2016 Interim Results Presentation

For the six months ended 30 September 2015

5 November 2015

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Disclaimer

Please read this page before the rest of the presentation

Please do not read this presentation in isolation

This presentation supplements our half year results announcement dated 5 November 2015. 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. All references in $ are to New Zealand dollars unless otherwise stated

Forward looking statements are inherently fallible

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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

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Headline financials

Positive performance despite one-off Customs and acquisition related expenses

Key Financials	1H FY16	1H FY15	Variance
Historical cost net profit after tax (HC NPAT)	$67m	$22m	204%
Replacement cost NPAT (RC NPAT)	$56m	$38m	47%
Replacement cost operating EBITDAF (RC Operating EBITDAF)	$105m	$91m	15%
Interim dividend declared	8.5 cents	7.7 cents	10%

- Marketing business delivers with continued focus on pricing discipline and operating on an integrated basis
- Refining margin growth from trifecta of production, exchange rate and unit margin
- YTD Acquisition related opex of $10m
- $23m one-off and unexpected Customs payment, $7m expensed to fuel margin and $16m to opex

Note 1: HC NPAT has been calculated in accordance with NZ GAAP. RC NPAT and 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 and results calculated on the basis of "replacement cost accounting". It is very important that you understand how the "replacement costs" results relates to our NZ GAAP results, so please read the explanation and consider the reconciliation information in the appendices.

Health, Safety, Security and Environment

Continuing with preparations for new legislation in 2016

Operational Metrics	1H FY16	1H FY15
Total recordable case frequency (TRCF)	1.4	1.3
Motor vehicle incident frequency rate (MVIFR)	8.8	1.1
Lost time injuries (LTIs)	4	9
Number of spills (loss of containment)	0	0
Security incidents (robberies only)	2	1
Product quality incidents (high risk)	0	0
Process safety incidents (Tier 1 & 2)	0	0

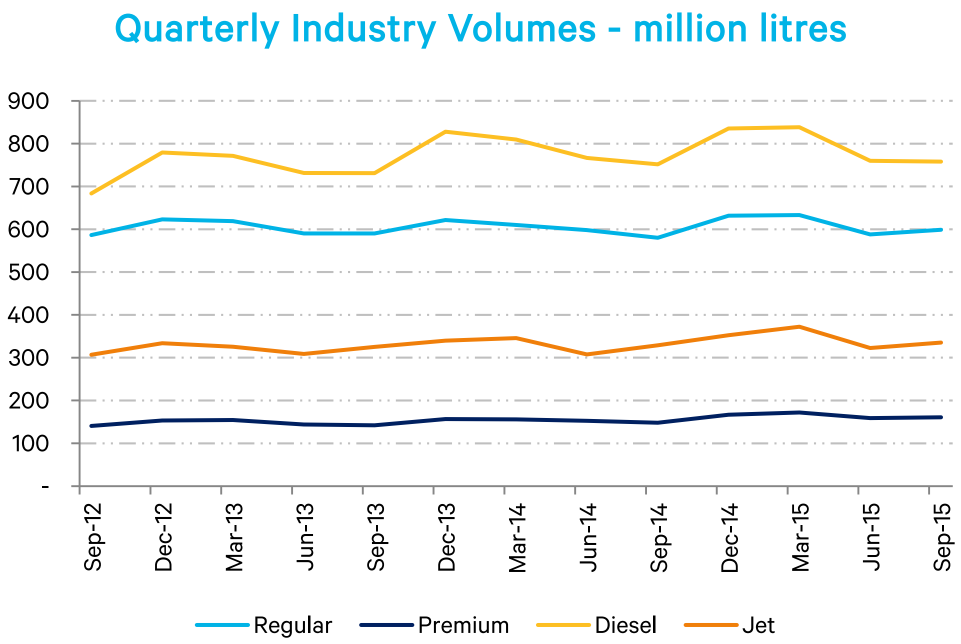
- Increase in MVIFR partially explained by change in reporting base, although twelve minor accidents YTD versus six for all of last year
- Board commissioned an independent review of HSSE governance ahead of change in legislation
- Review found no gaps to current legislation
- Minor gaps identified to comply with the new legislation, and these will be closed by April 2016 at the latest

