Z Energy

Notice of Meeting and Scheme Booklet

ENERGY

For a scheme of arrangement between **Z Energy Limited** (**Z Energy**) and its shareholders in relation to the proposed acquisition by Ampol Holdings NZ Limited (**Ampol NZ**), a wholly owned subsidiary of **Ampol Limited** (**Ampol**), of all of the fully paid ordinary shares in Z Energy at a price of NZ$3.76 for each Scheme Share (subject to adjustments as described in this booklet).

Your directors unanimously recommend that you vote in favour of the scheme, in the absence of a superior proposal.

The special meeting will be held at:

Time: 10.30 a.m. (New Zealand time)

Scheduled Date: Friday, 25 March 2022

Place: Online at www.virtualmeeting.co.nz/zsm22 or via telephone by dialling 0800 448 986 (New Zealand) or 1800 572 288 (Australia) and entering the unique PIN found on your Proxy Form (which accompanies this Scheme Booklet).

See the notice of meeting in Section 2 of this Scheme Booklet for details.

Important

This is an important document and requires your immediate attention. You should read it in its entirety before deciding whether or not to vote in favour of the Scheme. If you are in doubt as to any aspect of the Scheme, you should seek advice from your financial, taxation or legal adviser.

If you have sold all of your shares in Z Energy, please disregard this Scheme Booklet.

An Independent Adviser's Report on the merits of the Scheme accompanies this Scheme Booklet and should be read carefully.

Important Information

Purposes of this Scheme Booklet

The purposes of this Scheme Booklet are to:

- provide you with information about the proposed acquisition of Z Energy by Ampol NZ;
- explain the terms and effect of the Scheme;
- explain the manner in which the Scheme will be considered and, if approved, implemented;
- provide you with information that could reasonably be expected to be material to your decision whether or not to vote in favour of the Scheme; and
- communicate the information required by the Takeovers Panel in relation to the Scheme.

This Scheme Booklet is not a product disclosure statement.

Your decision

This Scheme Booklet does not take into account your individual investment objectives, financial situation or needs. You must make your own decisions and seek your own advice in this regard.

The information and recommendations contained in this Scheme Booklet do not constitute, and should not be taken as constituting, financial product advice.

If you are in any doubt as to what you should do, you should seek advice from your financial, taxation or legal adviser before making any decision regarding the Scheme.

Not an offer

This Scheme Booklet does not constitute an offer of securities to Shareholders (or any other person), or a solicitation of an offer of securities from Shareholders (or any other person), in any jurisdiction.

Laws of New Zealand

This Scheme Booklet has been prepared in accordance with New Zealand law. Accordingly, the information in it may not be the same as might have been disclosed had the Scheme Booklet been prepared in accordance with the laws and regulations of another jurisdiction.

Forward looking statements

This Scheme Booklet contains certain forward looking statements which are subject to risks (both known and unknown), uncertainties, assumptions and other important factors that could cause the actual conduct, results, performance or achievements of Z Energy to be materially different.

Deviations as to future conduct, market conditions, results, performance and achievements are both normal and to be expected.

Forward looking statements generally may be identified by the use of forward looking words such as 'aim', 'anticipate', 'believe', 'estimate', 'expect', 'forecast', 'foresee', 'future', 'intend', 'likely', 'may', 'planned', 'potential', 'should', or other similar words.

Neither Z Energy nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this Scheme Booklet will actually occur. You are cautioned against relying on any such forward looking statements.

Privacy and personal information

Z Energy, Ampol and Ampol NZ may collect personal information in the process of implementing the Scheme. Such information may include the name, contact details and shareholdings of Shareholders and the name of persons appointed by those persons to act as a proxy or corporate representative at the Scheme Meeting. The primary purpose of the collection of personal information is to assist Z Energy, Ampol and Ampol NZ to conduct the Scheme Meeting and implement the Scheme.

Personal information of the type described above may be disclosed to Link Market Services Limited, print and mail service providers, proxy solicitation firms, Related Companies of each of Z Energy and Ampol and their respective service providers and advisers. Shareholders have certain rights to access personal information that has been collected. Shareholders should contact Link Market Services Limited in the first instance, if you wish to access your personal information. Shareholders who appoint a named person to act as their proxy or corporate representative should make sure that person is aware of these matters.

Responsibility for information

Other than as set out below, this Scheme Booklet has been prepared by, and is the responsibility of, Z Energy:

- the Ampol Information has been prepared by, and is the responsibility of, Ampol. Z Energy and its Directors, officers and employees have not been involved in preparing or verifying any of the Ampol Information and will not assume any responsibility for the accuracy or completeness of the Ampol Information. The Ampol Group and its Representatives do not assume any responsibility for the accuracy or completeness of any information in the Scheme Booklet (other than the Ampol Information) or the Independent Adviser's Report, and
- the Independent Adviser's Report set out in Annexure C has been prepared by, and is the responsibility of, the Independent Adviser. Z Energy and its Directors, officers, employees and advisers have not been involved in the preparation of the Independent Adviser's Report, otherwise than to provide information to, or answer questions from, the Independent Adviser.

To the maximum extent permitted by law, Z Energy and its Directors, officers, employees and advisers do not assume any responsibility for the contents of any website referenced in this Scheme Booklet.

Role of Takeovers Panel and High Court

The fact that the Takeovers Panel has provided a letter indicating that it does not intend to object to the Scheme (or subsequently issues a no-objection statement in respect of the Scheme), or that the High Court has ordered that a meeting be convened, does not mean that the Takeovers Panel or the High Court:

- has formed any view as to the merits of the proposed Scheme or as to how Shareholders should vote – on this matter, Shareholders must reach their own decision, or
- has prepared, or is responsible for the content of, the Scheme Booklet or any other material.

Notice of the Final Court Hearing

If you wish to oppose the Scheme at the Final Court Hearing (which will take place after the Scheme Meeting and after the Regulatory Conditions are satisfied), you must file a notice of appearance or a notice of opposition together with supporting documents at the High Court and at the offices of Chapman Tripp, Level 17, 10 Customhouse Quay, PO Box 993, Wellington 6140 or by email addressed to tim.smith@chapmantripp.com. The deadline for such filing will be a date to be announced by Z Energy on the NZX and ASX following satisfaction of the Regulatory Conditions. See Section **3.20** for more detail.

Defined terms

Capitalised terms set out in this Scheme Booklet have the meanings given to them in the Glossary in Section 7.

Date of this Scheme Booklet

This Scheme Booklet is dated 24 February 2022.

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Indicative Timetable

Item	*Event*	*Indicative date/time*
1	Proxy Forms return date	10.30 a.m., (New Zealand time), Wednesday 23 March 2022
2	Voting Eligibility Date	5:00 p.m., (New Zealand time), Wednesday 23 March 2022
3	Scheme Meeting to be held	10:30 a.m., (New Zealand time), on Friday 25 March 2022 online at www.virtualmeeting.co.nz/zsm22 or via telephone by dialling 0800 448 986 (New Zealand) or 1800 572 288 (Australia) and entering the unique PIN found on your Proxy Form (which accompanies this Scheme Booklet). See the notice of meeting in Section 2 of this Scheme Booklet for details.
If the Scheme is approved by Shareholders and the other Conditions, including the Regulatory Conditions, are satisfied or waived (if capable of waiver), the Scheme will follow the steps set out below. These steps are currently expected to take place in the second quarter of 2022. Z Energy will give notice of the dates and times for these steps, when known, by issuing an announcement on the NZX and ASX.		
4	Last date for filing objection for the Final Court Hearing	A date (*D*) to be announced. To be no earlier than 3 Business Days following satisfaction of the last of the Regulatory Conditions.
5	Final Court Hearing Date	D+5* (or such later date as the High Court directs)
6	Last day of trading in Z Energy Shares	D+7* (Z Energy Shares are expected to be suspended from trading on both the NZX Main Board and ASX from close of trading on this date)
7	Scheme Record Date	7.00 p.m., D+10* (the time and date on which the Shareholders entitled to be paid the Scheme Consideration will be determined)
8	Implementation Date	D+15* (the date on which the Scheme Shareholders are paid)
9	End Date	10 October 2022 (or such later date as Z Energy and Ampol may agree)

*All dates by reference to "D+5", "D+8" etc. are to the specified number of Business Days after the date "D".

All dates in the table above are indicative only (except for the End Date), and, among other things, are subject to the satisfaction or waiver (if capable of waiver) of all Conditions and to obtaining necessary approvals from the High Court.

Any changes to the above timetable will be announced to the NZX (at www.nzx.com) and ASX (at www.asx.com.au) and notified on Z Energy's websites at www.investors.z.co.nz and www.zenergyscheme.com.

If the Conditions to the Scheme (other than those Conditions that are satisfied on the Implementation Date) have not been satisfied or waived (if capable of waiver) by the End Date, the Scheme will not proceed, unless Z Energy and Ampol agree to extend the End Date.

Section 1: Chair's Letter

24 February 2022

Dear Shareholder,

On behalf of the Z Energy (***Z***) Board, I am pleased to provide you with this Scheme Booklet. It contains important information regarding the proposed acquisition of your Z Shares by Ampol NZ.

The proposed acquisition is to be completed via a Court-approved scheme of arrangement. A scheme of arrangement allows a company to transfer its shares with the approval of its shareholders and the High Court.

