NEW ZEALAND'S EXCHANGE
TE PAEHOKO O AOTEAROA

Results announcement

(for Equity Security issuer/Equity and Debt Security issuer)

Results for announcement to the market		
Name of issuer	Z Energy Limited	
Reporting Period	6 months to 30 September 2020	
Previous Reporting Period	6 months to 30 September 2019	
Currency	NZD	
	Amount ($m)	**Percentage change**
Revenue from continuing operations	$1,496	Down 39%
Total Revenue	$1,496	Down 39%
Net profit/(loss) from continuing operations	($58)	Down 307%
Total net profit/(loss)	($58)	Down 307%
Final Dividend		
Amount per Quoted Equity Security	No interim dividend declared	
Imputed amount per Quoted Equity Security	Not Applicable	
Record Date	Not Applicable	
Dividend Payment Date	Not Applicable	
	Current period	**Prior comparable period**
Net tangible assets per Quoted Equity Security	$0.6335	$0.3984
A brief explanation of any of the figures above necessary to enable the figures to be understood	This announcement should be read in conjunction with the attached management commentary and financial statements for the six months ended 30 September 2020, media release and investor presentation.	
Authority for this announcement		
Name of person authorised to make this announcement	Debra Blackett	
Contact person for this announcement	Debra Blackett	
Contact phone number	021 410 752	
Contact email address	Debra.blackett@z.co.nz	
Date of release through MAP	04/11/2020	

Unaudited financial statements accompany this announcement.

ENERGY

4 November 2020

Z first half results impacted by COVID-19 lockdowns and weak refining margins. Z responds with structural opex savings, a strengthened balance sheet and enhanced customer experiences to increase competitive position.

- **Half year result:** RC EBITDAF $95m, down 48% versus PCP.
- **Four point improvement plan:**
  - **Reduced costs:** On track to deliver $48m of annualised structural cost out. Full year FY22 run rate structural cost out expected to be $60m.
  - **Hold market share:** Focus on volume and enhanced customer experience (CX) delivering volume gains in competitive retail market.
  - **Monetise scale:** Fuel Industry Act passed; Z developing wholesale market to leverage terminal network scale ahead of Terminal Gate Pricing (TGP) introduction
  - **Manage capital:** $347m capital raise completed. Balance sheet strengthened and on track for resumption of distributions post 1HFY22
- COVID-19: **Lockdowns impacted total volume with Jet yet to recover. Retail and** Commercial diesel **volumes** recovered **back to PCP levels. Employee engagement at all time high on back of focused internal response.**
- **Full year guidance:** Z reinstating full year earnings guidance; forecasting RC EBITADF for FY21 to be between $235m and $265m

First half FY21 results

Z Energy (NZX: ZEL ASX: ZEL) today announced its earnings for the six months to 30 September 2020.

Z Energy (Z) reports its earnings on an historic cost (HC) as well as a replacement cost (RC) basis. Statutory financial statements are reported on an historic cost basis in accordance with NZ IRFS, however replacement cost accounting is the globally used non-GAAP industry standard to measure financial performance.[1]

Historical cost net profit (loss) after tax (HC NPAT) was ($58m) for the first half of the year, down 307% from $28m in the prior corresponding period (PCP). This result was driven by the impacts of COVID-19 due to higher cost inventory sold at lower product prices and reduced volumes during lockdown with additional reduction in fuel demand for Jet fuel (-72% versus PCP) in particular. Lower than expected regional refining margins in 1H led to a reduction in refinery production and fee floor payments to Refining NZ were required, resulting in a net refining margin loss of ($14m).

Z reported replacement cost earnings before interest, depreciation, and amortisation (RC EBITDAF) of $95m, down 48% from $182m in the PCP. Z's replacement cost net profit (loss) after tax (RC NPAT) was ($19m), down 186% from $22m in the PCP.

Total marketing volume for 1HFY21 was 1,379 million litres, down 28% compared to the PCP, largely in Jet. On an RC NPAT basis, Z earned -1.38 cents per litre in 1HFY21 versus 1.15 cents per litre PCP.

[1] Z prepares its statutory financial statements on an historic cost basis in accordance with NZIFRS. Earnings prepared on this basis are subject to volatility due to changes in oil prices and exchange rates and is therefore not a dependable measure of business performance or profitability. Replacement cost earnings do not reflect this volatility to such an extent as the cost of the stock sold is accounted for as its replacement cost at the time of its sale. Z's management focuses on the industry standard replacement cost operating metrics, which it considers a better reflection of the underlying performance of the company.

RC fuel unit margin[2] of 17.6 cents per litre was up on the PCP of 16.3 cents per litre due to the mix shift to higher margin fuels during lockdown and lower Jet and Marine volume.

The capital raise of $347m was completed in June. The cash raised was used to pay down $180m of bank debt with net equity proceeds held to repay $150m of retail bonds coming due in November 2021.

COVID-19 impacts widely felt yet recovery faster than expected

For more than six months Z operated with a crisis team in place as the business dealt with the impacts and uncertainty of COVID-19.

"The resilience of our staff and our commercial partners during the country's response to COVID-19 was excellent." said Mike Bennetts, CEO of Z Energy. "The team has ensured security of supply to New Zealand under very difficult operating conditions. We have maintained safe and reliable operations while the business has delivered a materially different set of results, both operationally and financially, than was initially expected.

We remain alert to the potential of additional and ongoing COVID-19 outbreaks like that seen in August, but believe we are otherwise well placed to benefit from the economic recovery in domestic tourism and commercial activity driving volume and market share increases." he added

Opex reduction and structural cost-out

Z is on track to achieve $48m in annual structural cost savings for FY21, in-line with guidance. The first half has realised $22m of structural opex reduction. Z expects the run rate full year impact of these changes to be $60m in FY22.

"The cost savings achieved not only help mitigate the financial impacts of COVID-19 this year but result in embedded efficiencies that will generate substantial, ongoing savings in future periods." stated Lindis Jones, CFO of Z Energy.

Beyond the $22m of structural cost reductions Z achieved $14m of one-off cost reductions. This includes $3.4m of wage subsidy from the Government. Z applied for the wage subsidy only in the last week of the scheme to ensure it was needed and only after meeting all of the scheme's requirements. Z has made only three COVID-related redundancies.

Commenting on the decision to apply for the subsidy, Mike said, "The application for the wage subsidy needs to be seen in the context of our financial results. First half operating profits were around half of what they were a year ago, despite costs being reduced by $35m. Prior to Z's application for the wage subsidy Z had already cancelled $8m of employee bonuses and cancelled the FY20 final dividend, expected to be around $90m."

Retail fuel market changes

The retail fuel market remains highly competitive. The industry continues to add capacity, albeit at a greatly reduced rate, with a net five new sites added in the second quarter of FY21. Z believes a combination of lower retail fuel margins and reduced COVID-19 related volume will see an acceleration of marginal sites closing.

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2 This is the margin on fuel sold before operating costs and corporate tax are accounted for.

Mike commented, "COVID-19 highlighted the importance of a contactless customer experience. We saw a volume shift towards Z as we were able to provide a range of safe and efficient solutions to meet our customers' needs. We've seen increases in customer engagement and sales through our digital solutions such as Sharetank, Fastlane, and pre-order in-App purchases for coffee increased during the lockdown and have remained.

We know that loyalty remains a core value proposition. A year on from introducing Pumped as a unified offer across both the Z and Caltex brands, we've seen Caltex exceed last year's volumes. In the first half we saw positive impact from changes to our loyalty offers with Flybuys and Air New Zealand Airpoints. Market share data availability has changed in light of the regulatory background but our data indicates that Z's market share is increasing," he added.

Refining margins

During 1HFY21 refining margins have continued to be at levels insufficient to cover the operational costs of domestic refining and coastal distribution. This has required Z to make $19m of fee floor payments to Refining NZ, leading to a net $14m refining margin loss for the period. RNZ operated in a 'hot park' mode with reduced capacity in response to reduced demand for product while the country was in lockdown.

Regulation changes

Z continues to implement the requirements of the Fuel Industry Act ahead of schedule, having nearly completed the soon to be mandatory display of premium product pricing on price boards throughout its retail network.

The wholesale market changes, including implementation of Terminal Gate Pricing (TGP), will open up competition in the wholesale market for which Z is well placed. The recent removal of the Nelson Terminal from the national network to operate under TGP has already seen positive results.

Z believes a shift to shorter tenure and non-exclusive distributor contracts will open up a more contestable wholesale market. The current Government timelines for implementing wholesale market changes and allowing distributors to exit existing agreements is however too long. We encourage the Government to accelerate the regulatory process allowing for more wholesale competition and achieving its goal of a more competitive retail market.

Full year outlook and reinstatement of earnings guidance

Z is re-instating its full year earnings guidance and is forecasting RC EBITDAF for FY21 to be between $235m and $265m.

In reintroducing full year earnings guidance Mike said, "We expect the second half of this financial year to be materially different to the first half. We've proven we're operationally and financially resilient to all but the most extreme impacts of COVID-19. Our focus for the second half is cementing the structural costs savings already identified while we continue to vigorously compete in both retail and commercial markets."

The guidance for the balance of the financial year assumes that New Zealand remains at Alert Level 1 and GRM remains at US$3/bbl requiring additional fee floor payments. Z is forecasting integrity capex of ~$50m for the full year and net zero growth capex.

As announced in May this year Z was granted a temporary waiver of key bank and debt covenants for the two test dates falling in September 2020 and March 2021. As part of obtaining these waivers Z was required to complete an equity raise and to not pay dividends until after 30 September 2021.

Following Z's successful capital raise the business has continued to perform above expectations as Alert Levels have not lasted as long, nor been as severe, as expected. Z anticipates shareholder distributions to resume after 1HFY22.

A presentation for media and investors will be held at 10.00am today, Thursday 4 November. A replay of the presentation will be available tomorrow on Z's investor website: https://investors.z.co.nz/announcements/webcasts-presentations

Reconciliation from statutory net profit after tax to RC net profit after tax

	Unaudited 6 months ended 30 September 2020 $m	Unaudited 6 months ended 30 September 2019 $m	Audited 12 months ended 31 March 2020 $m
Statutory net profit (loss) after tax	(58)	28	(88)
COSA	96	(18)	88
Net foreign exchange and commodity losses/(gains) on fuel purchases	(30)	7	68
Tax benefit on COSA	(27)	5	(24)
Replacement cost net profit after tax	(19)	22	44

Investors: **Matt Hardwick** **027 787 4688**
Media: **Victoria Crockford** **021 347 833**

FY21

Interim results presentation for the six months ended 30 September 2020

4 November 2020

Mike Bennetts
Lindis Jones

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 4 November 2020. 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. This material is available on our website, https://investors.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. 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. Consistent with the NZX and ASX listing rules we will communicate with the market if there is a material change, however we will not update this presentation

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" a widely used and understood Industry measure. 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 on the basis of expert financial advice

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Headline financials

RC EBITDAF in middle of COVID-19 guidance range

Key financials	1H FY21	1H FY20	Change
Historical cost net (loss)/profit after tax (HC NPAT)	($58m)	$28m	(307%)
Replacement cost EBITDAF (RC EBITDAF)	$95m	$182m	(48%)
Replacement cost net (loss)/profit after tax (RC NPAT)	($19m)	$22m	(186%)
Net operating cashflow	$89m	($31m)	387%
Interim dividend	**0 cents**	**16.5 cents**	**<>**

- HC NPAT decreased by $86m due to higher cost inventory sold at lower product prices across COVID-19 lockdown periods
- RC EBITDAF decreased by $87m PCP primarily due to the decline in volumes and fuel margin incurred as a result of the COVID-19 pandemic
- RC NPAT decreased by $41m due to a decline in RC EBITDAF offset by 1H FY20 Impairment on Investment in Flick
- Net operating cash flow increased $120m due to provisional tax refund and reduced product prices, offset by the decline in volumes and fuel margin and an increase in excise rates
- No interim dividend to be paid in accordance with temporary debt covenant waivers in place

Note 1: HC NPAT has been calculated in accordance with NZ GAAP. RC NPAT and RC EBITDAF have 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 cost" results relates to our NZ GAAP results. Please read the explanation and consider the reconciliation information in the appendices

A four point improvement plan

Plan developed pre COVID-19 and subsequently modified for expected COVID-19 impacts

	Focus	Progress to date
1	Reduce costs	• YoY reductions of $35m for 1H, $22m of which were structural savings • On track for $48m of structural savings for FY21 • Run rating to $60m for FY22
2	Hold market share	• Retail pricing tactics yielding YoY weekly volume growth at Alert Level 1 • Revised FlyBuys CVP launched in June with fuel discounts as a currency instead of points
3	Monetise scale	• Fuel Industry Act enables progress on a number of supply chain initiatives • Nelson assets moved to terminal gate pricing
4	Manage capital	• Bank debt reduced by $180m and $150m to be repaid off Retail Bonds in November 2021 • Resumption of distributions[1] post 1HFY22

1 Z dividend policy is to pay a dividend of 70-85% of Operating Cashflow less Integrity Capex; where Operating Cashflow is defined as RC EBITDAF less RC Tax and net financing costs.