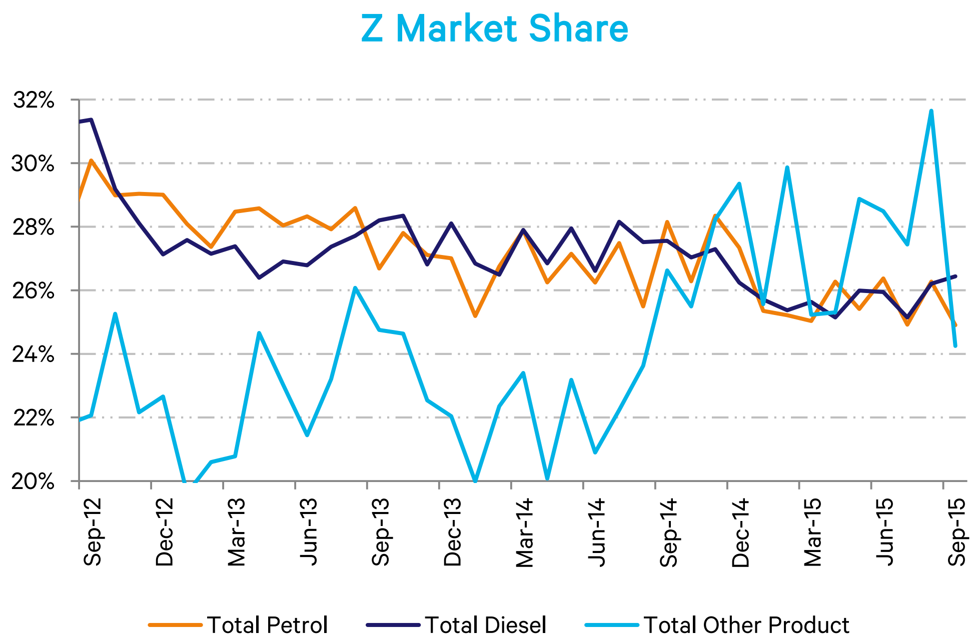
Note 1: Current year LTIs, TRCs and MVIs (and consequently TRCFs and MVIFRs) only include Z employees, Retailers' employees and Mini-tankers franchisees. Previous years' data also included trucking contractors and maintenance staff.

Note 2: Motor vehicle incident frequency rate is the number of motor vehicle incidents recorded per 1 million kilometres travelled.

Trading conditions

Slowing economic activity in 1H FY16





- Industry petrol volumes for 1H are +1.9% to PCP, stronger growth compared to prior periods, likely as a result of lower prices in 1Q
- Industry diesel volumes for 1H are -0.1% to PCP, materially lower than prior periods, and across most sectors of the economy
- Consumer and Business confidence has fallen

- Market share graph does not include supply/export sales
- Diesel market share decline due to decision to walk away from contracts with poor margin, with these progressively being replaced by new customers
- Continuation of localised price board discounting and national promotional offers in Retail

