



2020 Annual Shareholder Meeting: Chair Address

18 June, 2020

Welcome everyone to the 2020 Z Energy Annual Shareholder Meeting. My name is Abby Foote and I am Chair of the Board for Z Energy.

It is my pleasure to welcome everyone who is joining us virtually over the internet for this shareholder meeting. A virtual-only shareholder meeting is a first for Z and is just one example of how Covid-19 has impacted our world and Z's business since the beginning of the year.

I can see from the laptop in front of me the participation numbers of the virtual meeting and I am pleased to have so many shareholders join us today on-line. While we have tested and re-tested the technology used to deliver this virtual annual shareholder meeting please bear with us as we use this technology for the first time.

I am pleased to say that the meeting has been properly called and there is a quorum present.

We will be using some slides during the meeting. For those of you online you will be able to see these and follow along. They will also be posted to the NZX and ASX and available on Z's investor website.

It is my pleasure to introduce my colleagues on the board; and as I introduce them we should be able to see them in the meeting window.

I am joined today by Blair O'Keeffe; Julia Raue; Mark Cross; Mark Malpass; Steve Reindler. We are also joined by Mike Bennetts our CEO, members of the Z leadership team, our legal advisors and our auditors here in the Z Wellington office.

I will begin this shareholder meeting by making some remarks on what we, as a Board have been most focussed on throughout the year. I'll focus particularly on the last five months and the effects of the Covid pandemic on our business along with the actions we took to mitigate those impacts. I will then hand over to Mike for his review of the year and ask him to provide an update on current trading conditions and Z's strategy.

There will be instructions posted on-line on how to address your questions to the meeting and some questions have been submitted in advance that we will answer.

I then intend to move us on to the formal part of the meeting. We have two resolutions to consider today. First, the authority to approve remuneration for the auditors, KPMG. And second, the election of Mark Malpass who joined the Board of Z during the year.

I am pleased to say that Mark has the unanimous support of his Board colleagues. Mark brings to Z his extensive experience in the fuels industry having been a director of Mobil Oil New Zealand, Refining New Zealand and Waitomo Group Limited. When the time comes, I will ask Mark to address the meeting and you are welcome to address any questions to him directly.

If you have not already voted, your notice of meeting contains instructions on how to cast your vote.

We have received a large number of postal and on-line votes and the results of these will be displayed via the virtual meeting website at the appropriate time. I and other Z directors hold over 300 million votes which we will cast during the meeting.

The final results of the voting will be posted on both the NZX and ASX stock exchanges later today.

Again, there will be an opportunity for questions from our virtual participants before I put each resolution to the meeting.

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

Z Energy Chair Abby Foote address to the AGM

For Z, this year presented a number of challenges for the Board to work through, including revisions to earnings guidance, government oversight of our industry through the Commerce Commission market study, a challenging refining environment, intense competition in the retail market and finally Covid-19.

Each of these events would have tested the resilience of any company; having them all show up in one year presented a big ask and our response speaks to the world class operational capability inside Z.

I would like to thank my fellow directors for their engagement and focus over the last year and for their support during my first year as Chair. I would also like to acknowledge the significant contribution made by Al Dunn who left the board at the end of April following over 10 years with Z.

Responding to the challenges of 2020 was undoubtedly a team effort and I'd like to acknowledge Mike and the executive team for their leadership of the organisation. I also want to thank all of Z's employees and those in our wider whanau for their hard work and commitment throughout the last year and most markedly over the last 5 months as we responded to the Covid crisis. At the last shareholder meeting I suggested that our 2019 financial year was one of the most difficult on record for Z, but this past year managed to surpass that.

Finally, the Board also recognises that the challenges we have faced have tested the support we rely on from you, our owners, throughout the year. We thank you for your continued support and we do not take it for granted.

I'd like to look back on our 2020 financial year and some of those challenges we confronted in a bit more detail.

I would like to acknowledge upfront that our results for the year were disappointing. We did not meet our earnings commitments to you, our owners, or the targets we had set ourselves. While many of the reasons that we did not achieve those goals were as a result of significant factors outside our control we know that we need to do better.

Prior to the Covid crisis we completed a thorough review of our strategy and operations to ensure that we start this next decade in Z's journey as a leaner, more agile and focussed company. The 2020 financial year was also marked by clear evidence of the increasing challenge we face in managing the competing demands of our different stakeholder groups and we will not shy away from that challenge.

Z continues to operate in a highly competitive and challenging environment which, in terms of Z's history as a listed company, peaked in the middle of last year. The exit of Caltex from the AA Smart Fuels programme and the launch of our Pumped loyalty programme sparked a period of fierce competition which significantly impacted retail prices with new to industry and unmanned sites competing aggressively for volume at the expense of margin for a sustained period. We saw price competition reduce towards the end of the financial year and retail margins stabilise, although they continue to track at levels beneath those seen in 2017 and 2018.