Under the terms of the Scheme, which was announced on 11 October 2021, if the Scheme is approved and all other Conditions are satisfied or waived (if capable of waiver), Shareholders on the Scheme Record Date will be entitled to receive NZ$3.76 (subject to adjustments[1]) in cash for each Z Share they hold.

For each calendar day that the date of implementation of the Scheme is after 31 March 2022, Shareholders on the Scheme Record Date will also be entitled to receive NZ$0.00055 per Z Share per day (up to a maximum of 10c per Z Share).

In accordance with the terms of the Scheme Implementation Agreement, Z paid an interim dividend of 7c per Z Share on 8 December 2021 to Shareholders as at 19 November 2021. If you received this dividend and you also receive the payment of NZ$3.76 per share (subject to adjustments) on implementation of the Scheme, the total value you will have received since announcement of the Scheme is NZ$3.83 per Z Share. Any other dividends paid by Z prior to the Implementation Date will decrease the amount of NZ$3.76 per Z Share that Shareholders receive (subject to adjustments) on implementation of the Scheme.

This Scheme Booklet has been prepared to help you assess the merits of the Scheme before you vote. Please read it carefully.

Your directors unanimously recommend that you vote in favour, in the absence of a superior proposal

In the absence of Z receiving a Superior Proposal to acquire Z, your Directors unanimously recommend that you **VOTE IN FAVOUR** of the Scheme. Your Directors intend to vote **IN FAVOUR** with regard to all the Z Shares that they hold or control, in the absence of Z receiving a Superior Proposal.

After several months of engagement with Ampol resulting in increased value being offered, your Directors are of the view that the Scheme presents the best way forward for Z at this time, given the premium to Z's share price, the industry headwinds faced by Z over the long term and the certainty provided by the Scheme. The Directors believe that the Scheme Consideration represents fair value and that the Scheme is in the best interests of Shareholders.

Your Directors have carefully considered the advantages and disadvantages of Ampol's proposal. In unanimously recommending you vote in favour of the Scheme (in the absence of a Superior Proposal), your Directors have taken into account the following:

- ***Value now at material premium:*** *Shareholders are able to realise value for their Z Shares in cash at a material premium to the market price prior to the proposal being made public. The Scheme Consideration of NZ$3.76 per share (which does not include the 1H FY22 dividend of NZ$0.07 per share which has already been paid or any Implementation Date Adjustment payment of up to NZ$0.10 per share) represents:*
  - *a premium of 35% to Z's closing share price on the NZX Main Board on 26 July 2021, the last trading day prior to first press speculation in relation to corporate activity involving Z; and*
  - *a premium of 39% to Z's volume weighted average share price for the three months ended 26 July 2021.*

  If you held Z Shares on 19 November 2021, as permitted under the terms of the Scheme Implementation Agreement, you will have received an interim dividend of NZ$0.07 per share, which was paid on 8 December 2021. This represents incremental value of 1.9% above the Scheme Consideration, which is not included in the offer price premium metrics shown above.
- ***Increased price if settlement after 31 March 2022:*** *Shareholders are also entitled to receive NZ$0.00055 cash for each Scheme Share, for each day that the date of implementation of the Scheme is after 31 March 2022, up to a maximum of 10c per Scheme Share. This provides a return for any continued period of ownership while Conditions are being satisfied and before the Scheme is implemented.*[2]

1 Further details of how the cash price of NZ$3.76 may change between now and the Implementation Date (including worked examples) are provided at Sections 3.7 and 3.8 of this Scheme Booklet.
2 See the worked examples at Section 3.7 of this Scheme Booklet.

- ***Scheme in best interests of shareholders:*** *As noted above, the Directors believe that the Scheme Consideration represents fair value and the Scheme is in Shareholders' best interests. This view is supported by the Independent Adviser's valuation, as in the Independent Adviser's opinion, the offer from Ampol is reasonable, and the price of NZ$3.76 per share sits within the Independent Adviser's assessed valuation range and near the midpoint.*[3]
- ***Mitigation of risks and certainty of value:*** *The Scheme provides an attractive opportunity for Shareholders to realise the value of their Z Shares in cash once all Conditions are satisfied or (where capable of waiver) waived, mitigating the risks associated with holding Z Shares in the long term and providing Shareholders with certainty of value of their Z Shares now.*
- ***Dividends still available:*** *The Scheme Implementation Agreement permits Z to pay its Shareholders dividends prior to implementation of the Scheme. A 7 cent dividend has already been paid on 8 December 2021. If Z chooses to pay any further dividend(s) (including a final dividend for FY22), this will reduce the amount Shareholders receive on implementation of the Scheme. However, it would enable Shareholders to get part of the benefit of the Scheme early. It may also enable applicable imputation credits to be distributed.*
- ***Z share price could decrease:*** *The price at which Z Shares trade may be less than the Scheme Consideration if the Scheme is not implemented and no Superior Proposal emerges. Your Directors are unable to predict the price at which Z Shares will trade in the future, but believe that if the Scheme is not implemented, and in the absence of a Superior Proposal, the price at which your Z Shares trade is likely to be below the Scheme Consideration being offered by Ampol.*
- ***No other offer:*** *No Superior Proposal has emerged for Z and your Directors have no information that suggests a Superior Proposal will be received.*
- ***Risks to achieve long term growth (and may require additional capital):*** *While the Board has a positive outlook for Z and is confident that the business can deliver growth in the long term, there is risk associated with pursuing strategies to achieve long term growth (which was reflected in the market price of Z Shares before media speculation in relation to corporate activity involving Z) and potentially considerable capital expenditure to achieve those growth goals. The Scheme Consideration of 100% cash mitigates those risks and provides you with certainty of value for your Z Shares now.*
- ***Industry facing long term headwinds:*** *The industry which Z operates in faces long term headwinds. These could be in the form of technology disruption from electric vehicles arriving more quickly than anticipated, decreasing social acceptance of fossil fuel consumption or a change in government policy that disadvantages Z's business. While the Board believes that Z is capable of navigating these headwinds, doing so carries risk for Shareholders.*
- ***No brokerage:*** *You will not pay any brokerage fees on the transfer of your Z Shares to Ampol NZ under the Scheme.*

  Your Directors have also appointed Calibre Partners as the Independent Adviser to assess the merits of the transaction.
- ***Scheme Consideration is within the Independent Adviser's range:*** *The Independent Adviser, Calibre Partners, has assessed the value of Z Shares to be in the range of NZ$3.54 to NZ$4.07 per share, with a midpoint of NZ$3.80 per share. The Independent Adviser is of the opinion that the offer is reasonable and the price of NZ$3.76 per share is within its valuation range and near the midpoint.*

  The Independent Adviser further notes that an additional NZ$0.07 per share has been paid to Shareholders who held Z Shares on 19 November 2021 via a 1H FY22 dividend, which brought forward for those Shareholders some of the total value offered by Ampol.

  The Independent Adviser also commented that its valuation assumes that the Scheme is implemented on or around 31 March 2022, and noted that if the Scheme is not implemented by 31 March 2022, the cash consideration will be increased by the Implementation Date Adjustment payment. The Independent Adviser notes that this provides a return to Shareholders for any continued period of ownership while the Conditions are being satisfied and before the Scheme is implemented, however, the Independent Adviser's valuation range does not take into account the value of any Implementation Date Adjustment payment.

  As noted in the Indicative Timetable, Z expects implementation of the Scheme to occur in quarter 2 of 2022. As a result, the Board expects that Scheme Shareholders will receive at least some Implementation Date Adjustment (although implementation of the Scheme would need to occur after quarter 3 of 2022 in order for Scheme Shareholders to receive the full Implementation Date Adjustment).

3 The Independent Adviser's valuation assumes that the Scheme is implemented on or around 31 March 2022 and its valuation range does not take into account the value of any Implementation Date Adjustment payment.

- *In terms of the merits of the Scheme, in summary, the Independent Adviser states:*
  - Z's share price has generally trended downwards since the beginning of FY19.
  - Z's financial performance has deteriorated in recent periods (although Z Energy has forecast an improvement in performance in FY22).
  - If the Scheme is not approved by Shareholders, in the absence of any other factors, there is a real prospect that Z's share price could recede from current levels, due to a potential reversal of any positive effect caused by the announcement of the Scheme Implementation Agreement.
  - If the Scheme is successful, Shareholders that wish to maintain an exposure to Z's assets, or the wider fuel industry, would be able to invest the proceeds into the shares of Ampol or other listed companies in the sector.
  - Unless a Superior Proposal is forthcoming (and the Independent Adviser notes it would be presumptive to assume that one will eventuate given, among other things, the highly publicised process to facilitate Ampol's offer), the Independent Adviser considers it unlikely that Ampol will increase the proposed consideration being offered.