Note 1: Sources: Industry Exchange data at September 2015

RC Operating EBITDAF variances to 1H FY15

Growth in earnings across the portfolio despite one-off expenses

Refining +$17m

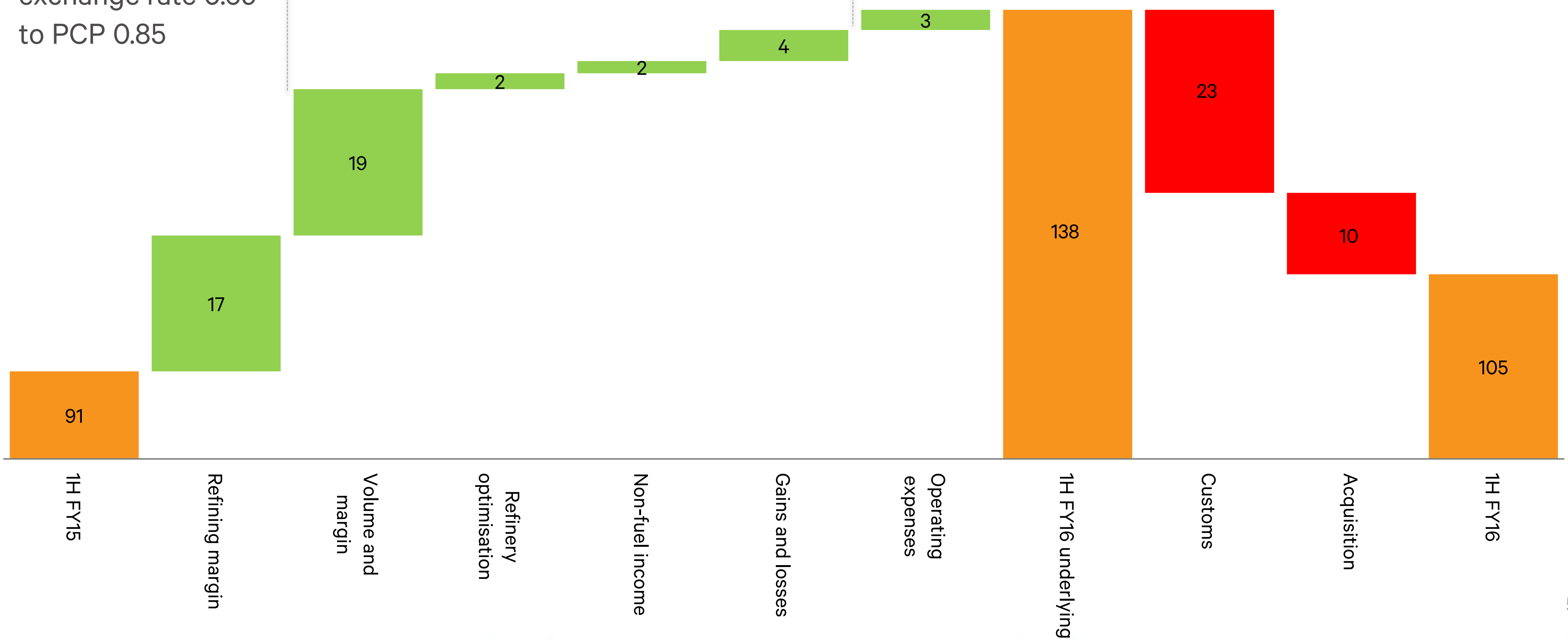
- Volume +0.4m bbl to PCP
- Unit margin +$8.06 per barrel to PCP
- Average NZD/USD exchange rate 0.69 to PCP 0.85

Fuel and non fuel +$27m

- Fuel margin +8% to PCP with continued investment in network and discipline with pricing
- Non fuel margin +7% to PCP through coffee and food offers

Operating expenses and one offs -$30m

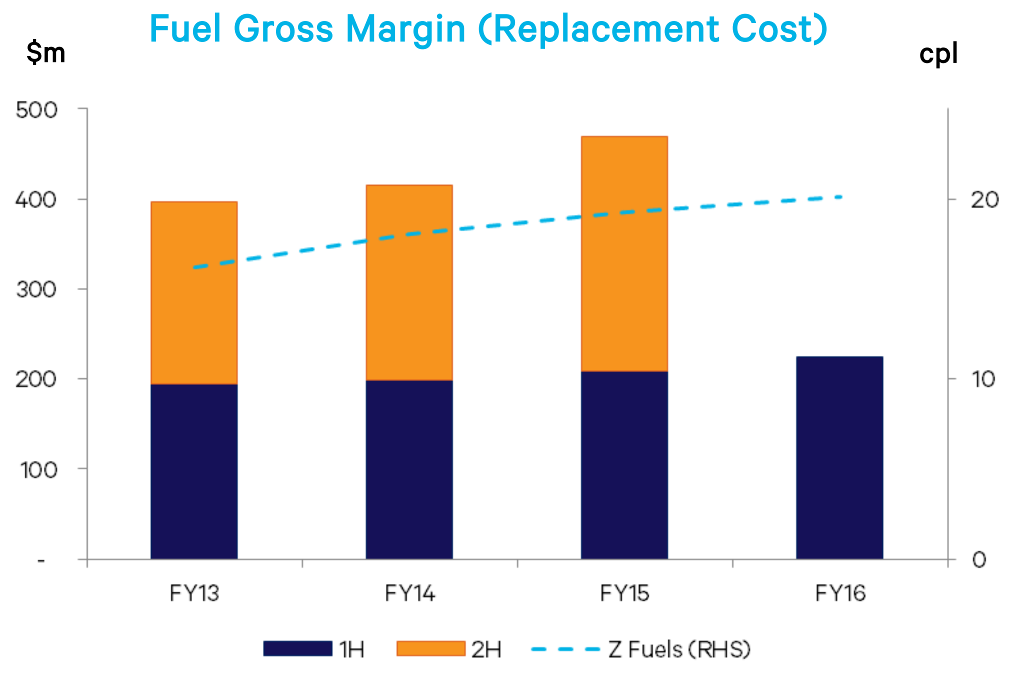
- Operating expenses $3m less than PCP
- $23m one off Customs payment still in dispute
- Acquisition costs $10m YTD