Safety and wellbeing

Improved performance beyond the impact of reduced activity in Alert Levels 4 and 3

- Z's response to COVID-19 was risk-focused, with the Z Crisis Management Team being activated twice
- "Wellbeing @ Z" framework launched, focusing on embedding leadership capability to enhance employee wellbeing
- Z's digital operational risk management system (ZORMD) further embedded into proactive risk management practice, allowing risk data to be more visible and accessible with dashboards supporting identification indicators and trends for early intervention
- A customer who tested for COVID-19, visited a retail site. The site was closed, deep-cleaned and re-opened after two hours

People safety:

- 9 LTIs, manual handling and physical abuse from customers (1H FY20: 9)
- 2 Robberies, no staff physically injured (1H FY20: 6)
- 7 Life Saver breaches (1H FY20: 8)

Process safety:

- Spills to ground (loss of containment): 0 (1H FY20: 3)
- Executive safety "walk and talks": 12 (1H FY20: 18)

Total Recordable Case Frequency (TRCF)

1.09

(1H FY20: 0.99)

Z Employees: 1.36 (1H FY20: 0.00)

Retailers and Mini-Tankers: 1.01 (1H FY20: 1.25)

Tier 1 or Tier 2 process safety incidents

0

(1H FY20: 1)

RC EBITDAF variances

RC EBITDAF impacted by COVID-19 and YoY impacts from changes in Retail markets

Margin

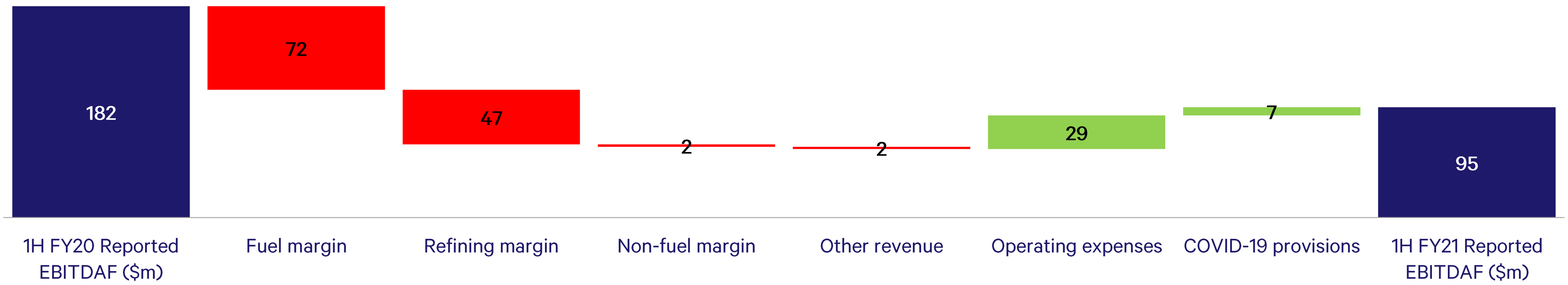
- Marketing volumes declined 28% due to COVID-19 lockdowns across NZ and global travel restrictions
- Refining margins down due to lower regional refining margins, lower production and fee floor payments in 1H FY21
- Non-fuel margin down due to lower rental income and reduced transaction count at Z stores, amplified by a change in ratio of sales mix to lower margin products

Operating expenses

- Lower operating expenses structural savings from reductions in marketing, customer offers, professional fees and third-party procurement
- One-off savings includes $3.4m Government wage subsidy and postponed marketing activities
- Demand related cost reductions have been lower than initially forecasted given volume reductions at Alert Levels 2 and 1 were much less than anticipated

COVID-19

- Reported EBITDAF improved by release of a net $7m of COVID-19 related provisions
- $7m of new opex provisions have been created for exit costs from early termination of a distribution contract and for targeted support to retailers
- $13m of opex provisions have been released to reflect decreases in receivables and risk associated with credit default
- $2m of COGS provisions released offset by $1m of new provisions for product procurement



Cost out programme

On track to deliver $48m of structural savings by end FY21; run rate for FY22 $60m

$m	1H FY21 actual	FY21 forecast	FY22 run rate
Structural opex	22	48	60
One off opex[1]	14	16	-
Demand related opex	4	4	-
Inflationary pressures	(5)	(10)	(10)
Subtotal	**35**	**58**	**50**
Demand related (COGS)	3	9	-
Net YoY savings	**38**	**67**	**50**

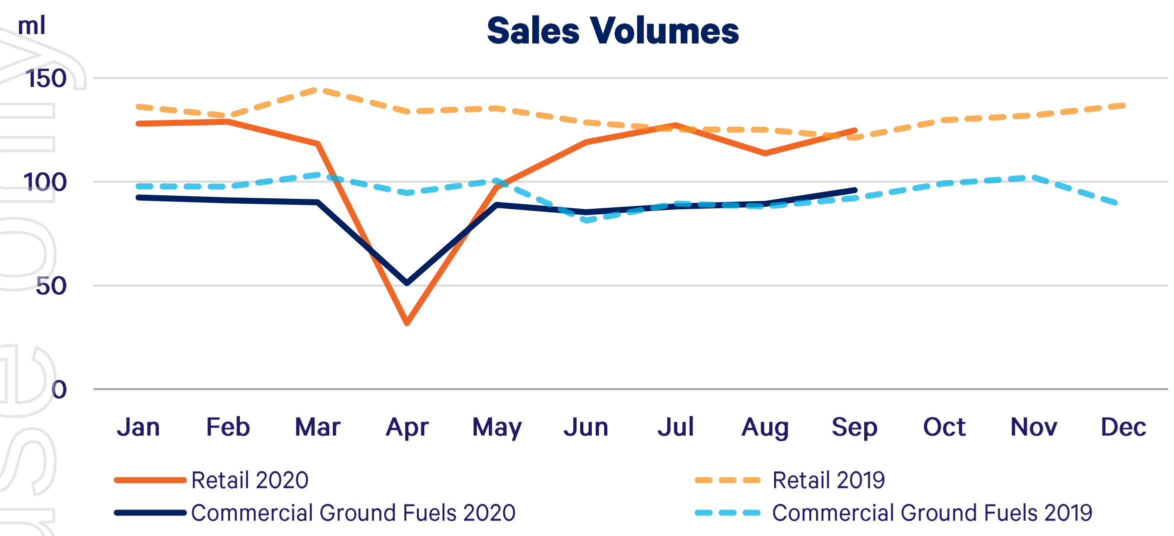
Note - YoY opex savings for FY21 forecast calculated off FY20 actuals ($416m) less COVID-19 related provisions ($24m) plus on target performance bonus ($13m)

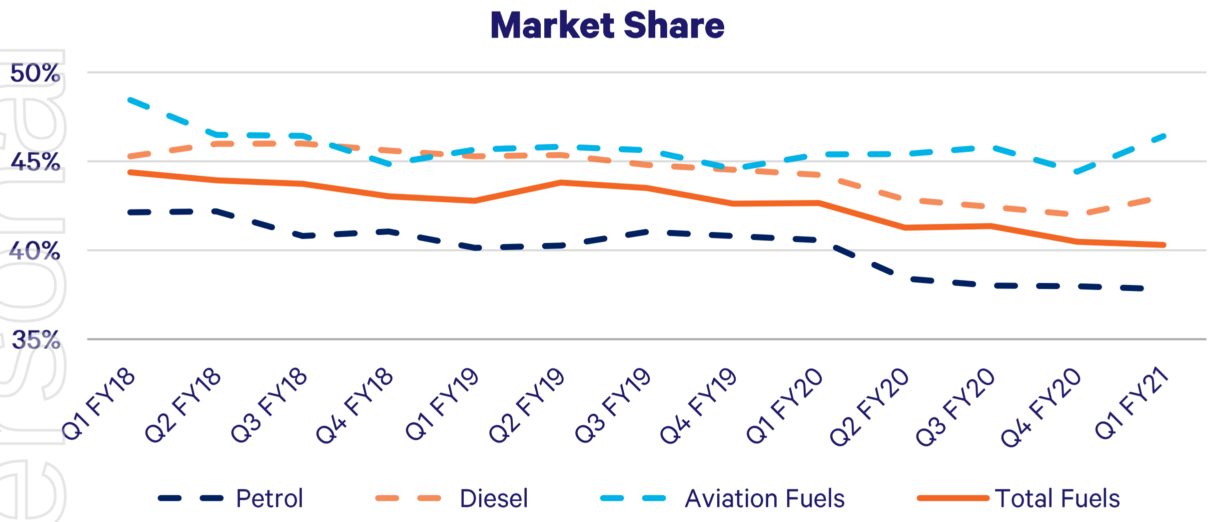
- From the initial 23 initiatives for the targeted $48m of structural savings, 21 have already been actioned with cash flowing
- One off opex reductions benefited from $3.4m of Government wage subsidy in addition to severely curtailed marketing activity during 1Q when NZ was at Alert Levels 3 and 4
- Demand related opex and COGS reductions are much less than forecast as YTD marketing volumes -23% to PCP whereas forecasts assumed reductions of -43% for the Central case and -50% for the Stress case
- Inflationary pressures arising from scheduled lease increases, Z site staff wage increases and Insurance costs
- Current run rate for FY22 higher than previous forecast given some of the more material initiatives started slightly later (e.g. removal of forecourt concierge) and some new initiatives started in FY21 rather than as planned for FY22 (e.g. exit of fuel oil barge charter)
- Additional structural cost initiatives being developed for FY22, targeting a further $10m on top of the $60m run rate

Note 1:. One off opex includes net release of $6m to COVID-19 provisions

Trading conditions

COVID-19 related lockdowns have seriously impacted sales





- The Central and Stress cases that underpinned Z's requirement for an equity raise assumed FY21's YoY volume declines of 34% and 40% respectively
- Sales at Alert Levels 4 and 3 were broadly consistent with the original forecasts, albeit NZ spent less time at these levels than forecasted
- Sales at Alert Levels 2 and 1 have been less impacted in both Retail and Commercial markets, other than Jet and Fuel Oil
- For any weeks in Alert Level 1, Retail weekly sales across both Z and Caltex are 1-3% higher than the same week for last year

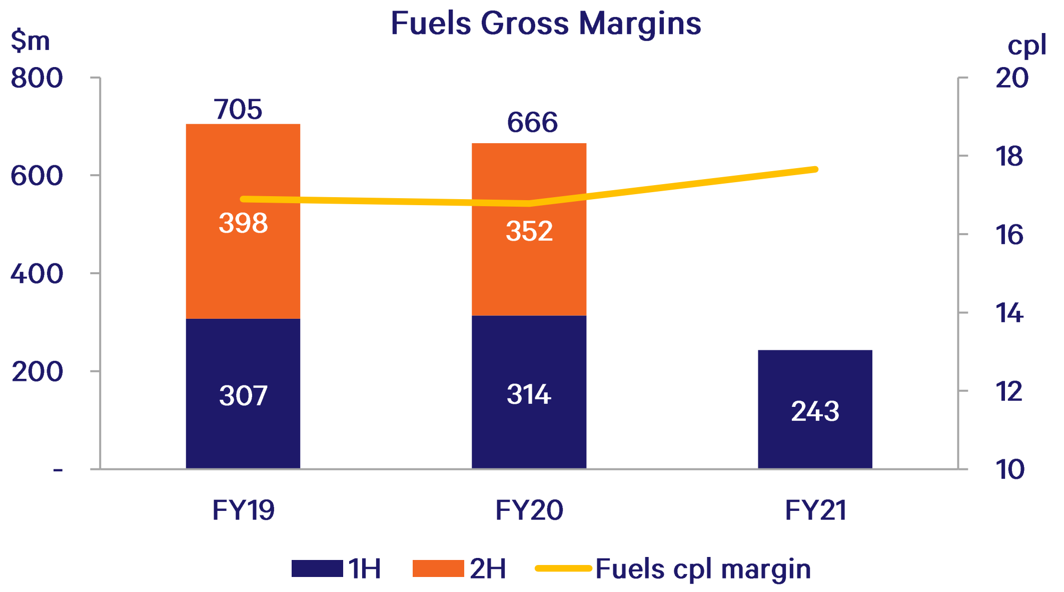
- MBIE provide quarterly industry market consumption data from which Z can derive a notional market share by product (shown to the left)
- MBIE data is only presently available to end 1Q FY21

