)	(36)	(39)
Net financing expense	(33)	(33)	(39)
Profit and loss on sale of assets	(4)	(1)	41
Other	(1)	(1)	4
Taxation (including tax on COSA)	(40)	(39)	(31)
RC NPAT	**101**	**106**	**138**

1. The results have been reclassified to show total revenue gross with a separate excise and carbon expense. This change has no impact on reported profitability

2. Consistent with half year reporting there has been a presentational change whereby realised and unrealised gains and losses are no longer included within purchases, instead they are shown as a separate line within operating costs.

Cash and Capital funding

Strong Balance Sheet with capacity to support future growth

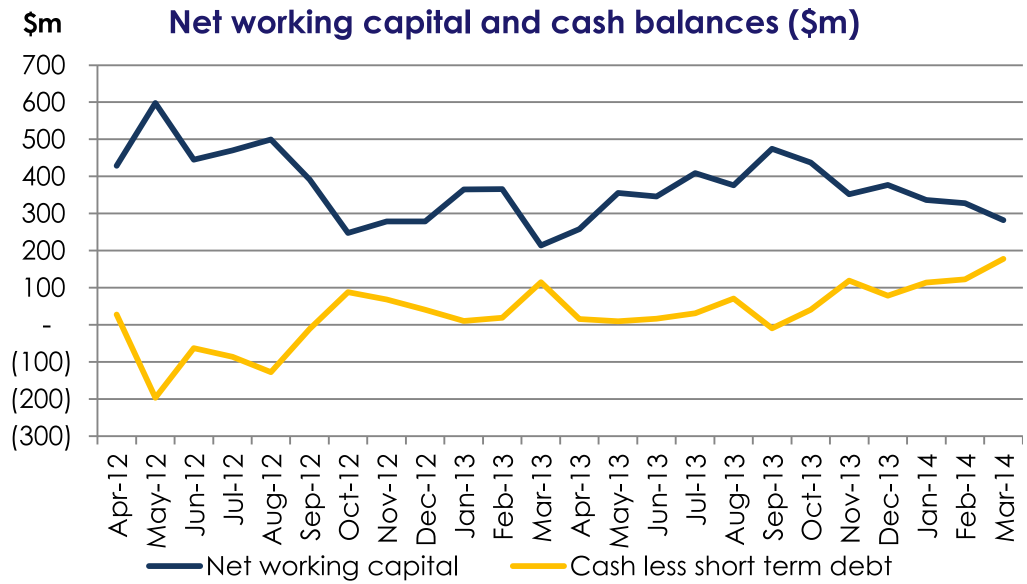
Strong balance sheet

- Gearing 30% (equity book value $591m)
- Gearing 13% (market capitalisation of $1.56b at 31 March)

Net debt $252m

- $430m domestic retail bonds, cash on hand of $178m
- Full compliance with debt covenant obligations: Total Debt coverage ratio 2.05x (<3.00), FY13 was 2.18x

Net working capital and cash balances ($m)



- Closing year end cash position of $178m compares to PFI forecast of $146m
- Lower than planned capital expenditure of $73m compares to PFI of $99m

Note: Total debt coverage applied in the ratio is calculated as rolling 12 months EBITDAF / Total Debt. Total Debt being defined as the sum of Bonds plus MTM derivatives and excludes working capital funding.

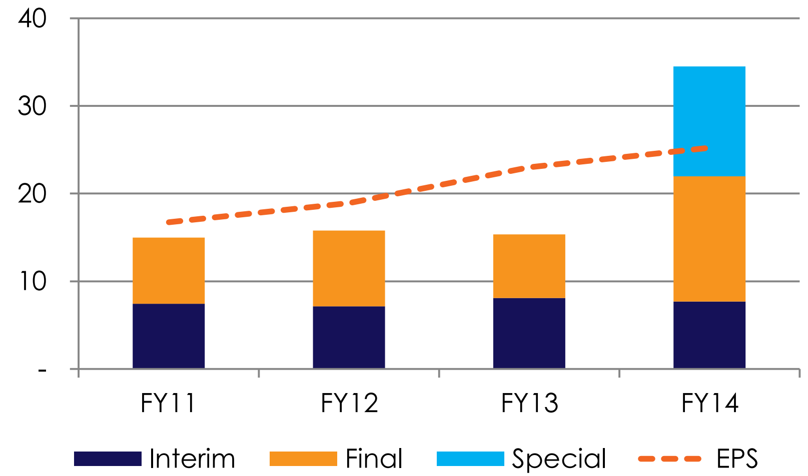
Net working capital is defined as Inventories plus Receivables and Prepayments less Payables, Accruals and Other Liabilities

Dividend

Track record of consistent dividend returns already established

- Consistent with the PFI, Z directors have declared a fully imputed final dividend of **14.3 cents per share** ($57.2m)
  - Record date: 23 May 2014
  - Payment date: 4 June 2014
- Final dividend is 65% of full year dividend - consistent with PFI
- Total dividend of 22.0 cps (14.3 cps final and 7.7 cps interim)
- Full year dividend (interim plus final) equates to a payout ratio of 87% of RC NPAT.
- This reflects strong underlying RC Operating EBITDAF offsetting lower equity earnings from Refining NZ