We are beginning to see signs of change in the retail market with early signals that the appetite for additional investment has diminished and that firms are delaying expansion plans or shelving them altogether. We have seen this from our own experiences through the Caltex and Challenge networks where economically marginal sites have closed or are in the process of closing.

While we are not forecasting a decline in retail intensity over the short term, as an industry we must also acknowledge the long-term demand headwinds that we face. It is important Z finds a suitable and sustainable level of supply which optimises our investment in the supply chain infrastructure and NZ's future demands for transport fuels.

In the midst of one of the most intensively competitive periods we have experienced, in December 2019 the Commerce Commission delivered its final report into the New Zealand retail fuel market. Z has previously stated that it disagrees with the Commission's profitability analysis, however, Z has been quick to enact the recommendations proposed by the Commission including displaying premium prices on price boards and moving towards greater pricing transparency at the terminal gate.

The Board understands that as shareholders you expect a reasonable return on the capital you invest with us and that return should reward shareholders for the operational risk we take to supply NZ. The Board and management will continue to engage with Government and regulators to advocate for a fair reward for Z's shareholders.

As we all know, the last quarter of the year saw unprecedented disruption to the global economy from the Covid-19 pandemic. Z was quick to react to the early signs, standing up its crisis management team (CMT) in late January to evaluate the potential risks we

saw around our supply chain and ensure continuity of supply for New Zealand. The speed of our response and the performance of our supply chain over the last 5 months highlights the excellence of our ongoing operational resilience.

We reviewed our business continuity plans over those early months and the company was ready to respond quickly to the escalation to Level 4 shutdown in March. Our retail service stations were moved to a closed-door policy a few hours before the midnight decree from government. Our operational and terminal staff altered the way they worked to reduce Covid-19 related risks and Z started social distancing in its offices in March before the level four lockdown and supported our office based workers with technology to allow for remote working.

The Board and I are very proud of the way in which the whole Z team and our business partners have responded to these incredibly trying circumstances. It speaks to the resilience, the professionalism and the high standards for safety and wellbeing that we all have at Z.

We have begun FY21 with the Covid-related lockdown severely impacting volumes in all areas of our business. At Level 4 we saw declines of around 80% in retail volume, around 50% in commercial volume excluding Jet and over 90% in Jet. While NZ has seen a relatively stable and steady move from Level 4 to Level 1 lockdown we continue to observe declines in retail volume and the decline in Jet remains around 80% below the prior year with an uncertain future at this time.

This has both reinforced and increased the work already underway to cut costs from the business to ensure Z is a lean and focused organisation following the shift in retail margins. Z has therefore undertaken several self-help initiatives to retain cash inside the business. We are targeting expense reductions of over \$70m on an annual basis for the current year. Through the support of our banking syndicates and other long-term debt providers we have successfully sought waivers on our debt obligations for the next 12 months and we have completed a \$350m equity raise to give strength and flexibility to the balance sheet.

In the last quarter of the 2019 calendar year, the board recognised the impact that the loss of retail margin and reduced earnings had had on our leverage ratios and started work looking at our capital structure. This work became more critical at the beginning of the 2020 calendar year as we assessed the additional impact on our business of the weak global refining margins, the Russian/Saudi Arabia oil price war and Covid, making an equity raise important to protect our business for the long term.

While NZ has escaped relatively lightly from Covid-19 in terms of the loss of human life, it is the Board's view that the economic impacts of Covid-19 are yet to be fully felt in NZ. It seems highly unlikely that economic activity within NZ will 'get back to normal' until there is a vaccine or something nearing global immunity.

When sizing the equity raise for Z the Board felt it prudent to ensure that we raised enough cash to provide balance sheet flexibility to cover all reasonable and plausible outcomes from the Covid-19 pandemic.

While the steady progression from Level 4 to level 1 lockdown in NZ has been a testament to the team of 5 million, we were conscious of several global examples where an economy has opened too quickly, and a relapse has occurred.

The size and timing of the equity raise provides the Board confidence that Z will be able to navigate any current short-term market choppiness and exit the current trading conditions stronger and even better equipped for the industry competition ahead.

In May, Z successfully completed the NZ\$290 million fully underwritten Placement and follow-on \$60 million share purchase plan, raising approx. \$350 million. Shares were allocated to existing shareholders and new investors at a price of NZ\$2.90 per share, representing a discount of 7.6% to the last trading day close price. The small relative discount is indicative of the strong support we received from shareholders during the book build process. Over 95% of the new shares issued under the Placement were allocated to existing shareholders, in accordance with Z Energy's allocation policy, and no shareholder, that bid sufficiently at pro-rata or above into the process, was diluted.

The proceeds of the equity raise will be used to pay down our existing bank term debt, enhancing Z's balance sheet and providing greater resilience for Z's business for the foreseeable future. *The Board continues to target a prudent debt ratio of between 2.0x and 2.5x gross debt to EBITDA and intends to restart distributions to shareholders under the current dividend policy in FY22.*

We enter FY21 with the necessary building blocks in place for a resilient future, a focus on disciplined implementation of strategy and a readiness to face the challenges ahead.