Your Directors also acknowledge that there are valid reasons why you may decide not to vote in favour of the Scheme. For example:

- ***You may believe the Scheme is not in your best interests and you disagree with Directors' unanimous recommendation or the Independent Adviser's valuation range:*** *Despite the view of your Directors and the valuation range provided by the Independent Adviser (as well as its view on the merits of the Scheme), you may believe that the Scheme is not in the best interests of Shareholders or not in your individual interests.*
- ***Investment in a publicly listed company with the specific characteristics of Z Energy:*** *You may wish to maintain an investment in a publicly listed company with the specific characteristics of Z in terms of industry, operations, profile, size, capital structure and potential dividend scheme. However, Ampol is listed on the ASX and, as announced by Z and Ampol on 11 October 2021, it intends to apply for a secondary listing on the NZX Main Board following implementation of the Scheme. Should you wish to continue to participate in Z's future financial performance and future prospects as well as the future financial performance and future prospects of the Ampol Group following implementation, you may be able to invest in shares in Ampol.*[4]
- ***Superior proposal:*** *You may consider that a Superior Proposal could emerge. However, your Directors have no information that suggests a Superior Proposal will be received, including because no Superior Proposal has emerged and the Directors have not received any approaches since the announcement of Ampol's proposal on 23 August 2021.*
- ***Possibly under-valued:*** *You may consider that Z has greater value over the longer term than you will receive under the Scheme.*
- ***Tax implications:*** *The tax implications of the Scheme may not suit your current financial position.*
- ***Conditions:*** *The Scheme is subject to a number of Conditions, certain of which are discussed below. You may consider that one or more of these Conditions is unacceptable.*

Further discussion of these factors are set out in Sections 3.3 and 3.4 of this Scheme Booklet.

Your Directors are of the view that the reasons to vote in favour of the Scheme (in the absence of a Superior Proposal) outweigh the reasons to vote against it.

Conditions

The Scheme is conditional on approvals under the Commerce Act and the Overseas Investment Act, among other Conditions. In connection with these approvals, the Board obtained commitments from Ampol to:

- the full divestment of its New Zealand business "Gull", subject to acquiring Z; and
- use all reasonable endeavours to obtain the consent of the Overseas Investment Office. The Overseas Investment Office needs to be satisfied that the transaction will deliver appropriate benefits to New Zealand to support giving its approval.

The Scheme is also subject to other Conditions. The Z Board has no reason to believe that the Conditions will not be satisfied by the End Date under the Scheme Implementation Agreement (10 October 2022).

4 Shareholders considering investing in Ampol should note that investing in overseas markets may carry additional costs and risks, such as foreign exchange costs and exposure to exchange rate fluctuations, as well as have tax implications for the investor.

Ampol has agreed that if the Commerce Commission and Overseas Investment Office Conditions are not satisfied by 10 October 2022 (or such later date as may be agreed), and the Scheme Implementation Agreement is terminated as a result, a regulatory approval break fee will be payable by Ampol to Z.

Other matters

Your Directors also draw your attention to:

- the arrangements for acceleration of vesting or cash settlement of grants under Z's Performance Rights Long Term Incentive Plan (PRLTIP) – see Sections 3.18 and 6.14 for further details; and
- Z's agreement to make one-off cash retention payments to its Senior Managers and other members of its senior executive team, conditional on implementation of the Scheme – see Section 3.19 for further details.

Your action is required

Your vote is very important, regardless of how many Z Shares you own. **I strongly encourage you to exercise your right to vote on this important transaction and to vote in favour of the Scheme (in the absence of a Superior Proposal).**

For the Scheme to proceed, it is necessary that **both** the voting thresholds are met, being:

- 75% or more of the votes cast in each interest class must be voted in favour of the Scheme Resolution; and
- more than 50% of the total number of Z Shares on issue and entitled to vote must be voted in favour of the Scheme Resolution.

If either of these thresholds is not met, the Scheme will not proceed. **It is therefore very important that you vote.**

Please read this Scheme Booklet carefully and in its entirety as it contains important information that you should consider before you vote. You may also wish to seek independent legal, financial, taxation or other professional advice.

If you are unable to attend the meeting either online or via telephone, please exercise your right to vote by appointing a proxy to attend and vote on your behalf. A personalised Proxy Form accompanies this Scheme Booklet. Alternatively, you can appoint a proxy online at **vote.linkmarketservices.com/ZEL**. Undirected proxies will be voted in favour of the Scheme in the absence of a Superior Proposal.

On behalf of the Directors, I would like to reiterate our support for, and recommendation of, the Scheme. We encourage you to **VOTE**, and **IN FAVOUR** of the Scheme (in the absence of a Superior Proposal).

I look forward to your participation at the special meeting at 10:30 a.m., (New Zealand time), on Friday, 25 March 2022.

Yours sincerely

Abby Foote
Chair

Section 2: Notice of Meeting

Notice is given that a Scheme Meeting of Shareholders of Z Energy Limited will be held:

Date: Friday, 25 March 2022

Time: 10:30 a.m. (New Zealand time)

Where: Online at www.virtualmeeting.co.nz/zsm22 or via telephone by dialling 0800 448 986 (New Zealand) or 1800 572 288 (Australia) and entering the unique PIN found on your Proxy Form (which accompanies this Scheme Booklet).

Agenda

Scheme Resolution

To consider, and if thought fit, to pass the following resolution as a special resolution:

That the Scheme (the terms of which are described in the Scheme Booklet) be approved.

The Scheme Resolution will be put as a single resolution for the purposes of confirming the approvals of each interest class and a simple majority of the votes of all Shareholders (see Notes 2 and 3 below).

Voting will be by a poll and Link Market Services and Z Energy's auditor will confirm whether or not each of the relevant voting thresholds have been met in respect of the Scheme Resolution.

By order of the Board of Directors.

Debra Blackett
General Counsel and Chief Governance Officer

24 February 2022

Notes

1 The Scheme Booklet (which includes this Notice of Meeting) provides information in relation to the Scheme Resolution and the Scheme, how the Scheme will be implemented and the reasons for proposing the Scheme. A Proxy Form accompanies this Scheme Booklet.

2 For the Scheme to be approved by the Shareholders, the votes cast in favour of the Scheme Resolution at the Scheme Meeting must represent:

- 75% or more of the votes cast by the Shareholders in each interest class entitled to vote and voting on the Scheme Resolution; and
- more than 50% of the votes of the total number of Z Shares on issue and entitled to vote on the Scheme Resolution.

3 Both of the voting thresholds set out in note 2 above must be met for the Scheme Resolution to be approved. Z Energy only has one class of shares, all of which are fully paid up, ordinary shares, with identical voting rights. That, combined with the fact that neither Ampol nor any of its Associates holds any shares in Z Energy, means that, at the date of the Scheme Booklet, there is only one interest class. This is expected to remain the case at the time of the Scheme Meeting.

If you are in favour of the Scheme, it is very important that you cast your vote.

4 The persons who will be entitled to vote at the Scheme Meeting are those persons (or their proxies or representatives) whose names are recorded in the Register at the Voting Eligibility Date.

5 Z Energy, following consultation with Ampol in accordance with the Scheme Implementation Agreement, has elected to hold the Scheme Meeting as a meeting accessible online and via telephone only, for health and safety reasons associated with the COVID-19 pandemic. Shareholders will not be able to attend the Scheme Meeting in-person.

6 Shareholders who are eligible to vote can vote:

- **online** – at www.virtualmeeting.co.nz/zsm22. Information on attending online, how to ask questions and vote, is available at https://bcast.linkinvestorservices.co.nz/generic/docs/OnlinePortalGuide.pdf;
- **via telephone** – by dialling 0800 448 986 (for New Zealand Shareholders) or 1800 572 288 (for Australian Shareholders). For verification purposes, Shareholders will need their unique PIN which can be found on their Proxy Form (which accompanies this Scheme Booklet). Please dial-in five minutes prior to the start time. During the meeting, the call facilitator will provide instructions for voting over the telephone;
- **by proxy** – by completing, signing and lodging the Proxy Form in accordance with the instructions on that form; or
- **by corporate representative** – a company which is a Shareholder may appoint a person to attend the Scheme Meeting on its behalf in the same manner as that in which it could appoint a proxy.

7 To appoint a proxy, completed Proxy Forms must be received by Link Market Services by no later than 10:30 a.m. (New Zealand time) on Wednesday, 23 March 2022. Completed Proxy Forms can be submitted:

- online: vote.linkmarketservices.com/ZEL

  New Zealand Shareholders will require their CSN/Holder Number and FIN to appoint a proxy online. Australian Shareholders will require their Holder Number and postcode. Please note that if you have previously registered a Link Investor Centre Portfolio, you should log in to your portfolio and select the "voting" option from the top menu.
- by mail: by sending to:

  Link Market Services Limited
  PO Box 91976
  Victoria Street West
  Auckland 1142
  New Zealand

  or

  Link Market Services Limited
  Locked Bag A14
  Sydney
  NSW 1235
  Australia
- by scan and email: by sending to meetings@linkmarketservices.com
- in person: by delivering to:

  Link Market Services Limited
  Level 30
  PwC Tower
  15 Customs Street West
  Auckland 1010

8 If you appoint a proxy, you can either direct your proxy how to vote or let them decide on your behalf by ticking the box marked "proxy discretion". If you don't tick a box for the Scheme Resolution, then your proxy will be treated as having discretion on how to vote.

9 A proxy need not be a shareholder of Z Energy. You may, if you wish, appoint the Chair (or any other Director) as your proxy. The Chair and all other Directors intend, in the absence of a Superior Proposal, to vote proxies in favour of the Scheme at the Scheme Meeting unless otherwise instructed by you.

10 If, in appointing a proxy, you have not named a person to be your proxy (either online or on the enclosed Proxy Form), or your named proxy does not attend the Scheme Meeting, the Chair of the Scheme Meeting will be your proxy and will vote in accordance with your express direction. If you have not included an express direction (either online or in the enclosed Proxy Form), the Chair will exercise your vote in favour of the Scheme, in the absence of a Superior Proposal.

