

# Z Energy operational data for quarter ended March 2017

## Health, safety, security and environment (HSSE)

	March 2017	March 2016	December 2016	December 2015
Lost time injuries	8	3	6	2
Spills to ground	0	1	0	0
Robberies <sup>1</sup>	2	6	6	3
Fuel quality incidents	0	0	0	0
Process safety incidents	0	0	1	0
Food safety incidents	0	0	0	0
Total recordable case frequency	1.7	1.1	1.4	1.1
Motor vehicle incident frequency	1.3	0	0	5.6

## Fuels

All fuels in millions of litres	March 2017	March 2016	December 2016	December 2015
Total industry volumes (all fuels) <sup>2</sup>	2,430	2,271	2,332	2,211
Z Group total fuel volumes	1,097	1,104 <sup>3</sup>	1,068	1,086 <sup>3</sup>
Petrol - Z Retail	186	199	190	208
- Caltex Retail	126	141 <sup>3</sup>	132	137 <sup>3</sup>
Diesel - Z Retail	70	72	72	76
- Caltex Retail	44	47 <sup>3</sup>	46	49 <sup>3</sup>
- Commercial	201	189 <sup>3</sup>	204	195 <sup>3</sup>
Other fuels	332	274 <sup>3</sup>	277	256 <sup>3</sup>
Supply - Domestic	128	122 <sup>3</sup>	132	124 <sup>3</sup>
- Industry & Export	10	60 <sup>3</sup>	15	41 <sup>3</sup>

1 Robberies reported only relate to Z Retail sites. Caltex sites are owned and operated by independent dealers.

2 Excludes 'Supply - Industry & Export' sales.

3 These numbers have been restated to reflect Caltex volumes prior to Caltex forming part of Z Group.



## Refining

	March 2017	March 2016	December 2016	December 2015
<b>Refining NZ gross refining margin (GRM):</b>				
USD GRM per barrel	<b>6.58<sup>4</sup></b>	7.96	<b>9.20</b>	10.82
NZD GRM per barrel <sup>5</sup>	<b>9.18</b>	12.11	<b>12.96</b>	16.07

## Customer experience

	March 2017	March 2016	December 2016	December 2015
Z Retail customer satisfaction <sup>6</sup>	<b>87%</b>	86%	<b>87%</b>	86%
Total Z Retail transaction count	<b>14.5 million</b>	14.5 million	<b>14.6 million</b>	14.9 million
Z Retail: fuel-only transactions	<b>7.5 million</b>	7.3 million	<b>7.3 million</b>	7.7 million
Z Retail: fuel and store transactions	<b>1.8 million</b>	1.8 million	<b>1.9 million</b>	1.9 million
Z Retail: store only transactions	<b>5.2 million</b>	5.4 million	<b>5.4 million</b>	5.3 million
Z Average weekly store sales	<b>\$34,859</b>	\$33,744	<b>\$35,100</b>	\$32,810
Z Average weekly store sales like-for-like	<b>\$35,280</b>	\$34,568	<b>\$35,974</b>	\$33,765
Number of Z branded service stations	<b>204</b>	213	<b>204</b>	212
Number of EV charging stations	<b>7</b>	7	<b>7</b>	1
Caltex Retail customer experience score <sup>6</sup>	<b>88%</b>	-	<b>88%</b>	-
Number of Caltex branded service stations	<b>139</b>	-	<b>142</b>	-
Commercial customer satisfaction <sup>6</sup>	<b>88%</b>	88%	<b>86%</b>	81%
Number of truck stops	<b>157<sup>7</sup></b>	92	<b>156<sup>7</sup></b>	92