Fuel margin +8% to PCP

Decline in volumes driven by choices around portfolio management

Sales Volumes (ml)	1H FY16	1H FY15	Var
Petrol	390	399	(2%)
Diesel	394	419	(6%)
Other	273	271	1%
Total marketing volume	**1,057**	**1,089**	**(3%)**
Supply sales and exports	65	140	<>
Total Volume	**1,122**	**1,229**	**(9%)**

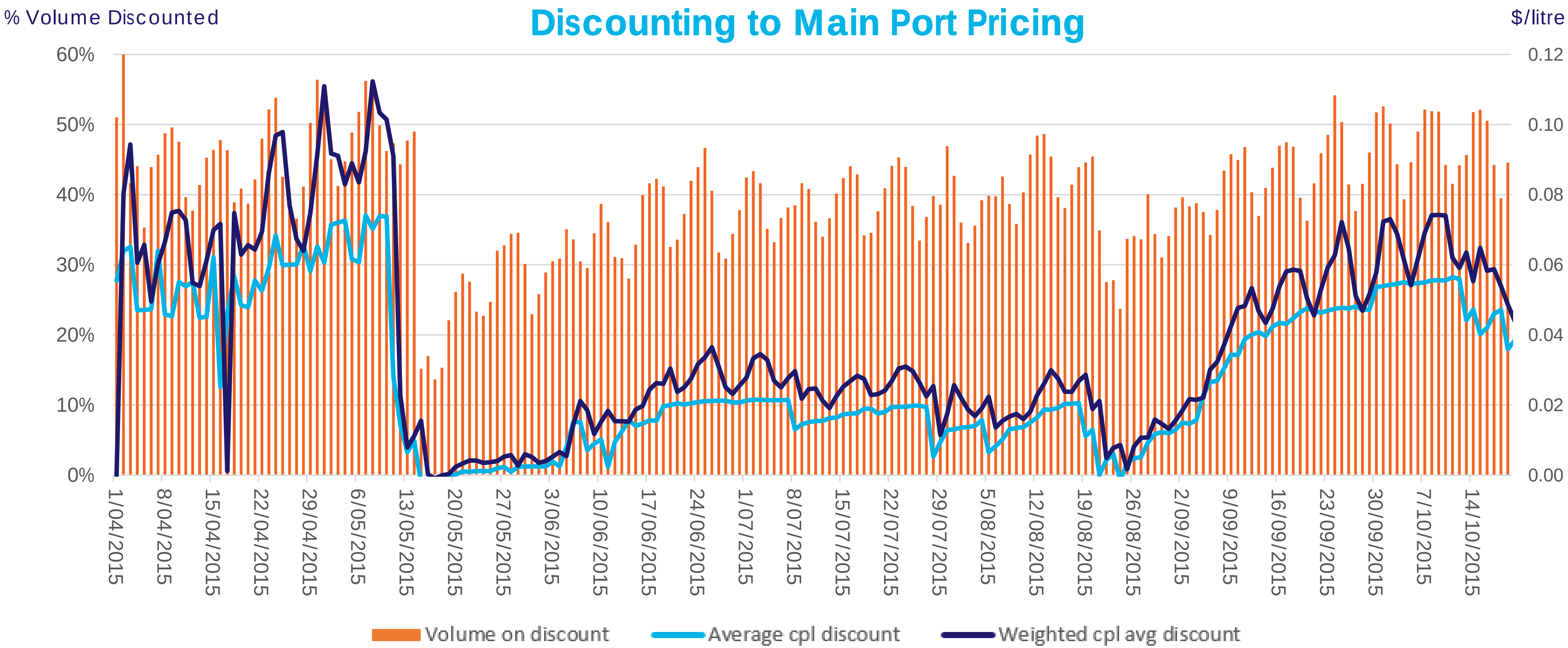


- Petrol volume decline reflects a continued highly competitive market and fewer operational sites compared to PCP due to rebuild and retanking activity
- Diesel volume softening reflects continued portfolio management in an overall flat market
- Other volume includes marine (+9ml), bitumen (-4ml) and jet (-3ml)

- Unit margin of 20.2cpl compared to PCP of 18.6cpl
- Actively price responsive at Retail sites
- Average margin growing through trimming out marginal Commercial business
- Benefits from refinery optimisation of $4m, +$2m to PCP