11 Shareholders who are eligible to vote can ask questions of the CEO or Chair prior to the Scheme Meeting. In the first instance, Shareholders should direct any questions before the Scheme Meeting:

- by telephone, to:
  - 0800 487 017 (New Zealand);
  - 1300 504 905 (Australia); or
  - +61 (3) 9415 4812 (Shareholders outside of New Zealand and Australia); or
- by email – by providing the question(s) and your contact phone number to Matt Hardwick at matt.hardwick@z.co.nz,

by no later than 10:30 a.m. (New Zealand time) on Wednesday, 23 March 2022.

Alternatively, prior to the Scheme Meeting, questions may be submitted online via vote.linkmarketservices.com/ZEL, or with (and in accordance with the instructions on) your Proxy Form.

12 Shareholders may also ask questions during the Scheme Meeting, through the online system at **www.virtualmeeting.co.nz/zsm22**.

Capitalised terms used in this Notice of Meeting have the meanings given to them in Section 7: (*Glossary*) of the Scheme Booklet.

Section 3: Information About the Scheme

3.1 Summary of the Scheme

The Scheme is the proposed transaction under which Ampol NZ, a New Zealand company owned by Ampol, would acquire all of the Scheme Shares in Z Energy for NZ$3.76 in cash for each Scheme Share (as may be adjusted as set out in Sections 3.7 and 3.8 below).

Ampol is listed on the ASX (ASX ticker code: ALD) and is one of Australia's leading transport fuel suppliers and convenience retailers. Ampol has a long history in Australia, and over the last six years has transformed to focus on its two connected businesses – fuels & infrastructure and convenience retail. Further information on Ampol is provided in Section 4.

Ampol and Z Energy entered into a Scheme Implementation Agreement on 10 October 2021. A copy of the Scheme Implementation Agreement is available at www.zenergyscheme.com.

Under the Scheme Implementation Agreement, Z Energy agreed to propose a Scheme of Arrangement, the effect of which will be that all Scheme Shares will be transferred to Ampol NZ, in return for Ampol (on behalf of Ampol NZ) paying the Scheme Consideration to Shareholders.

For the Scheme to be implemented, a number of Conditions, summarised in Section 3.11, need to be satisfied. These Conditions include the approval of Shareholders and certain regulatory authorities, including the Overseas Investment Office and the Commerce Commission. Approval from the High Court is also required.

Subject to the Conditions being satisfied or (where capable of waiver) waived, Ampol will pay the Scheme Consideration to the Scheme Shareholders on behalf of Ampol NZ. Ampol confirms that resources will be available to it sufficient to meet the total Scheme Consideration to be provided to Scheme Shareholders if the Scheme becomes effective.

On a standalone basis, as at 31 December 2021, Ampol has committed debt facilities of approximately A$4.9 billion, and less than A$800 million of net borrowings. This is inclusive of A$500 million of subordinated notes issued by Ampol in December 2021, as well as approximately A$1.3 billion of new debt facilities[5] put in place prior to signing the Scheme Implementation Agreement. Taking into consideration Z Energy's existing USPP notes and NZX-listed retail bonds which Ampol intends to retain following implementation of the Scheme, Ampol has sufficient committed debt facilities to comfortably fund the proposed acquisition of Z Energy. It is also important to note that Ampol maintains a strong investment grade credit rating (Baa1, Moody's) which affords it continued access to a range of global capital markets.

5 Ampol initially put in place A$1.8 billion of new debt facilities prior to signing the Scheme Implementation Agreement, however, these debt facilities were downsized to approximately A$1.3 billion following Ampol's issuance of A$500 million of subordinated notes in December 2021.

3.2 Background to and rationale for the Scheme

On 23 August 2021, Z Energy announced that it had received a proposal from Ampol to acquire all of the Scheme Shares at an offer price of NZ$3.78 (subject to decreases to the cash consideration for any dividends paid before the Implementation Date and a mechanism to increase the cash consideration progressively up to a maximum of NZ$0.10 per Scheme Share if the Implementation Date occurs after 31 March 2022).

The proposal from Ampol followed earlier unsolicited, confidential and non-binding indicative proposals in the form of letters or verbal communications from Ampol to Z Energy for NZ$3.35, NZ$3.50 and NZ$3.60 per Z Energy Share. Under the proposal announced on 23 August 2021 and each of the previous proposals, the offer price per Z Energy Share offered by Ampol would have been reduced by the payment of any dividends by Z Energy.

The Board considered that the earlier proposals did not value Z Energy's business sufficiently to justify the requested exclusivity or confirmatory due diligence access. However, the Board's assessment of the proposal received by Z Energy on 23 August 2021 was that it would be in the best interests of Z Energy and Shareholders to grant Ampol a four-week period of exclusivity (subject to certain exceptions) to undertake due diligence, to further develop its proposal, and for the parties to negotiate transaction documentation. On 27 September 2021, Z Energy announced that the exclusivity period had been extended to 11 October 2021 to allow both parties to agree transaction documentation.

On 10 October 2021, Z Energy and Ampol concluded those negotiations and entered into the Scheme Implementation Agreement.

Z Energy entered into the Scheme Implementation Agreement because:

- the Board believes the Scheme represents fair value for Shareholders;
- the Board engaged constructively with Ampol over several months to secure additional value following Ampol's initial approach;
- the Board took the opportunity to obtain feedback from certain larger institutional Shareholders on the proposal, who together represent ~40% of Z Energy's issued capital, and such feedback played an important role in finalising the terms of the Scheme (although, for clarity, no statements of intention from these Shareholders to vote in favour of the Scheme were or have since been received by Z Energy); and
- the Board is satisfied that Ampol will continue to invest in New Zealand's energy transition towards a low carbon future and its scale will deliver advantages for the fuel industry in New Zealand.

Further detail on the rationale for the Scheme is set out below under 'Reasons you may vote in favour of the Scheme' at Section 3.3.

3.3 Reasons you may vote in favour of the Scheme

Your Directors unanimously recommend that, in the absence of a Superior Proposal, you vote in favour of the Scheme Resolution required to implement the Scheme, at the special meeting to be held at 10:30 a.m. (New Zealand time) on Friday, 25 March 2022.

In reaching their recommendation to vote in favour of the Scheme (in the absence of a Superior Proposal), your Directors have considered the merits of the Scheme, including the Scheme Consideration (including the Implementation Date Adjustment of up to NZ$0.10 per share), the dividends permitted under the Scheme Implementation Agreement, the Independent Adviser's valuation range for Z Energy's Shares and its views on the merits of the Scheme, as well as the outlook for Z Energy's business and its broader operating environment.

All Directors that hold or control Z Energy Shares intend to vote all of the Z Energy Shares held or controlled by them in favour of the Scheme, in the absence of a Superior Proposal. The interests of your Directors are set out in Sections 6.4, 6.6, 6.7 and 6.11.

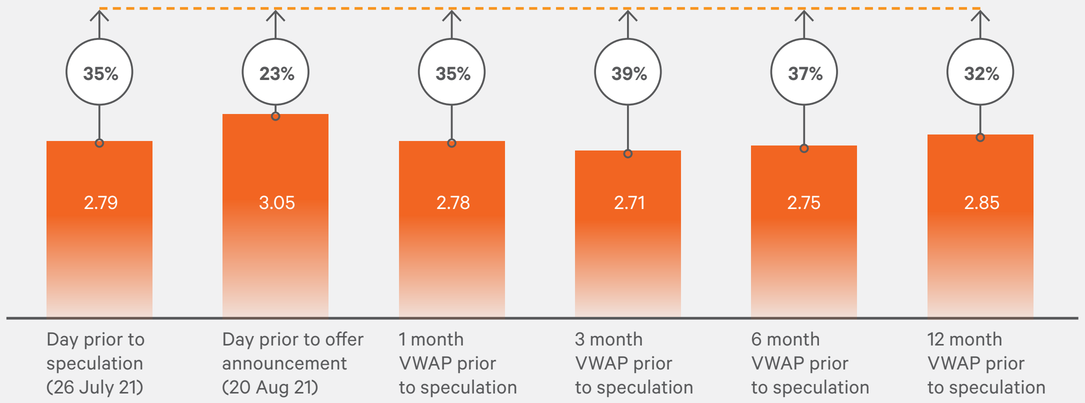
Set out below are the key reasons why the Directors unanimously recommend that you vote in favour of the Scheme at the Scheme Meeting (in the absence of a Superior Proposal):

a) *Shareholders are able to realise value for their Scheme Shares at a material premium to the market price prior to the proposal being made public on a variety of measures. The Scheme Consideration of NZ$3.76 (which does not include the 1H FY22 dividend of NZ$0.07 per share which was paid to Shareholders that held Z Shares on 19 November 2021 nor any Implementation Date Adjustment payment up to NZ$0.10 per Scheme Share) for each Scheme Share represents a:*

- 35% premium to Z Energy's closing share price on the NZX Main Board on 26 July 2021, the last trading day prior to first press speculation in relation to corporate activity involving Z Energy;
- 23% premium to Z Energy's closing price on the NZX Main Board on 20 August 2021, the last trading day prior to the announcement that Z Energy had received an acquisition proposal from Ampol;
- 35% premium to Z Energy's one-month volume weighted average price (**VWAP**) ended 26 July 2021;
- 39% premium to Z Energy's three-month VWAP ended 26 July 2021;
- 37% premium to Z Energy's six-month VWAP ended 26 July 2021; and
- 32% premium to Z Energy's twelve-month VWAP ended 26 July 2021.