Market share is calculated from MBIE market consumption data: https://www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/energy-statistics-and-modelling/energy-statistics/oil-statistics/

Fuel Margin -23% to PCP

Z marketing volume impacted by COVID-19

Sales Volumes (ml)	1H FY21	1H FY20	Change
Petrol	475	615	(23%)
Diesel	731	761	(4%)
Other	173	545	(68%)
Total marketing volume	**1,379**	**1,921**	**(28%)**
Supply sales and exports	14	26	(46%)
Terminal gate sales	42	-	<>
Total volume	**1,435**	**1,947**	**(26%)**

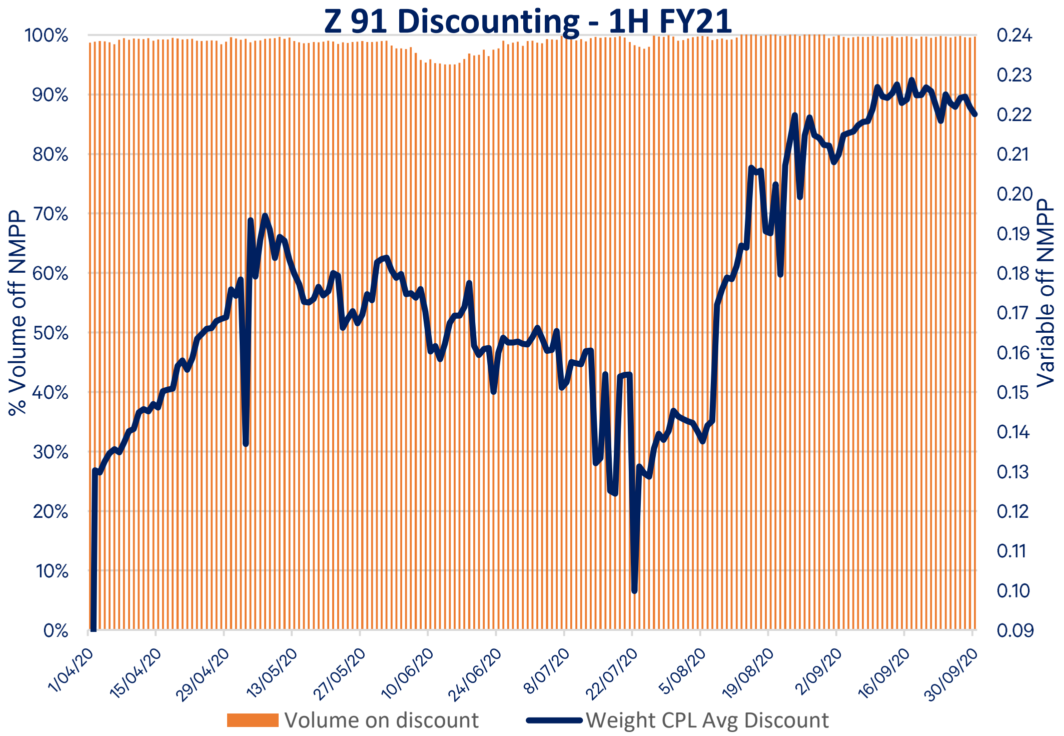


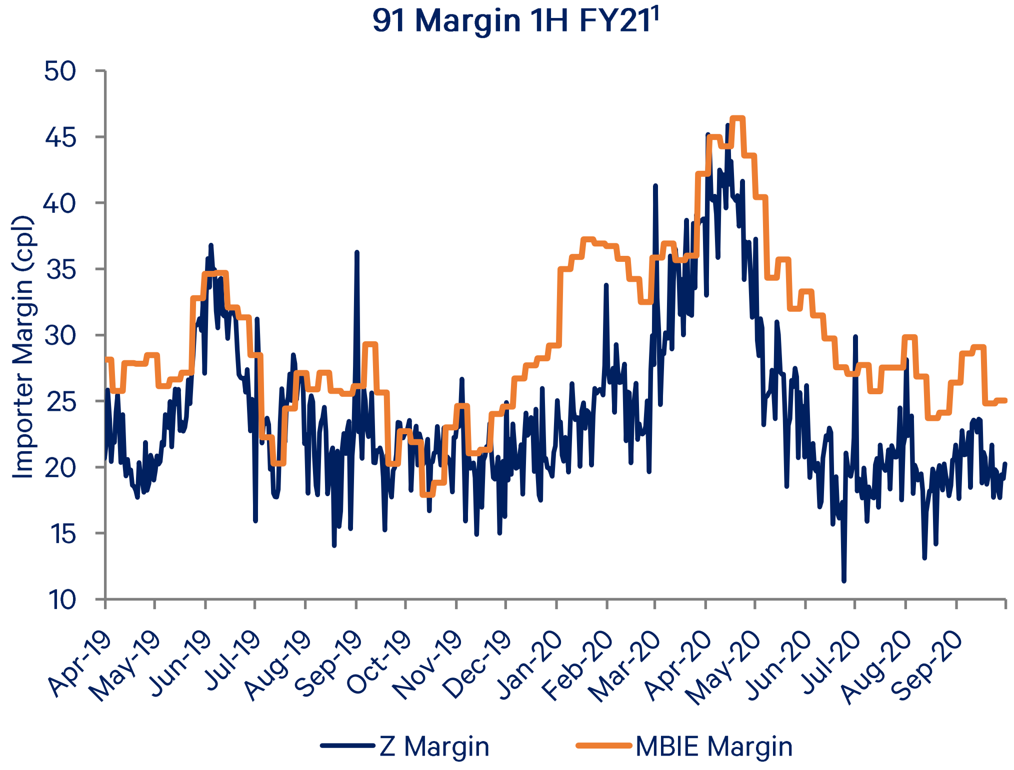
- Diesel volumes were less impacted than petrol as essential services continued and businesses were more active once out of Alert Level 4
- 72% decrease in Jet demand due to travel restriction impacts on international and domestic flights
- 79% decrease in Fuel Oil due to decline in cruise ship visits
- Terminal gate sales are due to the Nelson terminal being removed from National Inventory Agreement (NIA)

- Fuel unit margin of 17.6 cpl up from PCP 16.3 cpl predominantly driven by COVID-19 decline in low margin Jet and Marine fuel volumes increasing the average margin
- Unit fuel margins in the Retail market were -0.3cpl to PCP, and -0.6cpl to full year FY20, reflecting Z's stronger focus on volume supported by pricing tactics that were changed in September 2019

Retail fuel pricing

Nationwide discounting increased post COVID-19 lockdown for Alert Levels 4 and 3





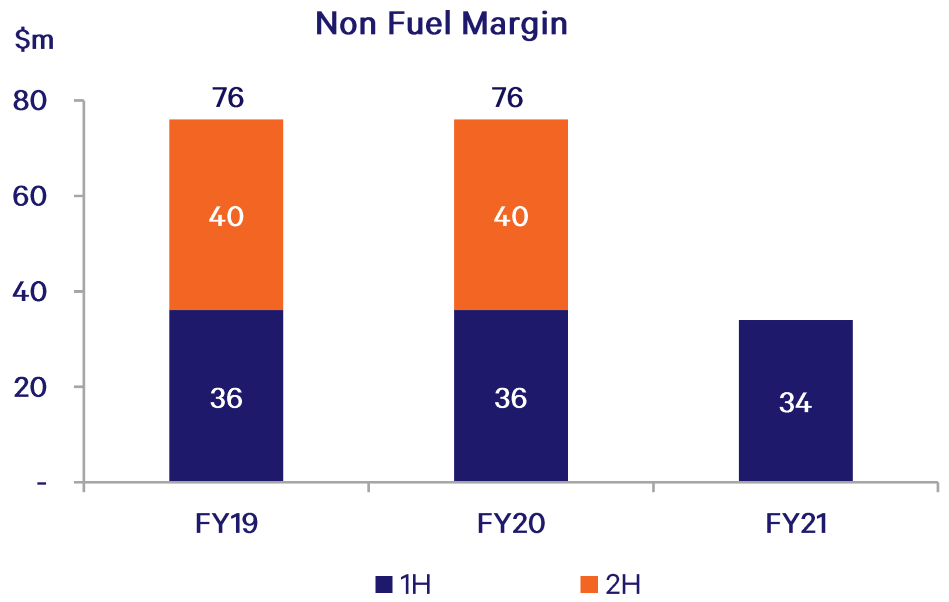
- Discounting activity reduced from historical norms during Alert Level 4 and 3 lockdowns on significantly reduced volumes, 80% and 50% respectively
- Alert Levels 2 and 1 saw discounting return to normal levels as sales returned to parity with previous periods

Note 1: Source is https://www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/energy-statistics-and-modelling/energy-statistics/weekly-fuel-price-monitoring

Non Fuel Margin -6% to PCP

C-store margin flat on reduced transaction count and sales mix change

Operational Metrics		Tier 1	Tier 2	Tier 3	Automated
Number of stores	1H FY21	96	76	24	2
	1H FY20	95	77	28	1
Average weekly shop sales		$51k	$32k	$20k	-
Sales growth		7%	7%	8%	-
Total transaction count YoY		(13%)	(16%)	(18%)	-
Store transaction count YoY		(7%)	(8%)	(8%)	-



- Customers stayed local and purchased their essential items from Z during Alert Level 4 lockdown
- Sales mix changed in 1Q with low margin products including tobacco and pre-paid cards remaining flat while food and beverage declined
- Z App coffee (pre-order) purchases peaked during COVID-19 Alert Level 3 lockdown at 25% of total sales compared to PCP of 7%
- Strong demand for convenience food during COVID-19 Alert Level 3 has continued as Alert Levels reduced further
- Other revenue decreased due to lower rental income from tenants as rental relief provided on an exceptions basis