Retail discounting continues

Up to 60% of Z's network has been discounted from main port price

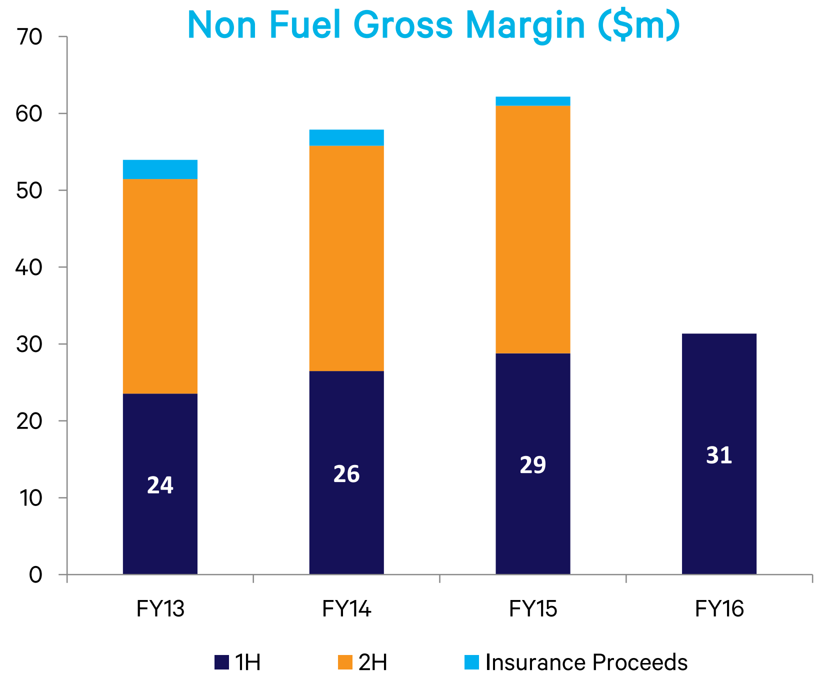


- In late May, discounting significantly reduced as competitors temporarily ceased "unsustainable" levels of price discounting
- Continued offers around discount days – Gull @ 10cpl, AA Smartfuels @ 8-10cpl, and Mobil @10cpl
- Mobil active with 4+4cpl for supermarket docket redemption
- Z continued with its tactical pricing, matching on price boards and through store activities

Non fuel margin +7% to PCP

Focus on food and drink delivers growth in both Tier 1 and Tier 2

Operational Metrics	Tier 1	Tier 2	Tier 3
Number of stores	87	61	58
1H FY15	*83*	*39*	*84*
Average weekly shop sales	$42k	$25k	$17k
Sales growth	11%	9%	-3%
Total transaction count YoY	2%	0%	-12%
Store transaction count YoY	7%	8%	-7%



- Four Tier 2 store upgrades completed in 1H with no plan to continue the program further into the network in FY16
- Improved execution on site underpins sales growth which is greater than convenience industry average
- Pay at pump offer not compromising store sales to any material level

- Coffee sales +35% to PCP
- Food +28% to PCP
- Leisure +24% to PCP
- Strong promotional activity drives underlying growth, e.g. pie month

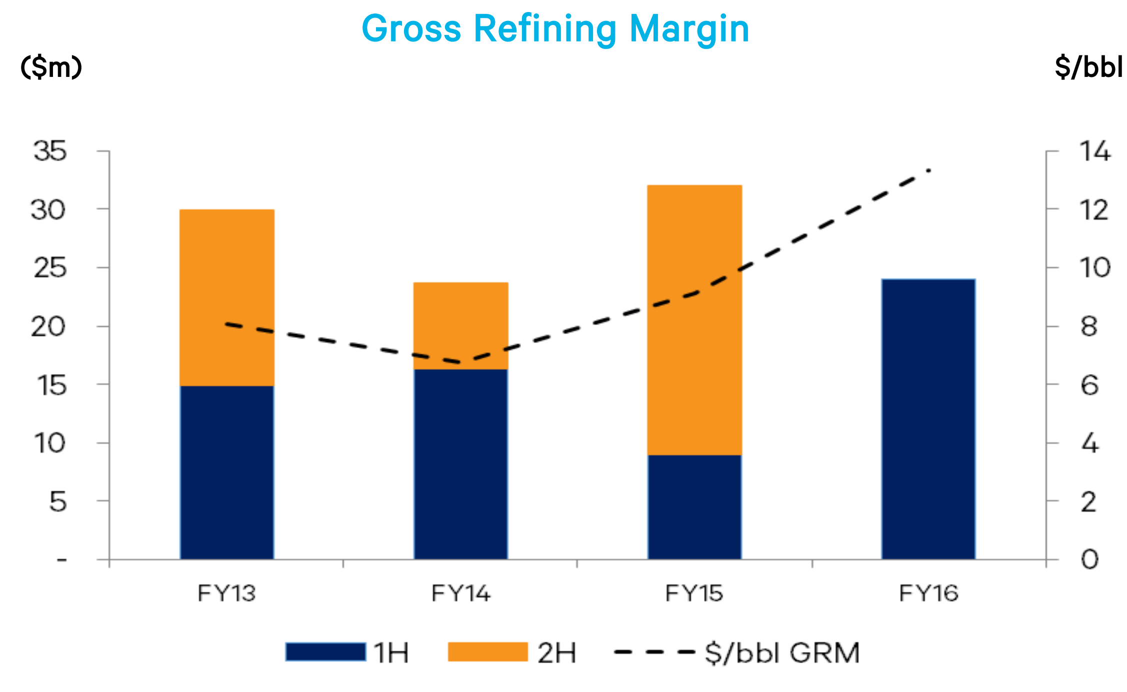
Note 1: The number of stores shown excludes independents

