

21 January 2015

Z Energy operational data for quarter ended December 2014

Health, safety, security and environment (HSSE)

	December 2014	December 2013	September 2014	September 2013
Lost time injuries	3	6	4	1
Spills to ground	0	1	0	0
Robberies	1	2	0	2
Fuel quality incidents	0	0	0	0
Process safety incidents	0	0	0	0

Fuels

	December 2014	December 2013	September 2014	September 2013
Total industry volumes (all fuels) ¹	2,176	2,086	1,928	1,929
Z total fuel volumes (millions of litres (ml))	653	618	583	604
Petrol (ml)	220	214	198	204
Diesel (ml)	226	231	209	204
Other fuels (ml)	164	158	133	139
Supply/Export sales (ml)	43 ²	15	43	56
Average Ministry of Business, Innovation and Employment (MBIE) retail importer margin (cpl)³				
Petrol	36.1	27.6	32.9	29.1
Diesel	40.9	30.8	36.5	28.6

1 Excludes supply/export sales

2 25 million litres for domestic supply, 18 million litres for export

3 MBIE provides public benchmark data around importer margins. More information is available at: <http://www.med.govt.nz/sectors-industries/energy/liquid-fuel-market/weekly-oil-price-monitoring/Graphs.pdf>

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Refining

	December 2014	December 2013	September 2014	September 2013
Refining NZ gross refining margin (GRM):				
USD GRM per barrel ⁴	7.54	2.91	6.75	6.05
NZD GRM per barrel ⁵	9.59	3.49	8.01	7.64

Customer experience

	December 2014	December 2013	September 2014	September 2013
Commercial customer satisfaction ⁶	83%	78%	84%	79%
Retail customer satisfaction ⁷	74%	77%	75%	79%
Total Z transaction count ⁸	15.1 million	14.9 million	13.9 million	14.2 million
Retail: fuel-only transactions ⁸	7.2 million	7.9 million	7.6 million	7.9 million
Retail: fuel and store transactions ⁸	2.9 million	2.3 million	1.9 million	2.1 million
Retail: store only transactions ⁸	5.0 million	4.7 million	4.4 million	4.2 million
Number of service stations	211	211	211	212
Average weekly store sales ⁸	\$30,814	\$29,226	\$27,302	\$26,199
Average weekly store sales - like-for-like ⁸	\$31,659	\$29,501	\$28,197	\$26,304
Number of truck stops	92	93	93	93

4 This number is from Refining NZ published data for the relevant quarter.

5 The NZD conversion is calculated by Z.

6 Customer satisfaction determined using ongoing internal customer measurement.

7 From June 2014 the retail customer satisfaction measure is calculated based on feedback received from randomly generated, automated invitations from the point of sale system. Prior to this date customer responses were not sought on a random basis. The difference in the measure from prior quarters is largely accounted for by the change in methodology.

8 Refer to the additional explanatory note and table on the following page for restated historical store sales and transaction data.

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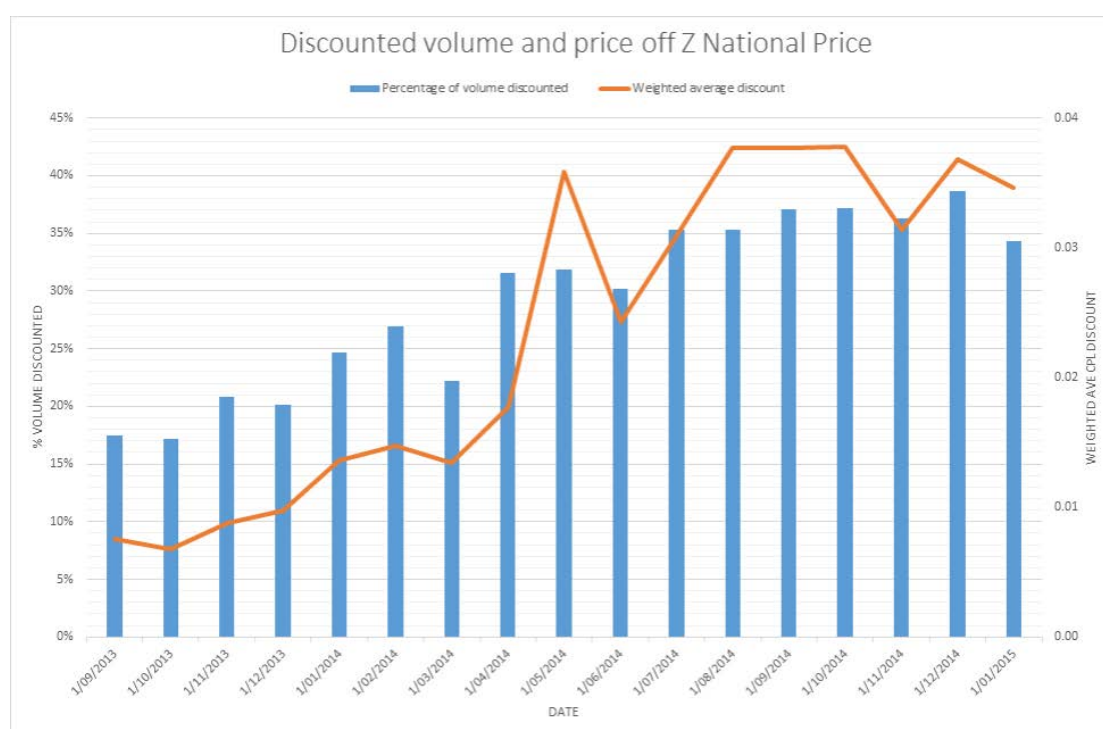