Refining margin -142% to PCP

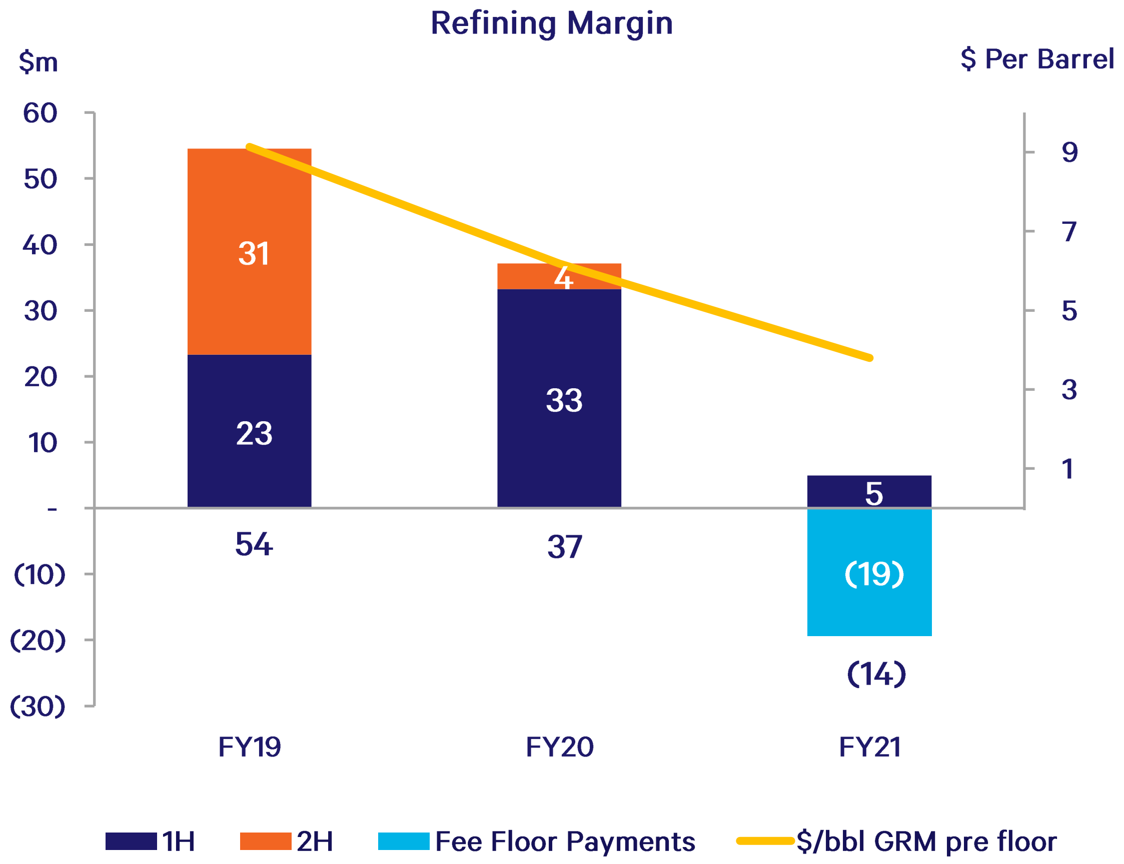
Exceptionally low and volatile margins requires fee floor payment throughout 1H

Regional markets and Refining NZ

- Regional refining margins were US$2.35 per barrel, driven by significant COVID-19 demand destruction following what was already a period of low margins from December 2019
- Increased freight differentials between crude and refined product cargoes provided some early relief to refining margins
- RNZ's operational performance was significantly disrupted by NZ lockdown demands, especially that of Jet fuel, with the refinery operated on a throttled throughput basis, including a shutdown period late in the half

Z Performance

- Processing volumes of 4.4m barrels significantly less than PCP 10.2m barrels
- With low RNZ throughput, and low refining margins, Z generated $5m from refining activities, however was required to pay $19m of fee floor top-up payments to RNZ, generating a net $14m refining margin loss for 1H FY21



Capital management

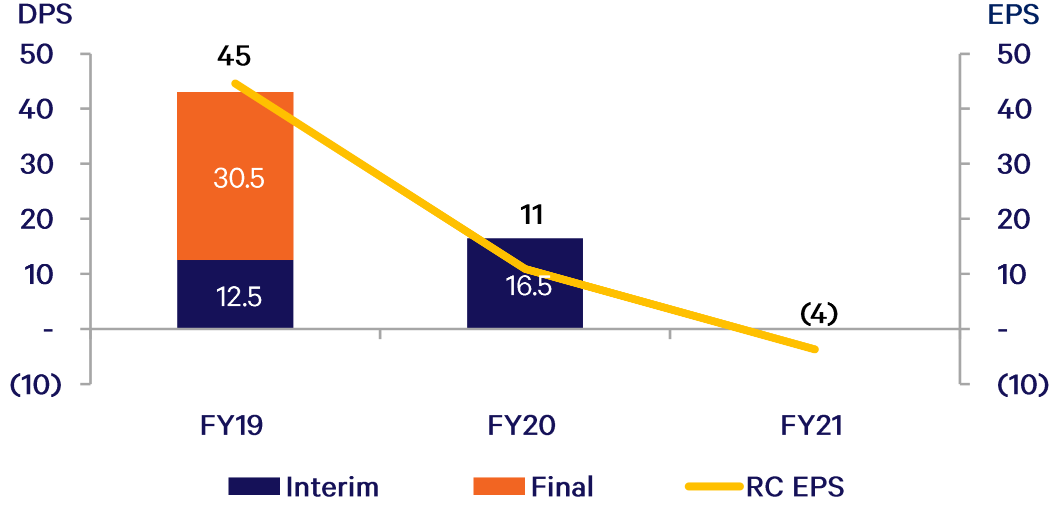
No interim dividend to be paid consistent with Debt Covenant waivers

Metrics	1H FY21	1H FY20	Change
Gross debt[1]	$1,022m	$1,205m	($183m)
RC EBITDAF (12 month rolling)	$279m	$441m	($162m)
Gross Debt/RC EBITDAF (post-IFRS)	**3.7x**	**2.7x**	**1.0x**
Cost of debt	5.0%	5.2%	(0.2%)

Capex ($m)	1H FY21	1H FY20	Change
Growth	9	14	5
Integrity	25	25	<>
Divestment Proceeds	(5)	(30)	(25)
Net capex	29	9	(20)

- Gross debt is made up of $345m domestic retail bonds, $378m USPP and $299m of lease liability
- Cash on hand $160m as at 30 September 2020; Net debt at balance date of $563m
- Growth capex for FY21 will be fully funded by divestments, for the fifth consecutive year

Dividends and RC Earnings per Share



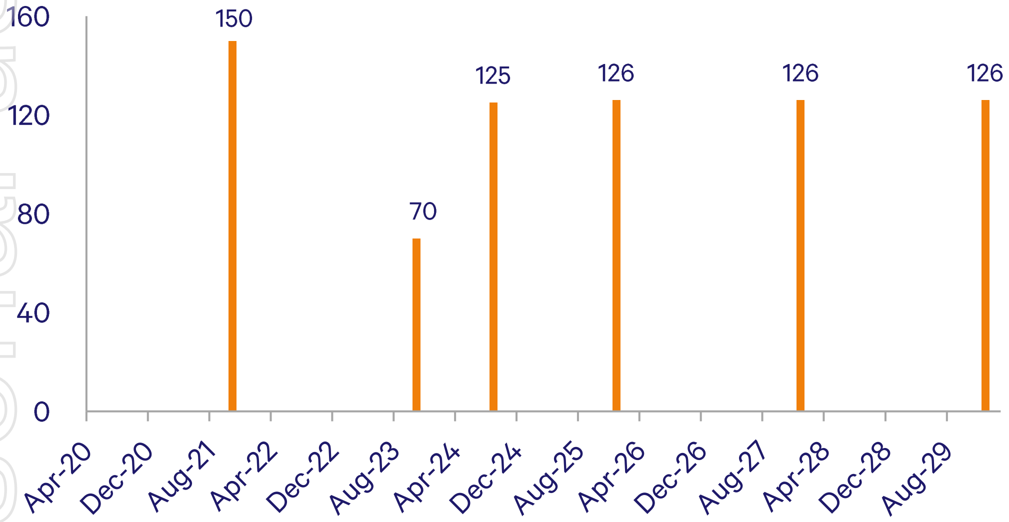
Note 1: Gross debt is defined as the sum of gross domestic retail bonds, gross USPP issuance, bank debt, lease liabilities and excludes working capital funding and cash on hand
Note 2: Net debt is defined as domestic retail bonds and USPP less cash on hand

Strengthened balance sheet

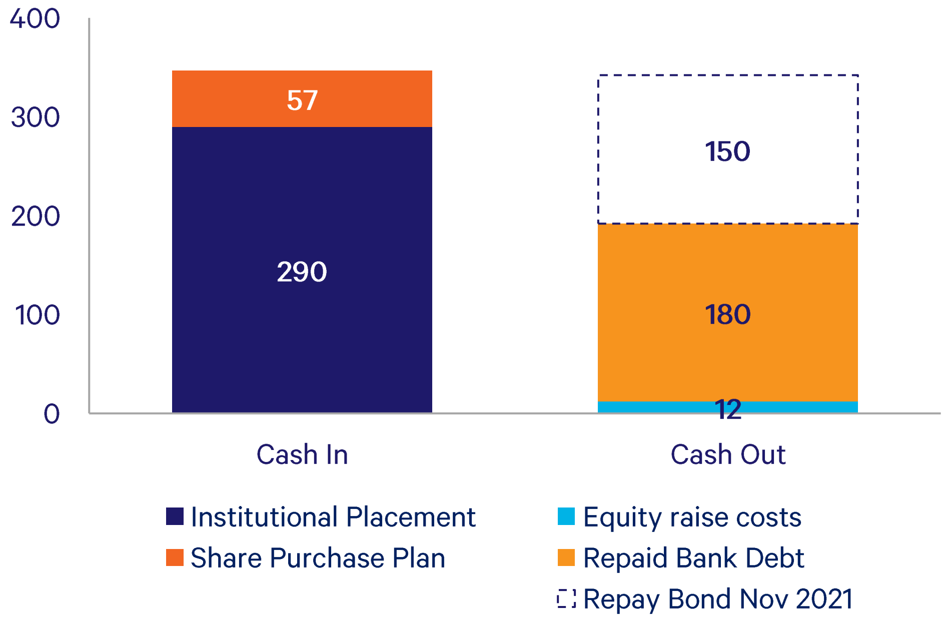
Equity raise successfully completed in June 2020

- Debt leverage target range (Gross Debt/RC EBITDAF) remains the same as the pre equity raise range of 2.0-2.5x, with a preference to be at the lower end of that target range in the near term
- Once $150m of retail bonds repaid in November 2021, Gross Debt would be $573m at end FY22
- No intention to reduce debt ahead of maturities given penalties are significant and any potential downside risks do not warrant incurring penalties
- Target range will be reviewed during 2H FY22 based on expected market structure and forecasted trading conditions through to end FY25

Term Debt Maturity Profile ($m)



Equity raise cash movements ($m)



Note 1: Gross debt of $573m is based on face value of the debt. For debt covenants calculations the mark to market of derivatives needs to be included in gross debt and uses pre NZ IFRS 16 RC EBITDAF

Government relations

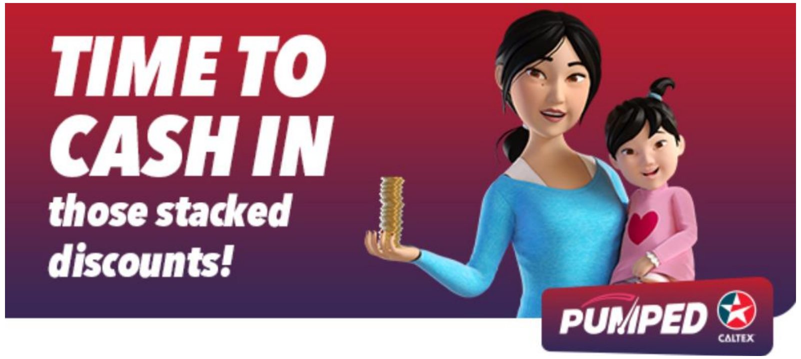
Fuel Industry Act passed into law

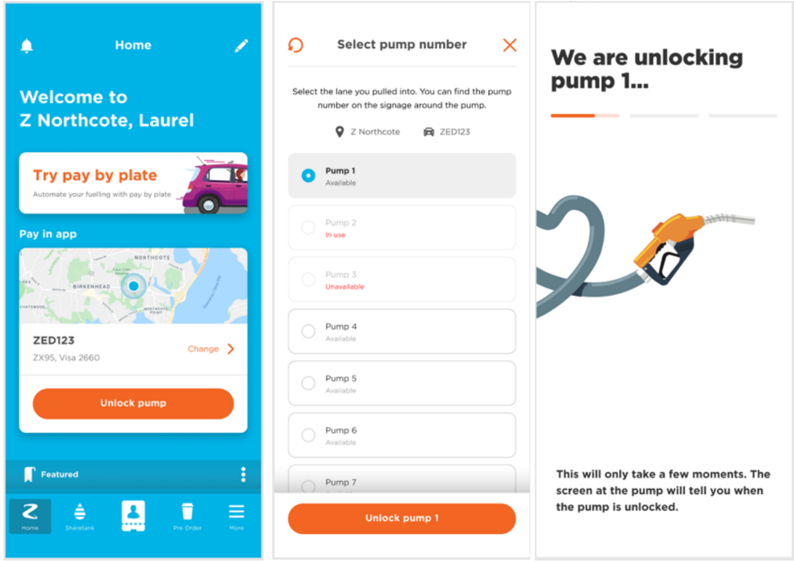
- Fuel Industry Act passed into law in August with regulations under the Act now being developed by MBIE
- Z continues to discuss with MBIE the current longevity of distributor contracts with wholesalers; the intention of legislation being that the industry moves more quickly to competitive contracts of shorter duration to achieve more retail competition
- Earlier in CY20 Z removed Nelson terminal into private storage outside the National Inventory Agreement (aka B&L system) which has enabled formation of bilateral contracts for supply in Nelson
- These bilateral contracts are the basis for evolving a Terminal Gate Pricing (TGP) market consistent with the Fuel Industry Act
- Premium pricing on all Z price boards due to be completed in Q3 FY21; first company in industry to do so