Refining margin +167% to PCP

Benefitting from a favourable refining environment

Regional markets and Refining NZ

- Margin near to cap in 1H, exaggerated by lower NZD/USD exchange rate and record processing volumes
- Te Mahi Hou expected to be commissioned in November 2015 with uplift in refining margin of USD 0.90/bbl
- RNZ self-help initiatives continue to flow with three process unit initiatives improving margins by USD 0.13/bbl in 2015



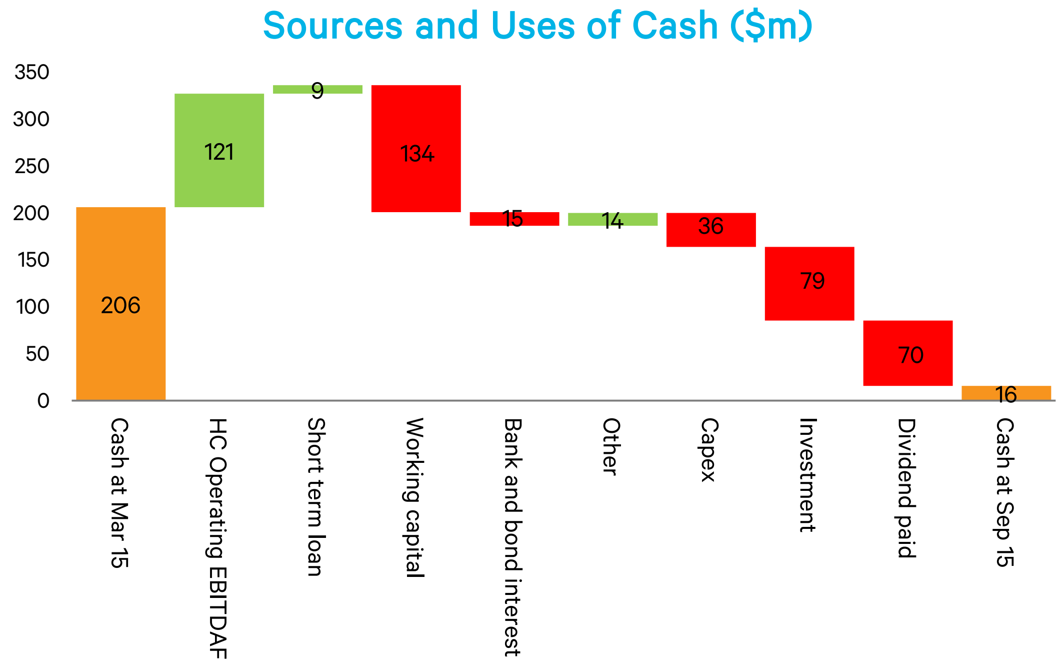
Z Performance

- Processing volumes increased to 6 million barrels from 5.6 million barrels in 1H FY15
- Refining margins 8.6% of Z's total gross margin against 3.7% in 1H FY15
- Optimisation programme involving BP, Refining NZ and Z realised a $4m benefit (reported in fuel margin), +$2m to PCP