Thank you for your attendance today at this virtual shareholder meeting and thank you once again for your support of Z Energy over the past year ... it is not taken for granted.

CEO Mike Bennetts address to the AGM

Question and answer session with Chair and CEO

We have some time now to answer questions. This year we have received 13 questions and / or comments from shareholders in advance of the meeting and some of these are two-part questions. Thank you to everyone that has submitted questions this year; this is a record number of questions for Z. It is too early to tell but I hope that this reflects the growing confidence shareholders have in the virtual meeting format.

As there are a few questions to answer I suggest that we split the answers between Mike and myself. We will then take questions from our online audience.

In the interests of efficiency, we have grouped the pre-submitted questions into three areas around operating results; public policy and longer-term trends surrounding our industry and finally shareholder remuneration and board-related governance questions.

For the questions around operating results and strategy I'd like to ask Mike to answer these and I will answer the questions on public policy, industry trends and governance related questions.

We have chosen to repeat the questions that shareholders have asked us without any moderation to the language used, consistent with the way in which those questions would be received if posed in a physical meeting.

Pre-submitted questions to the AGM from shareholders answered by CEO

1. *Reading the last report (which has cheesy photo's of the head staff sitting on stools), there seems to be a lot of excuses for the appalling financial result. Whats apart from cost reductions is management doing about it? Investors care about growing the company and returns. Is it possible the go back to basics and market, sell fuel? Not pretending to be a new enviroment technology company.*
2. *With so much uncertainty of the future after this Covid -19 crisis, how much certainty and assurance can we (as shareholders) have on Z Energy in the next 7 years?*
3. *Can we still look to Z Energy as a blue-chip company for long-term investment after this crisis and the changes in times/technology?*
4. *a) As slowly electric car market is picking up, what Z is doing to be relevant for the future?
b) is there any plans for Z energy to foray into retail electricity/gas distribution?*
5. *Do you regret not raising additional equity at the time of the Caltex Purchase?*
6. *What is the outlook for Z Energy as countries become clear of Covid 19*
7. *a) I am concerned that Z's biodiesel manufacturing plant has failed to capture the support of any political parties and therefore has been mothballed rather than supported. Maybe its label should be changed as the word "diesel" doesn't make good media headlines. It needs Z to do better PR on this otherwise it is a loss to both shareholders and New Zealand.
b) I support Z Energy's management but the company's idealism is its undoing when their opposition's bad practices are what drives the public's perception of the industry.*

Pre-submitted questions to the AGM from shareholders answered by Chair

Thanks for those questions and answers Mike; now I'd like to answer the balance of the questions that we have received from shareholders. The first two questions are from two separate shareholders but we will group them together as they are basically the same.

5. *When Will Dividends resume? And under what criteria?*
6. *When will Dividends be paid to owners/shareholders?*
7. *I hope cost of shares get to \$8.5 not less*
8. *Have you been approached or are you in any negotiations about a possible takeover offer with Caltex Australia or any other entity?*
9. *How is Z Energy affected by fossil fuel exemption mandates operated by many investment/fund managers including the new KiwiSaver default mandate?*
10. *What's the market strategy to deal with the Labor Government's petrol/ energy policy*
11. *We have seen a significant decline in share prices and shareholder dilution with the recent SPP; dividends have been cancelled and the company has posted an eye-watering loss. The fossil fuel industry itself is experiencing a paridgm shift, in these times how is Mr. MARK MALPASS who has had less than stellar track record at Steel & Tube change the prospects of ZEL?*

Chair addresses the formal business of the meeting and voting

With that let us now proceed to the next part of the meeting. As I mentioned earlier, the vote on both of these resolutions will be by poll.

For everyone online you will need to follow the instruction on the screens. Your votes will be recorded and the results will be released to both the NZX and ASX markets and posted on our investor 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.

Resolution 2 is that Mr Mark Malpass, who was appointed during the year, be elected as a Director of Z Energy. I will now invite Mark to briefly address the meeting.

Mark Malpass, being up for election to the Board, addresses the AGM

Chair closes the Z Energy AGM for 2020

That brings us to the end of the 2020 annual shareholders meeting. Thank you for your attendance and participation today on-line.

Results will be posted to the NZX, ASX and Z investor centre as soon as they are available.

Before I formally close this meeting I'd like to add that this virtual meeting has been a great experience for myself, the directors and management of Z. The virtual meeting increases productivity and reduces complexity and cost. However we are keen to receive feedback from shareholders about the virtual format. Please feel free to contact our Investor Relations Manager or our Chief Governance Officer if you wish to provide feedback on the experience.

With that, I declare this meeting formally closed. Thank you everyone for your attendance today.

Ends.