Looking forward for 2H

2H is expected to be materially different to 1H

- During 1H, Z has proven to be operationally and financially resilient to COVID-19 impacts, the latter partly through the equity raise
- Continuing operational focus on core business in 2H with ongoing cost reductions, scaling customer offers and planning for the FY22 response to the Fuel Industry Act e.g. Terminal Gate Pricing
- A material improvement in 2H performance supports RC EBITDAF guidance of $235-265m based on the following assumptions:
  - NZ remains at Alert Level 1
  - Refining NZ continues to produce at reduced levels with GRM at US$3/bbl, requiring continued fee floor payments
  - No plans for new one-off opex and COGS reductions
  - Integrity capex of ~$50m and growth capex fully funded by divestments
- No further debt reductions until November 2021 ($150m Retail bond)
- Z anticipates resuming shareholder distributions post 1HFY22





Appendices

1. Financial results
2. Profit and Loss
3. Operating expenses
4. Items below RC EBITDAF
5. Balance sheet
6. Working capital
7. Quarterly Operational Data

Financial Results

Basis of preparation

Non-GAAP Accounting Measure - Replacement Cost (RC) earnings:

- Is a non-GAAP measure used by the downstream fuel industry to measure and report business performance
- 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), commercial price lead/lag and the foreign exchange and commodity gains and losses. Refer to the reconciliation between HC NPAT and RC NPAT in these appendices
- From FY20 onwards commercial pricing lead/lags on product sales will be removed from RC results. Pricing lead/lags occur on product sales when product cost movements are not correlated with contracted customer contracts

Profit and Loss

$m	1H FY21	1H FY20	Change
Revenue	1,496	2,461	(39%)
- Fuel margin	243	314	(23%)
- Non Fuel margin	34	36	(6%)
- Refining margin (after fee floor payments)	(14)	33	(142%)
- RNZ Dividend and Flick	1	2	(50%)
RC gross margin	264	**385**	**(31%)**
Operating expenses	(167)	(202)	(17%)
RC Operating EBITDAF	**97**	**183**	**(47%)**
Share of (loss)/earnings of associate companies (net of tax)	(2)	(1)	(100%)
RC EBITDAF	**95**	**182**	**(48%)**
Depreciation and amortisation	(78)	(74)	5%
Impairment	-	(35)	(100%)
Net financing expense	(19)	(24)	(21%)
Other	(4)	(8)	(50%)
Taxation	(13)	(19)	(32%)
RC NPAT	**(19)**	**22**	**(186%)**
Reconciliation from RC NPAT to statutory NPAT			
Tax expense/(benefit) on COSA	27	(5)	640%
COSA (difference between RC and HC Gross Margin and EBITDAF)	(96)	18	(633%)
Foreign exchange and commodity gains/(losses)	30	(7)	(529%)
HC NPAT per the statutory financial statements	**(58)**	**28**	(307%)
HC gross margin	**168**	**403**	**(58%)**
HC EBITDAF	**29**	**193**	**(85%)**

Operating expenses

$m	1H FY21	1H FY20	Change
Employee benefits	39	42	(7%)
Secondary distribution	38	35	9%
Selling commissions	23	31	(26%)
On-site	12	11	9%
Technology and communication	12	12	<>
Professional fees	9	14	(36%)
Administration and other	9	21	(57%)
Marketing costs	9	17	(47%)
Storage and handling	6	9	(33%)
Terminal and plant costs	5	6	(17%)
Insurance	5	4	25%
Total operating expenses (excluding FX on fuel purchases)	167	202	(17%)

- Employee benefits have decreased due to Government wage subsidy of $3.4m
- Secondary distribution increased due to early exit costs agreed for distribution contract offset by lower delivered volume
- Selling commissions have decreased due to a release of FY20 COVID-19 provisions as Z Retailer cost support lower than expected
- Professional fees, Administration and Other have decreased due to structural cost response reductions
- Marketing costs reduced reflecting lower marketing activity in FY21 and higher activity in FY20 for the launch of Pumped

Items below RC EBITDAF

$m	1H FY21	1H FY20	Change
Depreciation	30	31	(3%)
Taxation (incl. tax impact of COSA)	13	19	(32%)
Amortisation	38	34	12%
Net financing expenses	19	24	(21%)
Impairment	-	35	(100%)
Lease depreciation	10	9	11%
Lease interest expense	7	8	(13%)
Movements in decommissioning and restoration provision	1	(3)	133%
Fair value movements on interest rate derivatives	(4)	5	(180%)
Gain on sale of property, plant and equipment	-	(2)	100%
Total items below RC EBITDAF	114	160	(29%)

- Taxation driven by the decline in RC EBITDAF
- Amortisation has increased due to acceleration of a Chevron customer contract and higher intangible asset base
- 1H FY20 Z impaired the goodwill associated with the acquisition of Flick
- Lease interest expense - Rental relief of $0.5m as a result of the COVID-19 pandemic

Balance sheet

$m	1H FY21	1H FY20	Change
Shareholders equity	867	832	4%
Total current assets	976	1,025	(5%)
Total non current assets	1,847	2,114	(13%)
Total assets	**2,823**	**3,139**	(10%)
Total current liabilities	669	937	(29%)
Total non current liabilities	1,287	1,370	(6%)
Total liabilities	**1,956**	**2,307**	(15%)
Net assets	**867**	**832**	4%

- Net asset movement explained by:
  - Current assets have decreased due to lower trade receivables, provision for doubtful debts and inventory due to lower sales volumes due to COVID-19 offset by higher cash and ETS units lease receivable due in December 2020
  - Non current assets have decreased due to the impairment and accelerated amortisation of Chevron Customer contracts in 2H FY20, write down of Refining NZ investment to market value, surrender of ETS units offset by increase on ETS units on hand
  - Current liabilities have decreased as a result of lower payable balances due to lower product purchases, $135m bond that matured in November 2019, repaid debt offset by accrual for ETS units purchased
  - Non current liabilities have decreased due to a reduction in deferred tax liability, repaid long term debt offset by increase in D&R liability
  - Shareholders equity – increased due to equity raise, offset by interim dividends paid in 2H FY20, loss for 1H FY21 and 2H FY20 and decrease in investment revaluation

Working capital

	1H FY21	1H FY20	Change
Accounts receivable and prepayments	$270m	$293m	(8%)
Average receivable days	28 days	25 days	3 days
Closing Inventory balance	$484m	$680m	(29%)
Closing barrels on hand	4.8m	5.3m	(0.5m)
Average inventory days	73 days	57 days	16 days
Accounts payables, accruals and other liabilities	$618m	$621m	(0.5%)
Average payable days	64 days	50 days	14 days

- Average receivable days are up 3 days due to lower average sales during 1H FY21 and a ETS lease receivable due in December 2020
- Inventory on hand was lower than PCP and long term average but well within the expected range
- Average inventory days increased to PCP due to lower sales than PCP due to COVID-19 lockdowns during the period
- Average payable days are up 14 days due to ETS unit's accrual pricing increase offset by lower product payables than PCP

Operational data

For the quarter ended 30 September 2020

Safety & Wellbeing (S&W)	September 2020	September 2019	June 2020
Lost time injuries	7	3	2
Spills to ground	0	1	0
Robberies[1]	2	2	0
Fuel quality incidents	0	0	0
Tier 1 / 2 Process safety incidents	0	0	0
Food safety incidents	0	0	1
Total recordable case frequency	1.6	0.6	0.6
Motor vehicle incidents frequency	0	0	0

Refining	September 2020	September 2019	June 2020
USD GRM per barrel	(4.18)[2]	7.10	0.67[3]
NZD GRM per barrel[4]	(6.34)	10.82	1.11

1 Robberies reported only relates to Z Retail sites. Caltex sites are owned and operated by independent retailers
2 This number is from Refining NZ published data for the July/August period
3 This number is from Refining NZ published data for the March/April period
4 The NZD conversion is calculated by Z

Operational data

For the quarter ended 30 September 2020

Fuels - All fuels in millions of litres	September 2020	September 2019	June 2020
Total NZ Fuel consumption[5]	-	-	1,420
Z Group total fuel volumes	834	970	602
Petrol - Z Retail[6]	177	180	120
- Caltex Retail	76	85	50
Diesel - Z Retail	77	73	54
- Caltex Retail	36	34	24
- Commercial	199	186	165
Other fuels	93	261	80
Supply - Domestic	127	127	102
- Industry & Export	12	24	2
- Terminal Gate sales	37	-	5

5 Based on MBIE Oil supply, transformation and consumption data tables excluding LPG. Data in not yet available for September 2020 quarter. This replaces Industry volumes previously reported as this is no longer available due to the Commerce Commission inquiry. Total NZ Fuel consumption does not include Bitumen and Lubricants

6 Z Retail volumes include volumes from 53 Foodstuffs sites

Operational data

For the quarter ended 30 September 2020

Customer Experience	September 2020	September 2019	June 2020
Z Retail customer satisfaction[7]	92%	93%	92%
Total Z Retail transaction count	13.0 million	13.6 million	9.4 million
Z Retail: fuel-only transactions	6.4 million	6.9 million	4.3 million
Z Retail: fuel and store transactions	1.3 million	1.5 million	0.9 million
Z Retail: store only transactions	5.3 million	5.2 million	4.2 million
Z Average weekly store sales	$39,544	$36,286	$35,590
Z Average weekly store sales like-for-like	$40,218	$36,450	$36,236
Number of Z branded service stations	198	201	198
Number of EV charging stations	7	8	7
Caltex Retail customer satisfaction[7]	82%	83%	82%
Number of Caltex branded service stations	136	138	135
Number of truck stops[8]	152	154	153

7 Customer satisfaction determined using ongoing internal customer measurement
8 This figure represents the combined Z and Caltex branded truck stops

Z ENERGY LIMITED AND SUBSIDIARIES

FINANCIAL STATEMENTS
FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2020

Statement of comprehensive income
for the 6 months ended 30 September 2020

	Unaudited 6 months ended 30 September 2020 $m	Unaudited 6 months ended 30 September 2019 $m	Audited 12 months ended 31 March 2020 $m
Revenue	**1,496**	2,461	4,987
Expenses			
Purchases of crude, product and electricity	817	1,474	3,093
Excise, carbon and other taxes	490	562	1,150
Primary distribution	21	22	50
Operating expenses	137	209	484
Share of loss of associate companies (net of tax)	2	1	-
Depreciation and amortisation	68	65	144
Net financing expense	19	24	50
Impairment	-	35	96
Lease interest income	-	-	(1)
Lease depreciation	10	9	19
Lease interest expense	7	8	17
Fair value movements in interest rate derivatives	(4)	5	3
Gain on sale of property, plant and equipment	-	(2)	(2)
Increase/(decrease) in decommissioning and restoration provision	1	(3)	9
Total expenses	**1,568**	2,409	5,112
Net (loss)/profit before taxation	**(72)**	52	(125)
Taxation (benefit)/expense	(14)	24	(37)
Net (loss)/profit for the period	**(58)**	28	(88)
Net (loss)/profit attributable to the owners of the company	**(56)**	42	(72)
Net loss attributable to non-controlling interest	**(2)**	(14)	(16)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Valuation adjustment of land and buildings	-	-	14
Revaluation of investments	(8)	-	(63)
Disposal of revalued assets	(1)	(2)	2
Decommissioning and restoration provision increase	-	3	-
Total items that will not be reclassified to profit or loss	**(9)**	1	(47)
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedge and cost of hedging	**(3)**	4	4
Other comprehensive (loss)/income net of tax	**(12)**	5	(43)
Total comprehensive (loss)/income for the period	**(70)**	33	(131)
Total comprehensive (loss)/income attributable to owners of the company	**(68)**	47	(115)
Total comprehensive loss attributable to non-controlling interest	**(2)**	(14)	(16)
Basic and diluted earnings per share (cents)	(11)	7	(18)

The accompanying notes form part of these financial statements.