Cash and capital funding

Balance sheet strength and capacity remains strong

Metrics	Sep 15	Mar 15	Sep 14
Gearing – book value	40%	31%	39%
Gearing – market capitalisation	12%	10%	18%
Market capitalisation	$2.7b	$2.1b	$1.6b
Debt coverage (Total debt/12 months RC EBITDAF)	1.8x	1.9x	2.1x



- Net debt of $423m, made up of $430m domestic retail bonds and $9m bank debt less $16m of cash on hand
- Average net debt of $402m (excluding Chevron acquisition deposit) compared to $374m PCP
- $79m Chevron acquisition refundable deposit, $28m one off Customs payment and working capital impacted by timing of crude and product shipments
- New capex spend of $29m, +$1m to PCP
- Biodiesel plant construction on track for total spend of $26m, full production expected June 2016

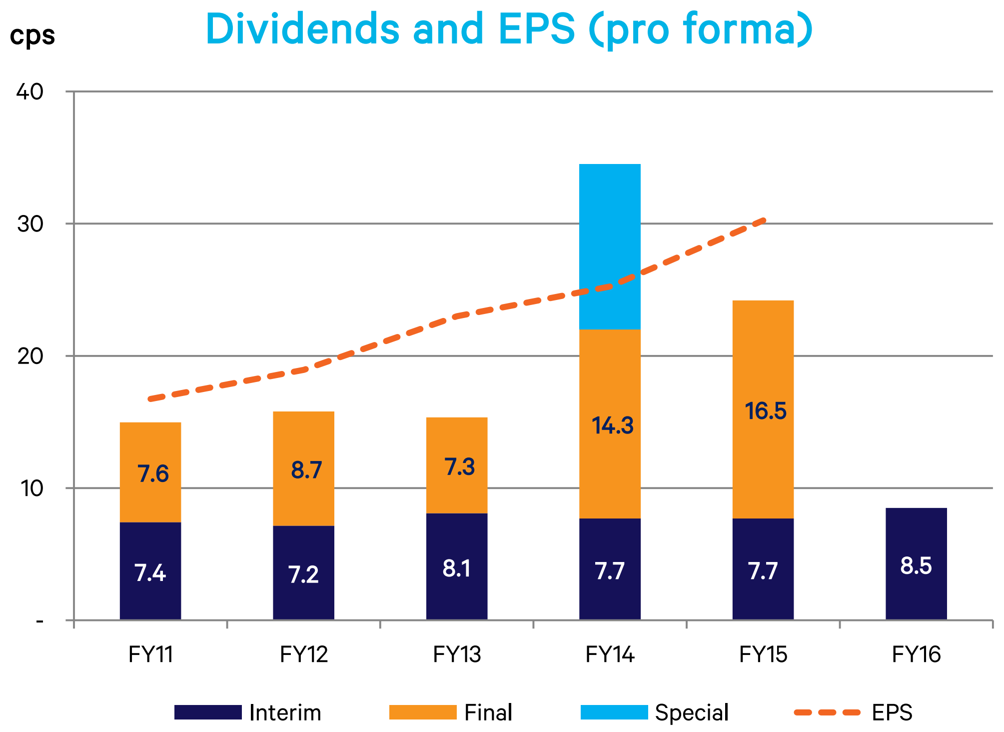
Note 1: In calculating gearing ratios, acquisition deposit has been treated as cash
Note 2: Total Debt being defined as the sum of bonds plus mark-to-market derivatives and excludes working capital funding

Equity and distributions

10% Increase in Interim dividend

- Z Directors have declared a fully imputed interim dividend of 8.5 cents per share ($34m)
  - Record date: 20 November 2015
  - Payment date: 2 December 2015

- Interim dividend consistent with Z's existing distribution policy
- Anticipated DPS track will reflect growth in EPS and have regard for the objectives of the medium-term capital structure
- Stronger operating performance allows for reconsideration of the previously announced equity raising



- Dividends paid over the FY11-FY14 period also include interest paid (pre IPO) relating to the reset preference shares and shareholder loans
- Dividends per share and EPS calculation assumes issued shares of 400 million across the FY11-FY14 period