4 This number is from Refining NZ published data for the Jan/Feb period.

5 The NZD conversion is calculated by Z.

6 Customer satisfaction determined using ongoing internal customer measurement.

7 This figure represents the combined Z and Caltex branded truck stops.

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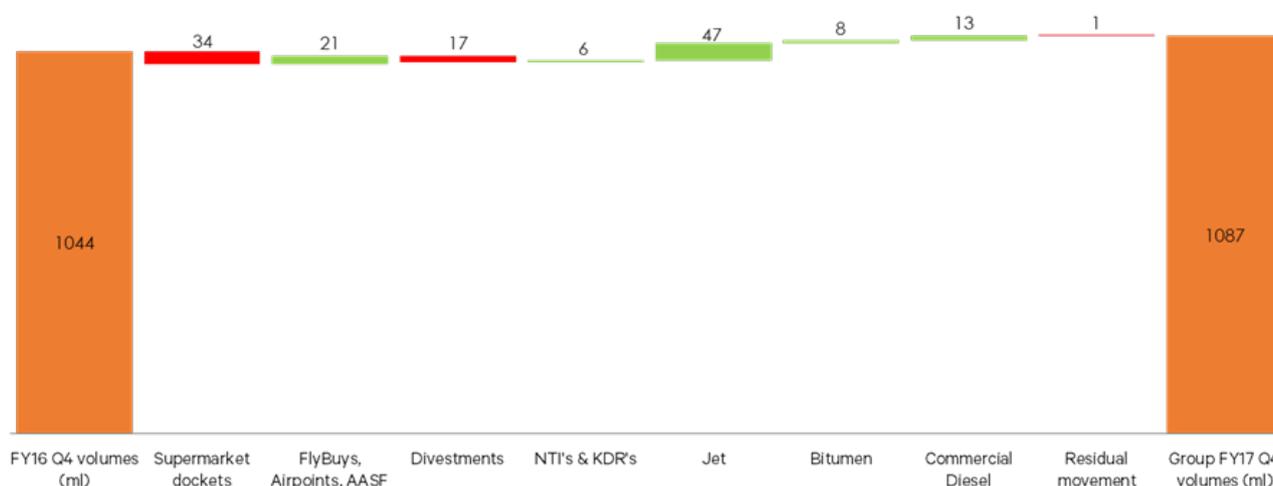
# Z Energy quarterly update

## Introduction

Given ongoing development of Strategy 3.0 and What is Next (strategy beyond 2020), quarterly operational data will be supplemented with additional information on an ongoing basis to ensure the market is well informed about synergy and strategy developments.

## Operational performance

Operational data for 4QFY17 shows an increase in volumes against the prior comparable period. To provide further clarity, the chart below illustrates the components of the change in volumes between 4QFY16 and 4QFY17.



Key points to note are:

- The 21ml growth in volume from Z's three loyalty programmes (Fly Buys Pumped, Airpoints dollars and AA Smartfuel) has offset more than 60% of the 34ml volume loss attributable to losing the supermarket dockets relationship with Progressive Enterprises.
- Given the timing of divestments, there is a significant impact on this quarter's operational performance as a result of 17ml lost from sites divested.
- Jet volumes continue to show strong growth. Part of the 47ml growth in jet fuel sales this quarter reflects Z winning major contracts with two airlines new to Auckland International Airport Limited (AIAL). The full impact of these contracts will show up in 1QFY18.
- The 8ml uplift in bitumen is partly weather-related (poor weather pushes volume into finer months) and partly reflects a quieter 4QFY16.
- Commercial diesel volumes are being driven by growth from existing customers across the bulk and truckstop networks, growth in distributor customer volumes and the Mini Tanker business continues to pick up new volume from roading projects.



## Synergies

Z remains on track to deliver \$40 - \$45 million of synergies in FY18. The following table confirms where Z is up to in the implementation phase of synergy projects.