Statement of changes in equity
for the 6 months ended 30 September 2020

	Capital $m	Retained earnings $m	Investment revaluation reserve $m	Employee share reserve $m	Hedging reserve $m	Asset revaluation reserve $m	Non-controlling interest $m	Total equity $m
Balance at 1 April 2020	**430**	**(17)**	**(76)**	**(6)**	**(1)**	**270**	**2**	**602**
Net loss for the period	**-**	**(56)**	**-**	**-**	**-**	**-**	**(2)**	**(58)**
Other comprehensive income	**-**	**(9)**	**-**	**-**	**(3)**	**-**	**-**	**(12)**
Revaluation of investment	**-**	**8**	**(8)**	**-**	**-**	**-**	**-**	**-**
Disposal of revalued assets	**-**	**1**	**-**	**-**	**-**	**(1)**	**-**	**-**
Total comprehensive loss for the period	**-**	**(56)**	**(8)**	**-**	**(3)**	**(1)**	**(2)**	**(70)**
Transactions with owners recorded directly in equity:								
Issue of shares	**347**	**-**	**-**	**-**	**-**	**-**	**-**	**347**
Equity raise costs	**(10)**	**-**	**-**	**-**	**-**	**-**	**-**	**(10)**
Share based payments and own shares acquired	**-**	**-**	**-**	**(2)**	**-**	**-**	**-**	**(2)**
Total transactions with owners recorded directly in equity	**337**	**-**	**-**	**(2)**	**-**	**-**	**-**	**335**
Unaudited closing balance at 30 September 2020	**767**	**(73)**	**(84)**	**(8)**	**(4)**	**269**	**-**	**867**
Balance at 1 April 2019	**429**	**238**	**(13)**	**(5)**	**(5)**	**258**	**18**	**920**
Adjustment on initial application of NZ IFRS 16	-	1	-	-	-	-	-	1
Adjusted balance at 1 April	**429**	**239**	**(13)**	**(5)**	**(5)**	**258**	**18**	**921**
Net profit for the period	-	42	-	-	-	-	(14)	28
Other comprehensive income	-	-	-	-	4	-	-	4
Revaluation of investment	-	-	(2)	-	-	-	-	(2)
Disposal of revalued assets	-	3	-	-	-	-	-	3
Total comprehensive income for the period	-	45	(2)	-	4	-	(14)	33
Transactions with owners recorded directly in equity:								
Share based payments and own shares acquired	1	-	-	(1)	-	-	-	-
Dividends to equity holders	-	(122)	-	-	-	-	-	(122)
Supplementary dividends to equity holders	-	(10)	-	-	-	-	-	(10)
Tax credit on supplementary dividends	-	10	-	-	-	-	-	10
Total transactions with owners recorded directly in equity	1	(122)	-	(1)	-	-	-	(122)
Unaudited closing balance at 30 September 2019	430	162	(15)	(6)	(1)	258	4	832

Statement of changes in equity (continued)
for the 12 months ended 31 March 2020

	Capital $m	Retained earnings $m	Investment revaluation reserve $m	Employee share reserve $m	Hedging reserve $m	Asset revaluation reserve $m	Non-controlling interest $m	Total equity $m
Balance at 1 April 2019	**429**	**238**	**(13)**	**(5)**	**(5)**	**258**	**18**	**920**
Adjustment on initial application of NZ IFRS 16	**-**	**1**	**-**	**-**	**-**	**-**	**-**	**1**
Adjusted balance at 1 April	**429**	**239**	**(13)**	**(5)**	**(5)**	**258**	**18**	**921**
Net profit/(loss) for the year	-	(72)	-	-	-	-	(16)	(88)
Other comprehensive income	-	-	-	-	4	-	-	4
Revaluation of investment	-	-	(63)	-	-	-	-	(63)
Disposal of revalued assets	-	4	-	-	-	(2)	-	2
Revaluation of assets	-	-	-	-	-	14	-	14
Total comprehensive income for the year	-	(68)	(63)	-	4	12	(16)	(131)
Transactions with owners recorded directly in equity:								
Share based payments and own shares acquired	1	-	-	(1)	-	-	-	-
Dividends to equity holders	-	(188)	-	-	-	-	-	(188)
Supplementary dividends to equity holders	-	(15)	-	-	-	-	-	(15)
Tax credit on supplementary dividends	-	15	-	-	-	-	-	15
Total transactions with owners recorded directly in equity	1	(188)	-	(1)	-	-	-	(188)
Audited closing balance as at 31 March 2020	430	(17)	(76)	(6)	(1)	270	2	602

Statement of financial position

At 30 September 2020

	Notes	**Unaudited 30 September 2020 $m**	Unaudited 30 September 2019 $m	Audited 31 March 2020 $m
Shareholders' equity				
Equity attributable to owners of the Company	4	867	828	600
Non-controlling interest		-	4	2
Total equity		**867**	832	602
Represented by:				
Current assets				
Cash and cash equivalents		**160**	33	19
Accounts receivable and prepayments		**270**	293	297
Income tax receivable		**38**	4	24
Inventories		**484**	680	565
Derivative financial instruments		**24**	15	32
Assets held for sale		**-**	-	4
Total current assets		**976**	1,025	941
Non-current assets				
Property, plant and equipment	5	**804**	817	819
Right of use assets		**280**	286	282
Goodwill		**158**	158	158
Intangible assets		**466**	649	628
Investments	6	**44**	105	48
Derivative financial instruments		**81**	85	153
Other non-current assets		**14**	14	16
Total non-current assets		**1,847**	2,114	2,104
Total assets		**2,823**	3,139	3,045
Current liabilities				
Accounts payable, accruals and other liabilities		**618**	621	748
Provisions		**19**	19	19
Short-term borrowings	7	**-**	269	70
Derivative financial instruments		**18**	15	91
Lease liability		**14**	13	14
Total current liabilities		**669**	937	942
Non-current liabilities				
Other liabilities		**8**	11	10
Provisions		**74**	62	74
Derivative financial instruments		**32**	31	26
Deferred tax		**87**	134	74
Long-term borrowing	7	**801**	846	1,032
Lease liability		**285**	286	285
Total non-current liabilities		**1,287**	1,370	1,501
Total liabilities		**1,956**	2,307	2,443
Net assets		**867**	832	602

Approved on behalf of the board on 3 November 2020.

Abigail Kate Foote
Chair

Andrew Mark Cross
Chair, Audit and Risk Committee

The accompanying notes form part of these financial statements.

Statement of cash flows
for the 6 months ended 30 September 2020

	Unaudited 30 September 2020 $m	Unaudited 30 September 2019 $m	Audited 31 March 2020 $m
Cash flows from operating activities			
Receipts from customers	**1,533**	2,662	5,156
Dividends received	**-**	1	1
Interest received	**14**	25	43
Payments to suppliers and employees	**(991)**	(2,101)	(3,889)
Excise, carbon and other taxes paid	**(436)**	(515)	(985)
Interest paid	**(43)**	(57)	(104)
Taxation refund/(paid)	**12**	(46)	(63)
Net cash inflow/(outflow) from operating activities	**89**	(31)	159
Cash flows from investing activities			
Proceeds from assets held for sale	**5**	-	2
Proceeds from sale of property, plant and equipment	**-**	27	24
Lease payments received from finance leases	**-**	1	1
Purchase of intangibles assets	**(9)**	(30)	(51)
Purchase of investment	**(6)**	(1)	(5)
Purchase of property, plant and equipment	**(19)**	(19)	(51)
Net cash (outflow) from investing activities	**(29)**	(22)	(80)
Cash flows from financing activities			
Net (repayment)/proceeds from bank facility	**(250)**	114	182
Issue of Shares	**347**	-	-
Equity raise costs	**(10)**	-	-
Dividends paid to owners of the company	**-**	(132)	(203)
Repayment of bonds	**-**	-	(135)
Payment of lease liabilities	**(6)**	(7)	(15)
Net cash inflow/(outflow) from financing activities	**81**	(25)	(171)
Net increase/(decrease) in cash	**141**	(78)	(92)
Cash balances at beginning of period	**19**	111	111
Cash at end of period	**160**	33	19

The accompanying notes form part of these financial statements.

Notes to the financial statements
for the 6 months ended 30 September 2020

(1) Basis of accounting

Reporting entity

Z Energy Limited is a profit-orientated company registered in New Zealand under the Companies Act 1993 and a FMC Reporting Entity for the purposes of the Financial Markets Conduct Act 2013. Z Energy Limited is listed and its ordinary shares are quoted on the NZX main board equity security market ('NZX Main Board'), on the Australian Stock Exchange ('ASX') and has bonds quoted on the NZX debt market.

The interim Group financial statements for the 6 months ended 30 September 2020 presented are those of Z Energy Limited (the 'Company', 'Parent') together with its subsidiaries, interests in associates, and jointly controlled operations ('Z' or 'the Group').

Basis of preparation

These financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand ('NZ GAAP') and part 7 of the Financial Markets Conduct Act 2013.

The financial statements comply with New Zealand International Accounting Standards ('NZ IAS') 34: Interim Financial Reporting and International Accounting Standards ('IAS') 34: Interim Financial Reporting. They do not include all the information required in annual financial statements and should be read in conjunction with the Group financial statements for the year ended 31 March 2020. Z has reported as a Tier 1 entity under the External Reporting Board ('XRB') Accounting Standards Framework. Z meets the definition of a Tier 1 entity because it is 'publicly accountable' and 'large' as defined by the XRB.

The functional and reporting currency used in the preparation of the financial statements is New Zealand dollars (NZD), rounded to the nearest million ($m).

Accounting policies and standards

The accounting policies set out in the 31 March 2020 financial statements have been applied consistently to all periods presented in these Group financial statements, with the exception of NZ IFRS 16 Leases ('NZ IFRS 16'). Z has applied the practical expedient that permits lessees not to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic are lease modifications. The impact of this is disclosed in note 3.

Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The Group's significant areas of estimation and critical judgements in these Group financial statements are the same as those contained in the Group financial statements for the year ended 31 March 2020. The impact of COVID-19 was disclosed in the Group financial statements for the year ended 31 March 2020, an update has been provided in note 3.

Notes to the financial statements
for the 6 months ended 30 September 2020

(2) Replacement cost reconciliation

Replacement cost ('RC') is a non-GAAP measure used by the downstream fuel industry to report earnings. RC removes the impact of changes in crude oil and refined product prices on the value of inventory held by Z. Z manages the Group's performance based on RC. The difference between Historic cost ('HC') earnings and RC earnings is a cost of sales adjustment ('COSA'), foreign exchange and commodity gains and losses and the associated tax impact.

Income statement on RC basis

	Unaudited 6 months ended 30 September 2020 $m	Unaudited 6 months ended 30 September 2019 $m	Audited 12 months ended 31 March 2020 $m
Revenue	1,496	2,461	4,987
Expenses			
Purchases of crude, product and electricity	721	1,492	3,005
Excise, carbon and other taxes	490	562	1,150
Primary distribution	21	22	50
Operating expenses (net of gains/losses on fuel purchases)	167	202	416
Total expenses	1,399	2,278	4,621
RC operating EBITDAF*	97	183	366
Share of loss of associate companies (net of tax)	(2)	(1)	-
RC EBITDAF	95	182	366
Below RC EBITDAF expenses			
Depreciation and amortisation	68	65	144
Net financing expense	19	24	50
Impairment	-	35	96
Net lease income	-	-	(1)
Net lease depreciation	10	9	19
Net lease interest expense	7	8	17
Fair value movements in interest rate derivatives	(4)	5	3
(Gain) on sale of property, plant and equipment	-	(2)	(2)
(Decrease)/Increase in decommissioning and restoration provision	1	(3)	9
Total below RC EBITDAF expenses	101	141	335
RC net (loss)/profit before taxation	(6)	41	31
Taxation expense/(benefit)	13	19	(13)
RC net (loss)/profit for the period	(19)	22	44

*Earnings, before interest, taxation, depreciation (including gains and (losses) on sale of fixed assets), amortisation, impairment, fair value movements in interest-rate derivatives and movements in decommissioning and restoration provision ('EBITDAF').