Additional explanatory notes:

MBIE importer margin

Z continues to publish the average weekly MBIE fuel importer margin number in its quarterly data, as this is the only regularly updated publicly available data about the industry retail petrol and diesel margins. As per the commentary in half yearly and annual results, Z reminds investors about the gap between Z's actual gross margins and the MBIE data, and how that has been growing period after period. While the MBIE data provides a headline snapshot as to a margin trend, there is an increasing gap between what the headline MBIE importer margin shows and the margin reality within Z's business. As an example, tactical pricing responses to regional discounting continue to increase, which – among a range of other variables – are not captured in the MBIE data.

At the half year Z advised a change in pricing tactics progressively from September 2014 and this has had the effect of increasing cost of goods sold for fuel margins in the recent quarter. The following graph demonstrates the growth in the volume being sold at prices lower than Z's main port prices and the volume weighted cents per litre discount. The level of volume discounted has doubled since late 2013 and the level of volume weighted discount applied has increased fourfold to now between three and four cents per litre.



Restatement of store sales and transaction data

In the interests of consistency, Z has restated its historical store sales and transaction data in the table on the following page. The company has done this to align all store sales and transaction data reporting to the same basis (e.g. weekly versus monthly) in the quarterly updates to those disclosed in the half year and annual results.

Refining fee floor payments

During the first quarter of Z's FY15, Refining NZ went into its fee floor arrangements with its customers due to a period of very low refining margins. By the end of the third quarter, all fee floor payments were repaid to Z by Refining NZ including \$5.1 million relating to a payment that was made by Z in March 2014.

**Impact of falling crude prices**

Z uses a hedging programme that minimises its exposure to volatility in crude, currency and purchase timing so as to match the value and volume of purchases to sales in one month. With the significant decrease in the price of a barrel of crude oil during this quarter, Z's hedging programme has operated effectively and Z has not realised any significant or material downside in Z's Replacement Cost (RC) earnings. At the end of any period Z will have a level of unrealised loss or gain on commodity and currency, however any realised gains or losses are offset by the hedging program which is reported in gross margin.

Replacement Cost versus Historical Cost

Z runs its business and reports its results on a RC basis. RC earnings exclude the potentially significant effect of changes in crude oil and refined product prices on the value of inventory held by Z which, under NZ GAAP accounting, flow through into reported Historic Cost (HC) profitability.

RC earnings adjusts the Cost of Sales as if inputs had been procured at the time of sale, rather than HC which uses the First In, First Out (FIFO) accounting convention (in accordance with NZ GAAP).

Given the decline in crude oil and refined products it is likely that there will be a significant gap between Z's reported historic cost and replacement cost earnings at the end of FY15. In a period of declining crude and refined product prices RC earnings are likely to be higher than HC earnings and when crude and refined product prices increase, RC earnings are likely to be lower than HC earnings.

Restated store sales and transaction data

		Reported previously in quarterly operational data							New reporting							Variances						
		Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
Average weekly store sales	\$							26,197	26,199	29,226	28,796	27,788	27,302	30,814								
Average weekly store sales - like-for-like	\$	24,870	24,662	27,198	27,240	24,618	23,889	26,214	26,304	29,501	29,838	28,719	28,197	31,659	1,344	1,642	2,303	2,598	4,101	4,308		
Total Z transaction count	m	14.0	14.1	14.8	14.6	14.2	13.8	14.2	14.2	14.9	14.6	14.3	13.9	15.1	0.2	0.1	0.1	(0.0)	0.1	0.1		
Fuel only transactions	m	7.8	7.8	7.8	7.7	7.6	7.5	7.9	7.9	7.9	7.8	7.7	7.6	7.2	0.1	0.1	0.1	0.1	0.1	0.1		
Fuel & store transactions	m	2.0	2.1	2.3	2.2	2.0	1.9	2.1	2.1	2.3	2.2	2.1	1.9	2.9	0.1	0.0	0.0	(0.0)	0.1	0.0		
Store only transactions	m	4.2	4.2	4.7	4.7	4.6	4.4	4.2	4.2	4.7	4.6	4.5	4.4	5.0	(0.0)	0.0	(0.0)	(0.1)	(0.1)	(0.0)		