Offer price premium to recent Z Energy Share price

Scheme Consideration: NZ$3.76



Source: Iress. VWAPs calculated using cumulative trading data.

In addition to the material offer price premium metrics shown above, if you held Z Shares on 19 November 2021, as permitted under the terms of the Scheme Implementation Agreement, you will have received an interim dividend of NZ$0.07 per share, which was paid on 8 December 2021.

For those Shareholders who received the interim dividend of NZ$0.07 per share, the total value payable under the terms of the Scheme Implementation Agreement is NZ$3.83. This dividend represents incremental value to the Shareholders who received it of 1.9%, which is in addition to the Scheme Consideration and is not reflected in the offer price premium metrics shown above.

b) *Shareholders are entitled to receive NZ$0.00055 cash for each Scheme Share, for each day that the date of implementation of the Scheme is after 31 March 2022, up to a maximum of 10c per Scheme Share.*

The amount of this payment, which increases daily after 31 March 2022, provides a return for any continued period of ownership while Conditions are being satisfied and before the Scheme is implemented.[6]

c) *The Directors believe the Scheme Consideration represents fair value for Shareholders and is in Shareholders' best interests. This view is supported by the Independent Adviser's valuation, as in the Independent Adviser's opinion the offer from Ampol is reasonable, and the price of NZ$3.76 per share is within the Independent Adviser's valuation range and near the midpoint.*

The Independent Adviser commented that its valuation assumes that the Scheme is implemented on or around 31 March 2022, and noted that if the Scheme is not implemented by 31 March 2022, the cash consideration will be increased by the Implementation Date Adjustment payment. The Independent Adviser notes that this provides shareholders a return for any continued period of ownership while the Conditions are being satisfied and before the Scheme is implemented, however, the Independent Adviser's valuation range does not take into account the value of any Implementation Date Adjustment payment.

d) *In addition, the Scheme enables Shareholders to get part of the benefit of the Scheme early, in the form of dividends.*

If you held Z Shares on 19 November 2021, you will have received the interim dividend of NZ$0.07 per share paid on 8 December 2021. The Scheme Implementation Agreement provides that if Z Energy chooses to pay any further dividends prior to implementation of the Scheme (including a final dividend for FY22), this will reduce the cash amount Shareholders receive on implementation of the Scheme. However it would enable Shareholders to get part of the benefit of the Scheme early. It may also enable any applicable imputation credits to be distributed.

e) *The Scheme provides an attractive opportunity for Shareholders to realise the value of their Z Energy Shares once all Conditions are satisfied or (if capable of waiver) waived, mitigating the risks associated with holding Z Energy Shares in the long term and providing Shareholders with certainty of value.*

While the Board has a positive outlook for Z Energy and is confident that the business can deliver growth in the long term, there is risk associated with pursuing strategies to achieve long term growth (which was reflected in the market price of Z Energy Shares before media speculation in relation to corporate activity involving Z Energy) and potentially considerable capital expenditure to achieve those growth goals. The Scheme Consideration of 100% cash mitigates those risks and provides you with certainty of value for your Z Energy Shares once the Conditions are satisfied.

If the Scheme does not proceed, the amount which you will be able to realise for your investment in Z Energy by selling Z Energy Shares on market or by receiving dividends, will be uncertain. You will continue to be subject to the benefits and risks associated with Z Energy's business and other general benefits and risks relating to any investment in a publicly listed company. Among other things, these benefits and risks include the performance of Z Energy's businesses, general economic conditions and movements in the share market.

The Scheme will remove these uncertainties for you by providing you with an attractive price, payable in cash, for your shareholding in Z Energy.

f) *The price at which Z Energy Shares trade may be less than the Scheme Consideration if the Scheme is not implemented and no Superior Proposal emerges.*

Your Directors are unable to predict the price at which Z Energy Shares will trade in the future, but believe that if the Scheme is not implemented, and in the absence of a Superior Proposal, the price at which your Z Energy Shares trade is likely to be below the Scheme Consideration being offered by Ampol.

The Independent Adviser noted that if the Scheme is not approved by Shareholders, in the absence of any other factors, there is a real prospect that Z's share price could recede from current levels, due to a potential reversal of any positive effect caused by the announcement of the Scheme Implementation Agreement.

6 See the worked examples at Section 3.7 of this Scheme Booklet.

The closing market price of Z Energy Shares on the NZX Main Board on 20 August 2021, the last trading day prior to the announcement of Ampol's proposal, was NZ$3.05. Since market close on 20 August 2021, Z Energy's share price has increased 19%, up to NZ$3.64 on 21 February 2022, being the last practicable date before the date of this Scheme Booklet.

In addition, the future trading price of Z Energy Shares will continue to be subject to any market volatility versus the certainty of value of the cash payment of the Scheme Consideration of NZ$3.76 cash for each Scheme Share under the Scheme (subject to adjustments as described in Section 3.7 below). There is no assurance that you will be able to achieve returns that are equivalent to or better than the Scheme Consideration for your Z Energy's shares at any time in the future.

g) *No Superior Proposal has emerged since the Scheme was announced.*

Since the announcement by Z Energy on 23 August 2021 that it had received a proposal from Ampol, and up to the date of this Scheme Booklet, no Superior Proposal has emerged. There can be no expectation or assurance that any further proposals will emerge if the Scheme is not implemented.

h) *Industry Headwinds*

The industry which Z Energy operates in faces long term headwinds. These could be in the form of technology disruption from electric vehicles arriving more quickly than anticipated, decreasing social acceptance of fossil fuel consumption or a change in government policy that disadvantages Z Energy's business. While the Board believes that Z Energy is capable of navigating these headwinds, doing so carries risk for Shareholders.

i) *No brokerage costs will be charged on the transfer of Scheme Shares to Ampol NZ if the Scheme proceeds.*

This is in contrast to selling your Z Energy Shares on the NZX Main Board or ASX where you may incur brokerage charges.

Your Directors have also appointed Calibre Partners as the Independent Adviser to assess the merits of the Scheme. In assessing the merits, the Independent Adviser states that it considered both positive and negative aspects of the transaction.

j) *The Scheme Consideration is within the Independent Adviser's valuation range.*

Calibre Partners has assessed the value of Z Energy (including a premium for control) to be in the range of NZ$3.54 to NZ$4.07 per Z Energy Share.

The Scheme Consideration of NZ$3.76 in cash for each Scheme Share (subject to adjustments) is within this range and near the midpoint.

In addition to the Scheme Consideration, Calibre Partners' valuation notes that:

- the total value for those Shareholders who held Z Energy Shares as at 19 November 2021 is $3.83 per share under the Scheme, when the FY22 interim dividend of $0.07 per share is taken into account; and
- its valuation assumes that the Scheme is implemented on or around 31 March 2022, and that if the Scheme is not implemented by 31 March 2022, Shareholders are also entitled receive the Implementation Date Adjustment. The Independent Adviser notes that this provides a return to Shareholders for any continued period of ownership while the Conditions are being satisfied and before the Scheme is implemented, however, the Independent Adviser's valuation range does not take into account the value of any Implementation Date Adjustment payment.

  As noted in the Indicative Timetable, Z expects implementation of the Scheme to occur in quarter 2 of 2022. As a result, the Board expects that Scheme Shareholders will receive at least some Implementation Date Adjustment (although implementation of the Scheme would need to occur after quarter 3 of 2022 in order for Scheme Shareholders to receive the full Implementation Date Adjustment).

k) *In terms of the merits of the Scheme, in summary, the Independent Adviser states:*

- Z Energy's share price has generally trended downwards since the beginning of FY19.
- Z Energy's financial performance has deteriorated in recent periods (although Z Energy has forecast an improvement in performance in FY22).
- If the Scheme is not approved, in the absence of other factors, there is a real prospect that Z Energy's share price may recede from current levels. The long term consequences of a decision to reject the Scheme are less clear.
- If the Scheme is successful, Shareholders that wish to maintain an exposure to Z's assets, or the wider fuel industry, would be able to invest the proceeds into the shares of Ampol or other listed companies in the sector.
- Unless a Superior Proposal is forthcoming (and the Independent Adviser notes it would be presumptive to assume that one will eventuate given, among other things, the highly publicised process to facilitate Ampol's offer), the Independent Adviser considers it unlikely that Ampol will increase the proposed consideration being offered.

3.4 Reasons you may vote against the Scheme

Set out below are some of the reasons why you may decide to vote against the Scheme:

a) *You may consider that the Scheme is not in your best interests and disagree with your Directors' unanimous recommendation or the Independent Adviser's valuation range.*

Despite the view of your Directors and the valuation range provided by the Independent Adviser (as well as its views on the merits of the Scheme), you may believe that the Scheme is not in the best interests of Shareholders or not in your individual interests.

b) *You may wish to maintain an investment in a publicly listed company with the specific characteristics of Z Energy in terms of industry, operations, profile, size, capital structure and potential dividend stream.*

If the Scheme is approved and implemented, you will be paid 100% cash Scheme Consideration and cease to be a Shareholder. As such, you will no longer be able to participate in Z Energy's future financial performance or the future prospects of its on-going business as a direct shareholder in Z Energy.