Strengthen the Core to end FY18

Forecasting $18m cumulative earnings by end FY16 to target range of $40-50m

Strategic initiative	Progress in 1H FY16	FY16 Forecast	FY15 Actual
New sites and rebuilds Invest to strengthen the network	• Two new sites and one rebuild completed, bringing the total to six new sites and eight rebuilds during the strategy period	$4.5m	$0.7m
Evolution of Tier 1 store offer Develop food on the go offer and further "hero" categories	• New Breakfast products will be piloted • Further product development currently under way	$2.1m	$0.3m
Extend Tier 2 store offer Push current food and coffee offer further into the network	• Four sites completed and FY16 rollout plan halted • Project close out phase initiated	$1.1m	$0.3m
Inland diesel portfolio management Refocus diesel volume by region, channel and then customer segment	• 9 mlpa secured with existing customers • 19 mlpa declined as margins insufficient • 42 mlpa currently under offer	$1.1m	$0.5m
Competing supply chains Leverage improved refined product pricing across manufactured volume	• Refinery optimisation and refined product benefits are on track and continue as planned • Product contract for 2016 being negotiated	$9.0m	$6.3m

Acquisition of Chevron New Zealand (CNZ)

Agreement announced on 2 June to acquire 100% of CNZ

Significant progress has been made with a Transition team of 100 employees and contractors

- Built and tested ERP modifications and extranet, with the small number of fixes being remediated
- Crude and product contracts agreed for day one, which assure continuity of supply
- Developed joint transition plans with Chevron where CNZ has historically relied on support from the corporate parent
- Consultation nearing completion for CNZ's employees for the day one organisational structure
- Business Readiness thresholds agreed with two assessment cycles completed

Risk Management

- The Commerce Commission has not changed its 18 December decision date
- Four distinct phases and stage gates for the Transition program to end 2016
- For Cutover, Plan Bs exist for all key operational processes
- Stabilisation Plan close to being finalised
- Estimated acquisition and transition costs of $55m for 30 November cutover, down from original estimate of $64m, with the run rate approximately $2m per month post 30 November

Note 1: For detailed analysis on CNZ acquisition, please refer to presentation pack for Acquisition of Chevron New Zealand published on 2 June 2015

Organisational resilience to the fore

The talents and engagement of Z's employees are being tested

Summarising 1H FY16

- RC Operating EBITDAF +15%, RC NPAT +47%, interim dividend +10%, despite one-off expenses
- Operational focus and delivery remains within agreed strategic boundaries
- Strengthening the Core initiatives yielding further value and momentum continues
- CNZ transaction and transition progressing as expected

Looking forward to 2H FY16

- Te Mahi Hou commissioned, partially offsetting an expected lower refining margin environment
- Marketing volume uplift expected given the seasonal bias in the portfolio
- Settlement of the CNZ transaction, completing cutover, and then stabilisation
- Guidance for RC Operating EBITDAF remains $245m to $265m (excluding acquisition related costs), with capex being $70m to $90m

Appendix

1. Financial results
2. Statutory profit and loss
3. Replacement cost profit and loss
4. Reconciliation

Financial results

Basis of presentation

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 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). Refer to the reconciliation between HC NPAT and RC NPAT in these appendices

Statutory profit and loss

$m	1H FY16	1H FY15	Variance
Revenue	1,309	1,646	(20%)
HC gross margin	296	222	33%
Operating expenses (excluding primary distribution expenses)	(163)	(138)	(18%)
Foreign exchange and commodity (losses)	(12)	(16)	25%
HC Operating EBITDAF	**121**	**68**	**78 %**
Share of earnings in associates	11	1	<>
HC EBITDAF	**132**	**69**	**91%**
Depreciation and amortisation	(20)	(21)	5%
Net financing expense	(17)	(17)	-
Other	1	(2)	<>
Taxation	(29)	(7)	<>
HC NPAT	**67**	**22**	**<>**

Replacement cost profit and loss

$m	1H FY16	1H FY15	Variance
Revenue	1,309	1,646	(20%)
RC gross margin	280	245	14%
Operating expenses (excluding primary distribution expenses)	(163)	(138)	(18%)
Foreign exchange and commodity (losses)	(12)	(16)	25%
RC Operating EBITDAF	**105**	**91**	**15%**
Share of earnings in associates	11	1	<>
RC EBITDAF	**116**	**92**	**26%**
Depreciation and amortisation	(20)	(21)	5%
Net financing expense	(17)	(17)	-
Other	1	(2)	<>
Taxation	(29)	(7)	<>
Tax on COSA	5	(7)	<>
RC NPAT	**56**	**38**	**47%**

Reconciliation from (statutory) HC NPAT to RC NPAT ($m)	1H FY16
Net profit per the statutory accounts	67
Replacement cost of sales adjustment	(16)
Tax on COSA	5
RC NPAT	**56**

Note: for full reconciliation from NPAT to RC Operating EBITDAF, please refer to the associated media release