Value Creation	Description	FY17 Actual	Guidance Range
Supply chain - benefitting from scale	• RNZ optimisation		
	• Crude & product procurement	4	22-24
	• Freight & secondary distribution		
People - integrating teams	• Duplication of roles and simplification	2	4-5
Corporate	• Offshore charges		
	• Offset by Z incremental cost	10	12-13
	• Non-oil corporate procurement		
Fuels marketing - retail and commercial channels	• Simplicity of task or process		
	• Improved pricing controls	1	2-3
	• Retail procurement		
<b>Total net synergies (\$m pa)</b>		<b>17</b>	<b>40-45</b>

Note offshore charges based on NZD:USD FX rate of 0.70.

Z is confident of \$36m of the FY18 guidance given decisions taken to date and actions already completed. The residual is subject to negotiations and commercial agreements with third parties. It is still expected these will be successfully concluded by the end of 1H FY18.

## Investor Day

Z will hold an investor day in Auckland on Thursday 28 September 2017. This will be a half day and Z will provide disclosure on the value identified from strategic choices from the Caltex acquisition as part of Strategy 3.0 and an update on work completed as part of What is Next. Given the impact both of these may have on Distribution policy, Z will also share its latest thinking on this topic.

## Strategy 3.0

As a result of the Caltex acquisition, value from both synergy and strategy has been identified. The execution of Strategy 3.0 will result in value over and above the guided synergy numbers.

Although Z is unable to confirm value from each of the strategic choices at this stage, Z can confirm the following progress has been made:



- Z is undertaking a project to consolidate Caltex pricing data into Z's existing pricing optimisation system to reduce value leakage. This project has been approved and will begin on 27 April 2017. Z expects this to be completed in 2QFY18 and the estimated annual value for this is \$1m.
- Z will shortly be selling the Caltex Delo and Havoline branded lubricant range at Z retail service stations. A trial commences in May 2017 with all Z sites expected to be stocked by August 2017. The estimated additional annualised value generated from this is \$1m.
- Z can confirm that Caltex heritage terminals will not be joining the New Zealand Oil Services Limited (NZOSL) joint venture that operates the Z and BP terminals. Z has engaged with both BP and NZOSL on this decision.
- Z has three major ICT projects running at present. Z is currently in the build phase of upgrading its enterprise resource planning (ERP) system, which is expected to go live in 3QFY18. Z's point of sale (POS) system upgrade is already operating at nine Z sites and rollout for the entire network will be completed by the end of 2QFY18. Z is currently in the initiation phase to bring the Z Card and Caltex StarCard onto one system, which is expected to go live in FY19. All of these projects will result in improved productivity and reduced operational risks with the card system intended to provide growth options.
- Growth in demand for jet fuel at AIAL continues to place pressure on the jet fuel supply chain and now requires ongoing jet fuel imports to meet demand. Refining NZ has committed to investment at the refinery to enable structural jet imports on a regular basis and Z continues to successfully reprice jet contracts to reflect this changing dynamic.
- Actions being taken in relation to the 10 Caltex CORO (company owned, retailer operated) sites are progressing to plan.

## What is Next (WIN)

The medium-term focus is on opportunities that extend the core business through leveraging the Z brand and existing capability, with longer term value creation coming from stepping out beyond the core business. Z has started to investigate a limited and focused set of small, potential growth opportunities for the period beyond 2020. Over the next two quarters these opportunities will be subject to thorough investigations to gain in-depth knowledge of the available value and associated risks. Z will update the market on the outcome of this strategic work at the investor day in September 2017.

Also part of the WIN strategy stream of work, Z will release a house view on long-term demand scenarios for existing core fuel products. Z expects to release this before the end of 2QFY18.

Z has announced further expansion of its electric vehicle charging facilities with the addition of three rapid charge sites to the existing network of seven sites. The focus of the expansion is to provide well located recharging facilities on state highways between the major metropolitan centres.

## MBIE fuel market study

Z is not making any public comment on the fuel market performance study being undertaken by the Ministry of Business, Innovation and Employment (MBIE). MBIE has now appointed advisors and Z is engaging constructively with the Study.