However, Ampol is listed on the ASX. As a result, should you wish to continue to participate in Z Energy's future financial performance and future prospects as well as the future financial performance and future prospects of the Ampol Group following implementation, you may be able to invest in shares in Ampol. As announced by Z Energy and Ampol on 11 October 2021, Ampol has informed Z Energy that it intends to apply for a secondary listing of Ampol's shares on the NZX Main Board following implementation of the Scheme, which would facilitate investment by New Zealanders into Ampol (and indirectly, Z Energy).[7]

There is no guarantee as to Z Energy's or Ampol's future performance, as with all investments in listed securities.

c) *You may consider that there is a possibility that a Superior Proposal could emerge.*

- However, note that your Directors have no information that suggests a Superior Proposal will be received, including because no Superior Proposal has emerged since the announcement of Ampol's proposal on 23 August 2021; and
- the Directors have not received any approaches since the announcement of Ampol's proposal on 23 August 2021.

While the Board retains the discretion to consider any other proposal that is reasonably capable of becoming a Superior Proposal (provided that it is necessary for the Board to respond to such proposal to comply with their fiduciary or statutory duties and subject always to Ampol's right to match that Superior Proposal), there can be no expectation or assurance that any further proposals will emerge at any time (and the Independent Adviser notes it would be presumptive to assume that one will eventuate given, among other things, the highly publicised process to facilitate Ampol's offer).

7 Shareholders considering investing in Ampol should note that investing in overseas markets may carry additional costs and risks, such as foreign exchange costs and exposure to exchange rate fluctuations, as well as have tax implications for the investor.

As described in Section 3.12, Z Energy will be required to pay a break fee of NZ$20,000,000 plus GST (if any) to Ampol if a Superior Proposal emerges and Z Energy enters into the Superior Proposal, or a Z Energy Director publicly recommends the Superior Proposal or withdraws or changes their recommendation of the Scheme.

d) *You may consider that Z Energy has greater value over the longer term than you will receive under the Scheme.*

If the Scheme is approved and implemented, it is expected to complete in the second quarter of 2022. This timeframe may not be consistent with your investment objectives and you may consider that your Z Energy Shares have greater value over the longer term.

You may consider that Z Energy has stronger long term growth potential and that the Scheme Consideration does not fully reflect your views on long term value. You may therefore prefer to retain your listed Z Energy Shares and realise the value of them over the longer term.

e) *The tax implications of the Scheme may not suit your current financial position.*

If the Scheme is approved and implemented, it will potentially result in tax implications for you, which may arise earlier than if you had sold your Z Energy Shares at a later time of your choosing.

f) *You may consider that the Scheme is subject to Conditions that you consider unacceptable.*

The Scheme is subject to a number of Conditions, including approvals from the Commerce Commission and the Overseas Investment Office, no event occurring which is reasonably likely to delay commencement of certain services at Marsden Point refinery past 30 June 2023 (or prevents it occurring at all), Shareholder approval, High Court approval, no Material Adverse Change and no Prescribed Occurrence arising.

All of the outstanding Conditions are summarised in Section 3.11.

If these Conditions are not satisfied or waived (where capable of waiver) by 10 October 2022 (or such later date that Z Energy and Ampol may agree) or before 8.00am on the Implementation Date (as applicable, according to the Scheme Implementation Agreement), the Scheme will not proceed (even if it has been approved by Shareholders) and you will not receive the Scheme Consideration as contemplated by the Scheme, unless Z Energy and Ampol agree to extend this timeframe beyond 10 October 2022 or waive the Condition (if capable of waiver).

The Z Board has no reason to believe that the Conditions will not be satisfied by the End Date of 10 October 2022.

3.5 Additional matters for you to consider

a) *You may sell your Z Energy Shares on the NZX Main Board or ASX at any time prior to suspension of Z Energy Shares from trading.*

You should take into account that you may be able to sell your Z Energy Shares on the NZX Main Board or ASX at any time prior to the close of trading on the date which is three Business Days before the Scheme Record Date if you do not wish to hold them and participate in the Scheme. However, you should be aware that you may not receive consideration equivalent to the Scheme Consideration of NZ$3.76 cash per Scheme Share (subject to adjustments), and may incur brokerage charges on the sale. You should seek your own independent professional advice to determine if your individual financial or taxation circumstances may make it preferable for you to sell your Z Energy Shares before implementation of the Scheme.

b) *The Scheme may be implemented even if you do not vote at the Scheme Meeting or you vote against the Scheme.*

Regardless of whether you vote for or against the Scheme or do not vote at all, the Scheme may still be implemented if it is approved by Shareholders by the requisite majorities and the High Court, and the other Conditions are satisfied or (if capable of waiver) waived. If the Scheme occurs and you hold Z Energy Shares on the Scheme Record Date, your Z Energy Shares will be transferred to Ampol NZ and you will receive the Scheme Consideration.

c) *If the Scheme is implemented, Z Energy will be delisted from the NZX Main Board and ASX.*

If the Scheme is implemented Z Energy will apply:

- for termination of the official quotation of Z Energy Shares on the NZX Main Board and ASX; and
- to be removed from the NZX Main Board and the official list of the ASX,

from close of trading on the Implementation Date.

d) *A break fee may be payable in some circumstances.*

If the Scheme does not proceed, then depending on the reasons for it not proceeding, either Z Energy or Ampol may be liable to pay a break fee to the other party. However, a break fee is not payable by Z Energy merely if the relevant shareholder voting thresholds referred to in Section 3.14 are not achieved or High Court approval is not obtained.

Further information on each break fee and the circumstances in which it is payable are set out in Section 3.12.

e) *An Independent Adviser's Report has been prepared in respect of the merits of the Scheme.*

A copy of that report is included in Annexure C.

3.6 What happens if the Scheme is not approved?

If the Scheme is not approved by Shareholders, or the High Court, or the other Conditions are not satisfied or (if capable of waiver) waived:

- you will not receive the Scheme Consideration;
- your Z Energy Shares will not be transferred to Ampol NZ (they will be retained by you);
- Z Energy will continue to operate as a publicly listed, stand alone entity;
- you will continue to be exposed to the benefits and risks associated with an investment in Z Energy (and other general benefits and risks relating to any investment in a publicly listed company) for so long as you hold Z Energy Shares; and
- the Z Energy Share price may fall.

3.7 What you will receive under the Scheme

If the Scheme is implemented, Scheme Shareholders will receive NZ$3.76 in cash from Ampol (on behalf of Ampol NZ) for each Z Energy Share held as at the Scheme Record Date, subject to the adjustments set out below:

- ***Implementation Date Adjustment:*** In addition to the NZ$3.76 per Scheme Share cash price, Scheme Shareholders will receive NZ$0.00055 in cash per Scheme Share, per calendar day, that the Implementation Date is after 31 March 2022, up to a limit of NZ$0.10 per Scheme Share.

By way of example: *If implementation of the Scheme occurred on 31 May 2022 and no further dividends were paid by Z Energy, you would receive an additional NZ$0.03355 per Scheme Share payable in cash (being 61 days multiplied by NZ$0.00055 for each Scheme Share).*

- **Adjusting Permitted Dividends:** On 8 December 2021, Z Energy paid an interim dividend of NZ$0.07 per Z Energy Share (see Section 3.8 below as to how that reduced the consideration payable per Scheme Share).

  If Z Energy pays any further dividends in respect of the financial year to 31 March 2022, the amount of such dividend(s) will reduce the Scheme Consideration payable by Ampol. Z Energy is restricted under the Scheme Implementation Agreement from paying more than NZ$0.16 per Z Energy Share in further dividends.

By way of example: *If implementation of the Scheme occurs on 31 May 2022 and Z Energy pays a further dividend of NZ$0.10 per share on 15 May 2022, the NZ$3.76 per Scheme Share would be reduced by that NZ$0.10 per share and you would receive NZ$3.66 per Scheme Share plus an additional NZ$0.03355 per Scheme Share payable in cash for the Implementation Date Adjustment.*

3.8 Total value under the Scheme Implementation Agreement

The Scheme Implementation Agreement provided total value to Shareholders who hold their Z Energy Shares from the date of the Scheme Implementation Agreement until implementation of the Scheme of NZ$3.83 per Z Energy Share, comprising an offer price per Z Energy Share of NZ$3.78, plus the ability to pay a dividend of NZ$0.05 per Z Energy Share for the six month period to 30 September 2021 (such dividend being referred to as the "Non-Adjusting Permitted Dividend"). In addition, if implementation of the Scheme is after 31 March 2022, Scheme Shareholders would receive the Implementation Date Adjustment.

On 8 December 2021, Z Energy elected to pay a $0.07 per Z Energy Share interim dividend. As the amount of this dividend exceeded the amount of the Non-Adjusting Permitted Dividend by NZ$0.02, this automatically reduced the offer price of NZ$3.78 per Z Energy Share payable under the Scheme by NZ$0.02 to a cash price of NZ$3.76 per Z Energy Share. The total value under the Scheme Implementation Agreement to those Shareholders who received the interim dividend and who will receive the payment of NZ$3.76 per share (subject to adjustments) on implementation of the Scheme remains NZ$3.83. The Implementation Date Adjustment also remains payable if implementation of the Scheme occurs after 31 March 2022.