Dividends and Earnings Per Share



1. Earnings per share (EPS) has been adjusted in FY13 for one off gain relating to retail sale and leaseback programme ($46m)
2. Dividends paid over the FY11-FY14 period also include interest paid relating to the reset preference shares and shareholder loans
3. Dividends per share (DPS) and EPS calculation assumes issued shares of 400 million across the FY11-FY14 period

FY15 guidance

Momentum continues from past investments while Strategy 2.0 will have immediate impacts on earnings

Key variables	FY15 forecast	FY14 actual	FY13 actual
RC Operating EBITDAF	$220 - $240m	$219m	$196m
Capex	$80 - 100m	$74m	$71m

- Volume growth from full year benefit of FY14 new sites and FY15 programme of four to six new sites and seven to nine rebuilds
- Fuel margins – unwinding of year end inventory valuation, Retail unit margins broadly consistent with 2H, run rate of 2014 procurement contract, capex led Retail volume growth, continued Commercial portfolio management and the downside of residue exports arising from the recent extended Refining NZ shutdown
- Non fuel margins – flattening of YoY Tier 1 growth plus extending food and coffee offer into Tier 2
- Refining margins – similar macro environment to FY14 plus upside from Z/BP/Refining NZ optimisation and downside from recent extended Refining NZ shutdown
- Operating costs grow with volumes and expanded Retail network, inflation of on site costs, and one offs associated with Strategy 2.0 set up and execution
- Capital expenditure includes $20m carryover of FY14 projects and $16m for construction of the Wiri biodiesel project

Summarising FY14

Operational and financial momentum continues

Strong performance across most operational areas

- 12% growth in RC Operating EBITDAF, equating to 6% above PFI
- Delivered in a competitive marketing environment, with downside from bottom of cycle refining margins further exaggerated by an extended shutdown in 4Q
- Continued optimisation of volume and margin with improved tactical execution
- Continued rollout of Retail and Commercial offers targeted at increasing customer satisfaction and loyalty
- Total dividends of 22 cents per share consistent with PFI
- Further momentum generated for FY15 through Strategy 2.0, with some projects already underway:
    - Revised imported product pricing as of January 2014
    - Supply optimisation with BP and Refining NZ as of April 2014
    - Two new sites and three rebuilds already under construction and opening in the first quarter of FY15

Appendices

Financial results

Basis of Presentation

Understanding Pro Forma versus Statutory

- Financial results in this presentation are presented on the same basis[1] as the prospectus (on a Pro Forma basis). This differs slightly from the statutory financial statements. The difference relates to the Pro Forma information being prepared as if the listing and all the associated transactions had occurred on 1 April for each reporting period.
- The differences relate to:
  - debt funding previously held by related companies being transferred to Z in July 2013
  - The shareholding in Refining NZ previously held by a related company transferred to Z in August 2013
  - The tax effect of the above two transactions
- See page 126 of the Investment Statement and Prospectus for more details and the additional material in these appendices for a reconciliation to the statutory financial statements.

Non-GAAP accounting measure: Replacement Cost (RC) earnings:

- Is a non-GAAP measure used by the downstream fuel industry to measure and report earnings on a replacement cost basis.
- 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 at the time of purchase.
- 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). Refer to the reconciliation between HC NPAT and RC NPAT in these appendices

1. Consistent with half year reporting there has been a presentational change whereby realised and unrealised gains and losses are no longer included within purchases, instead they are shown as a separate line within operating costs.

Statutory Profit and Loss

$m	FY14	FY13	Variance
Total Revenue[1]	3,371	3,558	(5%)
HC gross margin[2]	489	454	8%
Operating expenses (excluding primary distribution expenses)	(281)	(289)	3%
HC Operating EBITDAF	**208**	**165**	**26%**
Share of earnings in associates	(5)	-	<>
HC EBITDAF	**203**	**165**	**23%**
Depreciation and amortisation	(39)	(39)	**-**
Net financing expense	(25)	3	<>
Profit and loss on sale of assets	(4)	41	<>
Other	(1)	-	<>
Taxation	(39)	(33)	(18%)
HC NPAT	**95**	**137**	**(31%)**

1. The results have been reclassified to show total revenue gross with a separate excise and carbon expense. This change has no impact upon reported profitability.
2. Consistent with half year reporting there has been a presentational change whereby realised and unrealised gains and losses are no longer included within purchases, instead they are shown as a separate line within operating costs.

Pro Forma Profit and Loss

$m	FY14	FY13	Variance
Total Revenue	3,371	3,558	(5%)
RC gross margin	500	485	3%
Operating expenses (excluding primary distribution expenses)	(281)	(289)	3%
RC Operating EBITDAF	**219**	**196**	**12%**
Share of earnings in associates	(1)	6	<>
RC EBITDAF	**218**	**202**	**8%**
Depreciation and amortisation	(39)	(39)	-
Net financing expense	(33)	(39)	15%
Profit and loss on sale of assets	(4)	41	<>
Other	(1)	4	<>
Taxation	(37)	(22)	(68%)
Tax on COSA	(3)	(9)	67%
RC NPAT	**101**	**138**	**(27%)**

FY14 Reconciliation from statutory HC NPAT to Pro Forma RC NPAT

HC NPAT per the statutory financial statements	95
Share of earnings in Refining NZ from 1 April to 18 August 2013	4
Net financing expense from 1 April to 4 July 2013	(8)
Replacement cost of sales adjustment (net of tax)	8
Taxation	2
Pro Forma RC NPAT	**101**