Notes to the financial statements
for the 6 months ended 30 September 2020

(2) Replacement cost reconciliation (continued)

Reconciliation from statutory net (loss)/profit after tax to RC net (loss)/profit after tax

	Unaudited 6 months ended 30 September 2020 $m	Unaudited 6 months ended 30 September 2019 $m	Audited 12 months ended 31 March 2020 $m
Statutory net (loss)/profit after tax	(58)	28	(88)
COSA	96	(18)	88
Net foreign exchange and commodity (gains)/losses on fuel purchases	(30)	7	68
Tax (expense)/benefit on COSA	(27)	5	(24)
RC net (loss)/profit after tax	(19)	22	44

(3) Financial impacts of COVID-19

While some economic impacts of the COVID-19 pandemic have manifested there remains significant uncertainty of the impact on the Group's Business. Accordingly, the assumptions that have been adopted due to the impact of COVID-19 are consistent with those outlined in the financial statements at 31 March 2020. This has resulted in estimates being generated on the same basis as at 31 March 2020. One exception to this is that subsequent to 31 March 2020 the Group chose to pursue rent concessions at leased sites.

COVID-19 Provisions

The Group have recorded the following provisions to account for the impacts of the COVID-19 pandemic. Calculations of the provisions have been consistent with the basis of assumptions made at 31 March 2020.

	Total $m
Balance at 1 April 2020	33
Created	8
Utilised	(5)
Released	(15)
Balance at 30 September 2020	**21**

The provisions have been updated to reflect the current estimate of the impact of the COVID-19 pandemic. Movements in the provision balances since 31 March 2020 relate to actual expenses billed, movement in doubtful debts to reflect current debtor balances and latest retail fuel prices, release of provisions no longer required due to reassessment of expected costs and the identification of additional distribution costs that will be incurred as a result of the COVID-19 pandemic.

Wage Subsidy

The Group received $3.4m of wage subsidies which have been recognised as an offset to salaries and wages within operating expenses, in line with NZ IFRS 20 Government Grants.

Rent Concessions

The Group received $0.5m of rent relief as a direct consequence of the COVID-19 pandemic. The Group has applied the NZ IFRS 16 practical expedient as a lessee not to treat the rent relief as a lease modification. $0.5m of rent relief has been recognised in the statement of comprehensive income and the lease liability has been reduced by $0.5m.

Notes to the financial statements
for the 6 months ended 30 September 2020

(3) Financial impacts of COVID-19 (continued)

Balance Sheet

There have been no changes to the balance sheet assessment disclosed in the 31 March 2020 financial statements.

(4) Share capital and distributions

Equity Raise

On 15 May 2020, Z issued 100 million shares raising $290m and on 5 June 2020 an additional 20 million shares were issued raising $57m.

	Price per share $	Total $m	Total Shares
Institutional Placement (15 May 2020)	2.900	290	100,000,000
Share Purchase Plan (5 June 2020)	2.806	57	20,476,853
Costs capitalised in equity	-	(10)	-
Total amount recognised in equity	**-**	**337**	**120,476,853**

Costs Capitalised in equity

$12m of costs were recognised in the equity raise of which $10m have been recognised as a deduction to equity, $1m capitalised to borrowing costs and $1m has been expensed in operating expenses.

Dividends

	Cents per share $	Unaudited 6 months ended 30 September 2020 $m	Unaudited 6 months ended 30 September 2019 $m	Audited 12 months ended 31 March 2020 $m
2019 Final dividend (paid May 2019)	30.5	-	122	-
2020 Interim dividend (paid December 2019)	16.5	-	-	66

As a result of the temporary covenant waivers and temporary adjustments to covenant definitions agreed with its debt providers. Z is restricted from distributing funds to shareholders until after 30 September 2021.

Z Energy LTI Trustee Limited holds 811,823 shares at a cost of $6m for Z's restricted share long-term incentive plan (31 March 2020: 811,823, $4m). Z holds Treasury stock of 339,884 shares (31 March 2020: 339,884)

(5) Property, plant and equipment

During the period the Group recognised additions of $16m to buildings, land & improvements, and plant & equipment.

During the period, Z settled the sale of four land properties that was held for sale at 31 March 2020. The properties had a carrying value of $4m. $1m were held in the revaluation reserve for the sites held for sale. There is no assets held for sale as at 30 September 2020.

Notes to the financial statements
for the 6 months ended 30 September 2020

(6) Investments

Z's investment in Refining NZ is recognised at the NZX-listed share price as at 30 September 2020 of $0.61. During the period, Z paid processing fees, customs, and excise duties of $301m to Refining NZ and payables due to Refining NZ at the end of the period were $42m.

(7) Financing arrangements

Z's debt includes bank facilities, bonds and USPP notes secured against certain assets. The facilities require Z to operate within defined performance and gearing ratios and includes restrictions over the sale or disposal of certain assets without bank agreement. Z has negotiated with its financing providers to amend covenants that may be adversely affected as a result of COVID-19.

Banking facilities

The bank debt facilities can be drawn down as required, provided Z is compliant with debt covenants. All loans must be repaid on the relevant due dates. Interest rates are determined by reference to prevailing money market rates at the time of draw down plus a margin. Interest rates paid during the 6 months ended 30 September 2020 ranged from 1.5% to 2.1% (30 September 2019: 2.2% to 3.0%, 31 March 2020: 1.5% to 3.0%).

	Unaudited 6 months ended 30 September 2020 $m	Unaudited 6 months ended 30 September 2019 $m	Audited 12 months ended 31 March 2020 $m
Secured bank facilities available	680	530	530
Balance at end of period (facilities drawn down)	-	182	250

At 30 September 2020, Z had secured bank debt facilities of $680m (30 September 2019: $530m, 31 March 2020: $530m).

At 30 September 2020 there was $0 drawn against these facilities (30 September 2019: $182m, 31 March 2020 $250m). The facilities comprise of a $180m revolving-term debt facility and a $500m working capital facility.

Proceeds from the equity raise have been used to pay down an existing bank term debt facility of $180m on 23 June 2020.

USPP notes

	Unaudited 6 months ended 30 September 2020 $m	Unaudited 6 months ended 30 September 2019 $m	Audited 12 months ended 31 March 2020 $m
Balance at beginning of period	509	393	393
Movements in fair value hedge	(6)	28	60
Movement in foreign-exchange revaluation	(45)	34	56
Balance at end of period	458	455	509

The Cross-currency interest rate swap ('CCIRS') is classified as level 2 in the fair value hierarchy and is hedge accounted. All other products are level 2 and accounted for as fair value through the Statement of comprehensive income. The fair value of the CCIRS and Interest rate swaps ('IRS') excludes accrued interest. All other derivatives do not contain interest components.

Notes to the financial statements
for the 6 months ended 30 September 2020

(8) Related parties

Transactions with related parties Received/paid	**Unaudited 6 months ended 30 September 2020 $m**	Unaudited 6 months ended 30 September 2019 $m	Audited 12 months ended 31 March 2020 $m
Associates – sale of goods and services			
- COLL – distribution	**9**	1	2
Associates – purchase of goods and services			
- COLL – distribution	**24**	20	34
- WOSL	**3**	6	11
- Loyalty	**2**	3	7
Key management personnel			
- Short-term employee benefits	**3**	3	6
- Other long-term benefits	**-**	2	-

Company directory

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Andrew Mark Cross
Alan Michael Dunn
(resigned 30 April 2020)
Blair Albert O'Keeffe
Julia Margaret Raue
Mark Roy Malpass
Stephen Reindler

Executive team

Mike Bennetts
Chief Executive Officer
Pou Matua

Lindis Jones
Chief Financial Officer
Pou Tiaki Pūtea

Jane Anthony
Chief Customer Officer
Pou Kiritaki

Andy Baird
General Manager, Retail
Pou Hokohoko

David Binnie
General Manager, Supply
Pou Punakora

Debra Blackett
General Counsel and Chief Governance Officer
Pou Arataki

Julian Hughes
General Manager, Strategy and Risk
Pou Rautaki, Tūraru

Helen Sedcole
Chief People Officer
Pou Tangata

Mandy Simpson
Chief Digital Officer
Pou Matihiko

Nicolas Williams
General Manager, Commercial
Pou Pakihi

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+61 2 8988 5800

Australia registered business number
164 438 448

Independent Review Report

To the shareholders of Z Energy Limited

Report on the interim consolidated financial statements

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements on pages 1 to 11 do not:

i. present fairly in all material respects the Group's financial position as at 30 September 2020 and its financial performance and cash flows for the 6 month period ended on that date; and

ii. comply with NZ IAS 34 Interim Financial Reporting.

We have completed a review of the accompanying interim consolidated financial statements which comprise:

— the consolidated statement of financial position as at 30 September 2020;

— the consolidated statements of comprehensive income, changes in equity and cash flows for the 6 month period then ended;

— Notes, including a summary of significant accounting policies and other explanatory information.

Basis for conclusion

A review of interim consolidated financial statements in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410") is a limited assurance engagement. The auditor performs procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

As the auditor of Z Energy Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

Our firm has also provided other services to the group in relation to the review of the cost of sales adjustment. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as reviewer of the group. The firm has no other relationship with, or interest in, the group.

Use of this Independent Review Report

This report is made solely to the shareholders as a body. Our review work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the Independent Review Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our review work, this report, or any of the opinions we have formed.

Responsibilities of the Directors for the interim consolidated financial statements

The Directors, on behalf of the group, are responsible for:

- the preparation and fair presentation of the interim consolidated financial statements in accordance with NZ IAS 34 Interim Financial Reporting;
- implementing necessary internal control to enable the preparation of interim consolidated financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the interim consolidated financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with NZ IAS 34 Interim Financial Reporting.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on these interim consolidated financial statements.

This description forms part of our Independent Review Report.

KPMG

KPMG
Wellington

3 November 2020

Ko te mea nui

What matters most

for our customers
for our economy
for our future

To keep New Zealand moving

Z ENERGY INVESTOR LETTER
For the six months ended 30 September 2020

ENERGY

Financial and Operating Highlights

FY21
Half Year results comparison
FY20

▼ **1,379 million litres**
Total marketing fuel volume (litres)
1,921 million litres

▼ **-$19m**
Replacement cost net profit after tax
$22m

▼ **-1.38cpl**
Replacement cost net profit after tax per litre
1.15cpl

▼ **22.4m**
Total transactions on Z-branded retail sites
27.5m

▼ **90%**
Safety and wellbeing actions complete rate
94%

▼ **-$58m**
Historical cost net profit after tax
$28m

▼ **0c**
Total dividend per share
16.5c

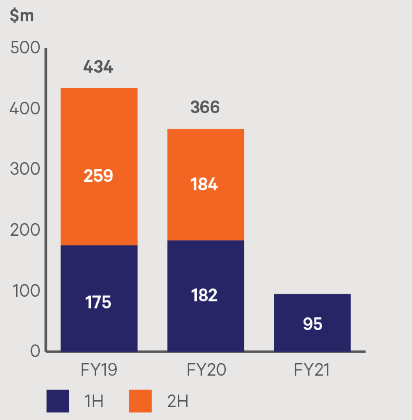
▼ **-3.7c**
Replacement cost net profit after tax per share
5.5c

▼ **$95m**
Replacement Cost EBITDAF
$182m

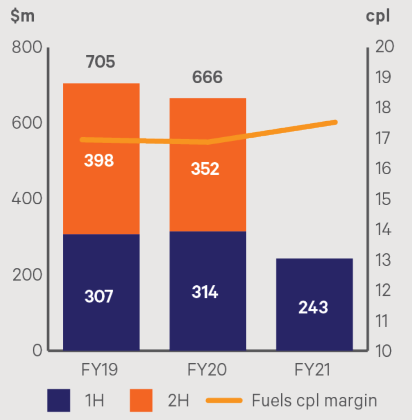
▲ **+48**
Employee net promoter score
+23

▲ **+29**
Business net promoter score
+17

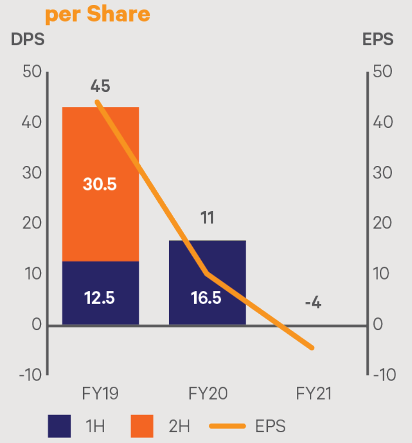
RC EBITDAF



RC Fuels Gross Margins



Dividends and RC Earnings per Share



An unparalleled six month period

Over the first half of our financial year Z Energy continued to build a leaner, more flexible and customer focused company, while contributing to New Zealand's response to the COVID-19 pandemic.