3.9 Tax implications of the Scheme

The tax implications of the Scheme will depend on the specific circumstances of each Shareholder.

For most New Zealand and Australian resident Shareholders that are not in the business of dealing in shares (or otherwise hold their shares on "revenue account") it is expected that the Scheme Consideration should not be taxable income.

For Australian resident Shareholders, capital gains tax may be payable depending on their own circumstances.

Each Shareholder should seek their own professional tax advice in relation to their personal tax position.

3.10 Your Directors' recommendation

As at the date of this Scheme Booklet, Z Energy has not received, and does not expect to receive, any other offer to purchase Z Energy. Z Energy does not expect to receive any offer for a higher price than that offered by Ampol under the Scheme.

Your Directors unanimously recommend that you vote in favour of the Scheme in the absence of a Superior Proposal.

Your Directors remain of the view that the Scheme represents the best way forward for Z Energy at this time, given the premium to Z Energy's share price, the industry headwinds faced by Z Energy over the long term and the certainty provided by the Scheme. The Directors believe that the Scheme Consideration represents fair value and that the Scheme is in the best interests of Shareholders.

Each of your Directors intends to vote all Z Energy Shares they hold or control, and all proxies (unless directed otherwise by the relevant Shareholder), in favour of the Scheme, in the absence of a Superior Proposal.

3.11 Status of Conditions

As at the date of this Scheme Booklet the following Conditions remain outstanding, each of which must be satisfied by the End Date of 10 October 2022 (or any other date agreed in writing by Ampol and Z Energy):

a) **Commerce Act:** Clearance or authorisation under the Commerce Act on terms and conditions acceptable to Ampol, acting reasonably;

b) **OIO Approval:** All consents required under the Overseas Investment Act on terms and conditions acceptable to Ampol, acting reasonably;

c) **Other Regulatory Approvals:** All approvals or consents required from the Takeovers Panel, NZX and ASX to implement the Scheme;

d) **Court Approval:** High Court approval of the Scheme in accordance with section 236 of the Companies Act; and

e) **Shareholder Approval:** Approval of the Scheme by Shareholders.

In respect of its clearance application under the Commerce Act, Ampol has committed to the full divestment of its New Zealand business "Gull", subject to acquiring Z Energy.

Ampol is required to use all reasonable endeavours to obtain the consent of the Overseas Investment Office. The Overseas Investment Office needs to be satisfied that the transaction will deliver appropriate benefits to New Zealand to support giving its approval.

Implementation of the Scheme is also conditional on the following matters, which apply until 8.00am on the Implementation Date:

f) **Marsden Point Operations Commencement:** No event occurring which results in, or is reasonably likely to result in, delay in commencement of provision of Core ITS Services at the Marsden Point Refinery past 30 June 2023 (or prevents it occurring at all);

g) **No Restraint:** No judgment, order, restraint or prohibition by any Government Agency is in effect at 8.00am on the Implementation Date, that prohibits, prevents or materially restricts the implementation of the Scheme;

h) **No Material Adverse Change:** No Material Adverse Change occurring in relation to Z Energy; and

i) **No Prescribed Occurrence:** no Prescribed Occurrence (which includes matters such as changes to Z Energy's capital structure, non-Permitted Dividends, insolvency events and various other prescribed events) occurring in respect of Z Energy.

Z Energy has no reason to believe that the Conditions will not be satisfied by the End Date.

However, if any of these Conditions (other than those Conditions that are satisfied on the Implementation Date) are not satisfied or waived (where capable of waiver) by the End Date (being 10 October 2022 or such later date as Z Energy and Ampol may agree) the Scheme will not proceed (even if it has been approved by Shareholders) and you will not receive the Scheme Consideration. The High Court also has the power to order that the Scheme is subject to other terms and conditions as it sees fit, which may impact the implementation of the Scheme.

Z Energy intends to announce on the NZX and ASX the satisfaction or waiver of the Conditions as they occur, including the results of the Scheme Meeting.

Implementation of the Scheme will occur if the Scheme is approved by the requisite majorities of Shareholders, the High Court gives approval (and any Conditions of that approval are satisfied) and the other Conditions are satisfied or waived (where capable of waiver). If this occurs, and you are a Shareholder as at the Scheme Record Date, your Z Energy Shares will be transferred to Ampol NZ and you will receive the Scheme Consideration.

3.12 Break Fee Arrangements

Z Energy may have to pay a break fee to Ampol, and Ampol may have to pay either a reverse break fee or a regulatory approval break fee to Z Energy, in certain circumstances, as summarised below.

The amount of the break fee, reverse break fee and regulatory approval break fee is NZ$20,000,000 plus GST (if any).

Each of the break fee, reverse break fee and regulatory approval break fee is payable only once. In no circumstances will Ampol be required to pay both the regulatory approval break fee and the reverse break fee. In addition, in the event that Z Energy pays the break fee, in no circumstances will Ampol be required to pay the reverse break fee or the regulatory approval break fee (and vice versa).

In general terms, the break fee of NZ$20,000,000 plus GST (if any) is payable by Z Energy to Ampol in any one of the following circumstances:

- if at any time before the Scheme Implementation Agreement is terminated, a Competing Proposal is announced and the person making the Competing Proposal or its associated entities, within 15 months of the date of termination, completes a transaction in all material respects of the kind referred to in the definition of Competing Proposal; or
- if at any time before the Scheme Implementation Agreement is terminated, any Director:
  - fails to recommend that Shareholders vote in favour of the Scheme; or
  - fails to undertake to vote or procure the voting of all the Z Energy Shares held or controlled by him or her in favour of the Scheme; or
  - changes, qualifies or withdraws their recommendation or voting undertaking or makes any statement inconsistent with that recommendation or undertaking,

  except in response to a Superior Proposal; or
- Ampol terminates the Scheme Implementation Agreement as a result of breach of any Z Energy Warranty or Z Energy Undertaking where the consequences of that breach (other than in respect of certain fundamental Z Energy Warranties) are material in the context of the Scheme and the Z Energy Group (taken as a whole); or
- Ampol terminates the Scheme Implementation Agreement as a result of a Prescribed Occurrence occurring; or
- either Z Energy or Ampol terminate the Scheme Implementation Agreement as a result of:
  - Z Energy entering into, or agreeing to enter into, a Superior Proposal; or
  - any Z Energy Director changing, qualifying or withdrawing his or her recommendation in favour of the Scheme in order to publicly recommend a Superior Proposal; or
  - Z Energy making, or any Z Energy Director making, any public statement recommending the Superior Proposal to Shareholders.

The break fee is not payable by Z Energy merely if the relevant shareholder voting thresholds (as specified in Section 3.14 below) are not achieved or High Court approval is not obtained.

In general terms, the reverse break fee of NZ$20,000,000 plus GST (if any) is payable by Ampol to Z Energy if Z Energy terminates the Scheme Implementation Agreement as a result of:

- any breach of any of the Ampol Warranties or Ampol Undertakings in circumstances where the consequences of that breach are material in the context of the Scheme; or
- an insolvency event occurring in respect of Ampol.

In general terms, the regulatory approval break fee of NZ$20,000,000 plus GST (if any) is payable by Ampol to Z Energy if the Scheme Implementation Agreement is terminated:

- by Z Energy for failure to satisfy the OIO Condition or the NZCC Condition by the End Date because of a material breach by Ampol of its undertakings in the Scheme Implementation Agreement with respect to satisfying the OIO Condition and NZCC Condition (unless the OIO Condition or the NZCC Condition is nonetheless satisfied by the End Date); or
- by either Z Energy or Ampol because of the failure to satisfy the OIO Condition or the NZCC Condition by the End Date, other than where such failure is due to a breach by Z Energy of its undertakings in the Scheme Implementation Agreement with respect to satisfying the OIO Condition or the NZCC Condition.

A copy of the Scheme Implementation Agreement between Z Energy and Ampol is available at www.zenergyscheme.com.

3.13 High Court approval of the Scheme

As the Scheme is to be implemented by a High Court approved scheme of arrangement under Part 15 of the Companies Act, the High Court is empowered to make orders binding on Z Energy, the Shareholders, Ampol, Ampol NZ and any other affected parties. Initial Court Orders were granted by the High Court on 21 February 2022. These Initial Court Orders require Z Energy to convene the Scheme Meeting.

Provided that the Scheme Resolution is passed by the requisite majorities at the Scheme Meeting (refer below) and the other steps required to implement the Scheme (as set out in this Scheme Booklet) are realised, Z Energy will seek the Final Orders from the High Court, which will make the Scheme binding on Z Energy, the Shareholders (regardless of how or if individual Shareholders vote on the Scheme Resolution), Ampol and Ampol NZ.

3.14 Voting requirements to approve the Scheme

For the Scheme to be approved by the Shareholders, the votes cast in favour of the Scheme Resolution at the Scheme Meeting must represent:

- 75% or more of the votes cast by the Shareholders in each interest class **entitled to vote and voting** on the Scheme Resolution; and
- more than 50% of the votes of the total number of Z Shares **on issue** and **entitled to vote** on the Scheme Resolution.