Given the uncertainty across the economy, our focus is not on a 'post COVID-19' world, as nobody really knows what that means. Rather, we are focused on the core business ensuring we operate reliably and profitably under a wide range of operating and market conditions.

Over the six months to the end of September 2020, Z has made good progress. Execution of our strategy has been robust, we have retained the talented people we need for our future and we are running a tight and efficient operation.

Financial performance

Over the six month period we have delivered Replacement Cost Earnings Before Interest, Tax, Depreciation, Amortisation and Fair Value Movements (RC EBITDAF) of $95 million. At the same time, we have removed $35 million of operating costs compared to 1HFY20 and are on track for $48 million of structural operating costs reductions in FY21.

This result, under these COVID-19 conditions, points to the potential in our business to grow profits and return cash to shareholders. During the successful capital raise during the national lockdown we agreed with our banks and debt providers that no distributions – in the form of dividends or buyback – will be declared until this time next year.

Based on current performance and what we know now about the Government's response to regional COVID-19 outbreaks, we believe we will be in a good position to resume distributions to shareholders after 1HFY22.

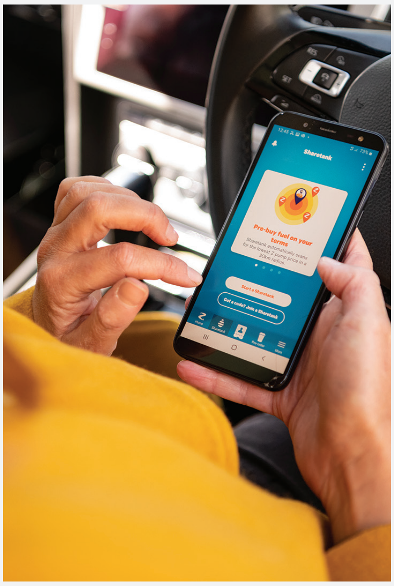
Longer-term, we remain committed to shareholder distributions in the form of recurring, sustainable dividends and potentially a share buy-back programme if the Board believes this is the best use of capital.

We are also continuing to reduce debt and have a balance sheet that provides us flexibility as the transformation of the New Zealand fuel industry continues.

Trading conditions

Our first half result is all-the more encouraging given both the operational complexity we managed, and how challenging the market conditions remain. Z is increasingly willing and able to compete hard under a wide range of market and margin conditions.

Through previous phases of our strategy we have invested in the real estate, the assets, the customer offers and the capability to deliver customer value and profitability even with the current low retail fuel margins.



We are seeing our retail fuel market share stabilising as we compete hard for volume. Investment in our capabilities to deliver outstanding customer experiences, especially through the use of digital technology, is giving Z a competitive edge. For example, over the six month period, we sold 2.7 million cups of coffee, with 0.5 million sold via our pre-order App.

We also have the flexibility to rapidly tailor offers as customer preferences evolve. With digital technology providing more customer benefit, we took the decision to remove our forecourt concierge service this year to reflect changes in customer preferences.

The retail market has been characterised over the last six years by the entrance of fuel retailers competing on the Price Board. Almost all of these operators entered the market during periods of growing or relatively high retail margins and we expect consolidation in the competitor landscape over the coming months and years.

The Commercial markets declined over the period, as the Auckland lockdown impacted Commercial demand and the ongoing closure of our borders saw Jet fuel sales of only 27 per cent of what they were for the same six month period last year. Nobody knows when our borders will begin to reopen, but this six month result has been delivered with next to no Jet fuel sales.

Although Jet fuel remains amongst the lowest margin product we sell, the recovery of Jet volume when borders reopen will further support increased earnings.

Cost reductions

While managing the complexities of safely and securely delivering fuel during a global pandemic, Z has also driven significant changes in the business which reduce costs and will deliver increasing value.

Z has removed its Nelson bulk fuel storage terminal from the fuel industry's traditional terminal sharing arrangement in favour of operating it outright and charging competitors for access to it on commercial terms. We believe this is similar to the Terminal Gate Pricing (TGP) arrangements that will be introduced following the passing of the Fuel Industry Act in July 2020.

Z has invested heavily in strategic bulk fuel storage facilities located in major ports across the country. We are able to use our national fuel storage footprint to participate in fuel wholesaling as well as retailing; this is another commercial revenue stream that we are starting to realise.

We also strongly support the strategic review carried out by Refining NZ into the optimal configuration of New Zealand's sole oil refinery at Marsden Point.

The outlook for refining margins remains poor, particularly for a very small, geographically-isolated refinery.

Since December last year, refining margins continue to be at levels which generate margins that are insufficient to cover the costs of refining and coastal distribution. As such our exposure to refining has been a drag on earnings, with Z contributing $19 million in fee floor payments to Refining NZ in the first half. This is not sustainable given the medium term outlook for refining margins.

Z is of the clear view that Refining NZ's future is as an import terminal and distribution hub for refined fuels rather than as a refiner of crude oil. We are actively engaging with Refining NZ to explore a potential transition to an import terminal.

If the Refinery is no longer producing Jet fuel and Marine fuel oil as a consequence of processing crude oil, we will no longer be forced to sell fuel oil at a loss. Jet fuel will also be priced on an import basis, rather than as a fuel that must be produced and sold on the buyers' terms.

The move to an import terminal model will deliver significant cost savings while protecting security of fuel supply to New Zealand.

Moving our fuel storage terminals to a commercial model also provides Z with the ability to offer new products and services over time – for example, future biofuels and fuel additives that can cut emissions and contribute to New Zealand's climate change objectives.

Our people

Even after the significant and sharp impact of COVID-19. We have had only three redundancies, one in the company's recruitment function as a consequence of a hiring freeze to reduce costs, and two in our Airport fueling operations.

We continue to target cost reductions, including not replacing people who are leaving Z. However, we are also working to retain the most capable people in our industry to ensure we continue to execute strategy to the highest standards and offer customers what they want and need.

In a year characterised by uncertainty, Z has worked hard to look after and support our people. From a people and talent perspective we approach the end of the 2020 calendar year in good shape – our staff engagement scores are at all time highs and the commitment of our team to delivering for our customers and shareholders is strong.

Well positioned for the future

Z has weathered a storm unlike anything in our history – even going back to the origins of our company more than 100 years ago.

We have managed this period in a deliberate and careful way that protects the foundations of our company – our assets and our people. We have made an important contribution to New Zealand during the COVID-19 crisis and we are well positioned to directly benefit from the country's economic recovery.

We have a clear strategy and the capabilities we need to execute it. Our industry is now going through a period of significant change, which we welcome. We have the scale, flexibility, resilience and options to ensure we can continue to deliver for our customers under a wide range of market conditions.

Given the six months New Zealand has had, there is much that is positive about our half year result and the preparedness of your company for the future. The results we have reported are materially different to what we thought possible in the Alert Level 4 and 3 lockdown, during which we raised equity as a contingency against an extended period of social and economic disruption.

We are grateful to you for your support of Z during a challenging half year and we look forward to updating you on our full year performance in May 2021.

Managing the COVID-19 crisis

As a company selling almost half of New Zealand's total transport fuels, we prepare and rehearse for when things don't go to plan.

Z has a structured crisis management plan, a dedicated crisis management team and clear protocols and controls around how we operate and communicate under a crisis.

The last time we operated under crisis management conditions was during the Refinery-to-Auckland Pipeline outage in 2017.

We've never worked under crisis conditions for anything like the challenges COVID-19 has presented this year. We formed our initial crisis management response in the last week of January 2020 and were ready to respond quickly when COVID-19 arrived in New Zealand and we moved into a national lockdown.

While we have a dedicated crisis management team coordinating communications, logistics and ensuring fuel is safely delivered, our frontline people have led this response for Z.

Across the nationwide network of Z and Caltex service station staff, truck drivers and fuel terminal operators who suddenly discovered they were 'essential workers,' through to the crews that staff the coastal shipping vessels that deliver fuel around New Zealand, this crisis response was literally all hands to the pump.

At the same time, we maintained close communications with Government, reconfigured how our service stations operated under lockdown and rapidly introduced a range of changes to our operating procedures to keep our people and the public safe.

For our office-based staff, including our crisis management team, this was almost exclusively done from home, using the technology that we have invested in over recent years.

Z's experience of operating under crisis conditions is that it can bring out the best in people. Coming together around a clear and tangible set of goals, a well-understood and rehearsed approach to crisis management can deliver remarkable results.

Crisis conditions are also when an organisation's culture is most tested. While the COVID-19 crisis is not over, Z has delivered a safe, efficient and well-organised operation to the benefit of our customers and the national economy.

We have kept our international and domestic supply chains intact and have used our resources carefully to ensure safe, continuous operation of our business. While helping the New Zealand economy through a national lockdown and various response stages, we have also continued to future-proof our business – cutting costs, making structural changes to operations and responding to legislative changes.

We've also set new standards of transparency given the inherent uncertainties over this year. Z has been widely recognised for the quality of our public disclosures, including moving to weekly fuel volume reporting to help stakeholders and shareholders understand changes in the market as fully as possible.

Through all of this complexity and uncertainty, the engagement of Z's people has never been higher. Through the biggest crisis of our time, we have kept New Zealand moving, done it quickly and safely, and made material progress in building the Z of the future.

Profit and Loss for the six months ended 30 September 2020

$m	1H FY21	1H FY20	Change
Revenue	1,496	2,461	(39%)
- Fuel margin	243	314	(23%)
- Non Fuel margin	34	36	(6%)
- Refining margin (after fee floor payments)	(14)	33	(142%)
- RNZ Dividend and Flick	1	2	(50%)
RC gross margin	**264**	**385**	**(31%)**
Operating expenses	(167)	(202)	(17%)
RC Operating EBITDAF	**97**	**183**	**(47%)**
Share of (loss)/earnings of associate companies (net of tax)	(2)	(1)	(100%)
RC EBITDAF	**95**	**182**	**(48%)**
Depreciation and amortisation	(78)	(74)	5%
Impairment	-	(35)	(100%)
Net financing expense	(19)	(24)	(21%)
Other	(4)	(8)	(50%)
Taxation	(13)	(19)	(32%)
RC NPAT	**(19)**	**22**	**(186%)**
Reconciliation from RC NPAT to statutory NPAT			
Tax on COSA	27	(5)	640%
COSA (difference between RC and HC Gross Margin and EBITDAF)	(96)	18	(633%)
Foreign exchange and commodity gains	30	(7)	(529%)
HC NPAT per the statutory financial statements	**(58)**	**28**	**(307%)**
HC gross margin	**168**	**403**	**(58%)**
HC EBITDAF	**29**	**193**	**(85%)**

Statement of Financial Position at 30 September 2020

$m	1H FY21	1H FY20	Change
Shareholders equity	867	832	4%
Total current assets	976	1,025	(5%)
Total non current assets	1,847	2,114	(13%)
Total assets	**2,823**	**3,139**	**(10%)**
Total current liabilities	669	937	(29%)
Total non current liabilities	1,287	1,370	(6%)
Total liabilities	**1,956**	**2,307**	**(15%)**
Net assets	**867**	**832**	**4%**