Both of the voting thresholds set out above must be met for the Scheme Resolution to be approved by the majorities required under the Companies Act. Z Energy only has one class of shares, all of which are fully paid up, ordinary shares, with identical voting rights. That, combined with the fact that neither Ampol nor any of its Associates holds any shares in Z Energy, means that, at the date of the Scheme Booklet, there is only one interest class. This is expected to remain the case at the time of the Scheme Meeting.

In addition, Ampol must approve the Scheme and it has already agreed to do so under the terms of the Deed Poll contained in Annexure B of this Scheme Booklet.

3.15 Takeovers Panel's no objection statement

Z Energy has applied for a statement from the Takeovers Panel indicating that the Takeovers Panel has no objection to the High Court making the Final Orders to approve the Scheme. This is commonly referred to as a "no objection statement".

However, the Takeovers Panel does not typically issue "no objection statements" until just before documents are filed for the Final Court Hearing in respect of the Scheme. This will not take place until after the Scheme Meeting. In the meantime, Z Energy has obtained from the Takeovers Panel a preliminary statement (called a "letter of intention"), which was presented to the High Court with Z Energy's application for Initial Court Orders. The Takeovers Panel has indicated in its "letter of intention" that, on the basis of the documents and information provided to it, it is minded to issue a final "no objection statement" on or before the Final Orders Date.

3.16 Shareholder warranties

Each Scheme Shareholder is deemed to have warranted to Ampol and Ampol NZ that all their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) which are transferred under the Scheme to Ampol NZ will, at the time of transfer, vest in Ampol NZ free from all encumbrances and interests of third parties of any kind.

3.17 Payment of Scheme Consideration

The Scheme Consideration will be paid in New Zealand dollars unless:

- you have recorded Australian dollar bank account details with Link Market Services and/or previously received dividends from Z Energy in Australian dollars, in which case the Scheme Consideration will be paid in Australian dollars in accordance with the remainder of this section 3.17; or
- you have an address outside of New Zealand and Australia and you have provided Link Market Services with sufficient written instructions for Link Market Services to be able to pay the Scheme Consideration in another foreign currency, in which case the Scheme Consideration will be paid in that foreign currency in accordance with the remainder of this section 3.17.

If you have agreed that payments may be made to you in Australian dollars or another foreign currency, Z Energy may procure that the payment is made to you in Australian dollars or the applicable foreign currency (with any conversion from New Zealand dollars to Australian dollars or foreign currency being undertaken in a manner determined by Link Market Services), provided however that neither Z Energy nor Ampol will have any responsibility for (or have any liability in connection with) any such currency conversion. If you have an address outside of New Zealand and Australia and you have provided Link Market Services with sufficient written instructions for Link Market Services to be able to pay the Scheme Consideration in a currency other than New Zealand dollars, the payment will be reduced by the amount of any applicable costs and fees.

Payment will be made to you by direct credit if Link Market Services has your bank account details recorded for you as at the Scheme Record Date. If Link Market Services does not have bank account details sufficiently recorded for you, payment will be withheld until Link Market Services has received bank account details for you. If you have not previously provided bank account details please contact Link Market Services directly by the Scheme Record Date to be announced in due course.

Payment of the Scheme Consideration will be made on the Implementation Date, currently expected to be in the second quarter of 2022 (subject to the timing of satisfying or (where capable of waiver) waiving the Conditions).

If a Shareholder does not have a registered address, or Z Energy considers the Shareholder is not known at its registered address and no bank account has been nominated, payment due to the Shareholder will be held by Z Energy unclaimed or applied under Z Energy's constitution and the relevant laws dealing with unclaimed money (and otherwise in accordance with the Scheme Plan set out in Annexure A).

3.18 Treatment of Z Energy Performance Rights

As at the date of this Scheme Booklet, Z Energy has on issue 2,863,939 Performance Rights under the Z Energy – Performance Rights Long Term Incentive Plan (**PRLTIP**).

Each Performance Right entitles the holder to acquire one Z Energy Share, subject to the holder remaining employed by Z Energy until the end of the vesting period, achieving performance hurdles, and Board discretion. Performance Rights do not carry voting rights.

Under the Scheme Implementation Agreement, Z Energy and Ampol have agreed that if the Implementation Date is on or after 1 April 2022, Z Energy may issue up to 1,189,235 Performance Rights for FY23, but the Board retains absolute discretion to make the offer of this FY23 grant.

Assuming the Implementation Date is on or after 1 April 2022, the Scheme Implementation Agreement provides that a maximum of 1,319,889 Z Energy Shares may be transferred from treasury stock to participants in the PRLTIP on conversion of Performance Rights. Ampol has agreed that up to 180,540 Performance Rights may be cash-settled (in lieu of the transfer of Z Energy Shares from treasury stock) for an amount equal to the Scheme Consideration in order to ensure that Z Energy does not have more Z Energy Shares on issue on the Implementation Date than 519,289,407 Z Energy Shares (being the maximum number permitted under the Scheme Implementation Agreement). Conversion or cash-settlement of Performance Rights has no impact on the Scheme Consideration payable to Scheme Shareholders.

Any Performance Rights that are not converted into Z Energy Shares or cash-settled will lapse and be cancelled prior to the Scheme Record Date such that, on the Implementation Date, there are no Performance Rights on issue.

See Section 6.14 for further details relating to the vesting of Performance Rights prior to the Implementation Date.

3.19 Agreements with Senior Managers

Retention Payments

In order to ensure that Z Energy retains an ongoing focus on delivery and performance, to safeguard Z Energy's intellectual property throughout any transition process, and to support a strong and smooth transition to new ownership, Z Energy has agreed to pay a one-off retention cash payment to each of its Senior Managers (and other members of Z Energy's senior executive team) of 75% of base salary, with 50% paid on or about the Implementation Date and 50% paid three months later.

The one-off retention cash payment will be paid to each of the Senior Managers as follows:

Name	Title	Retention cash payment (equivalent to 75% of base salary)
Mike Bennetts	Chief Executive Officer	$902,700
Lindis Jones	Chief Financial Officer	$420,000
Andy Baird	General Manager, Retail	$345,000
Julian Hughes	General Manager, Supply	$307,500
Nicola Law	General Manager, Commercial	$300,000

This retention payment is payable only if the Scheme is implemented and the relevant Senior Manager has not resigned from their current position on the Implementation Date and the date that is three months later (as applicable).

Performance Rights

The Board has determined that, in the event of the Scheme proceeding, it will accelerate vesting of existing grants under the PRLTIP proportionate to their relative years of maturity. See section 6.14 for further details.

3.20 If you are not in favour of the Scheme

If you are not in favour of the Scheme, you can vote against it at the Scheme Meeting. As a Shareholder, you also have the right to appear and be heard at the Final Court Hearing, provided you have filed a notice of appearance or a notice of opposition (together with any supporting documents you may wish to rely on) by the final date for objections, which will be announced on the NZX and ASX in due course following satisfaction of the Regulatory Conditions, at the High Court and at the offices of Chapman Tripp, Level 17, 10 Customhouse Quay, PO Box 993, Wellington 6140 or by email addressed to tim.smith@chapmantripp.com.

If you do this, Z Energy will serve you, at your address for service, a copy of all documents filed in support of the application for Final Court Orders by 5.00 pm on the date that is five Business Days prior to the date for the Final Court Hearing.

Any other person claiming to have a proper interest in the Scheme who wishes to appear and be heard on the application for Final Court Orders must file an application for leave to be heard and a notice of opposition (both containing an address for service) (together with any supporting documents on which such person intends to rely) by the final date for objections, which will be announced on the NZX and ASX in due course following satisfaction of the Regulatory Conditions, at the High Court and at the offices of Chapman Tripp, Level 17, 10 Customhouse Quay, PO Box 993, Wellington 6140 or by email addressed to tim.smith@chapmantripp.com.

If any such person does this, Z Energy will serve upon that person, at their address for service, a copy of the affidavits in support of the application for Final Court Orders.

The Takeovers Panel may also appear and make submissions at the hearing for Final Court Orders. In addition, the Takeovers Panel may consider an objection by a Shareholder or other interested party to the Scheme when determining whether to provide its "no objection statement". Written objections can be submitted directly to the Takeovers Panel by email (takeovers.panel@takeovers.govt.nz).

There are no other dissent or buy-out rights for Shareholders who do not support the Scheme.

If you do not want to participate in the Scheme, you may sell your Z Energy Shares on the NZX Main Board or ASX at any time up to close of trading three Business Days before the Scheme Record Date. After this point, Z Energy intends to apply to the NZX and ASX for trading in Z Energy Shares to be suspended from official quotation on the NZX Main Board and ASX. You will not be able to sell your Z Energy Shares on market after this time.

You should note that if you opt to sell your Z Energy Shares outside of the Scheme you may not receive the Scheme Consideration of NZ$3.76 for each Scheme Share (subject to adjustments) offered under the Scheme, and may incur brokerage charges on the sale. You should seek independent professional advice to determine if your individual financial or taxation circumstances would be better served by selling your Z Energy Shares outside the Scheme.

Section 4: Information About the Ampol Group

Information in this section has been prepared by Ampol on behalf of Ampol NZ. The information concerning the Ampol Group, and the intentions, views and opinions contained in this section are the responsibility of Ampol. Z Energy, members of the Z Energy Group and their directors, officers, employees, advisers or other representatives do not assume any responsibility for the accuracy or completeness of this information.

The intentions of Ampol have been formed on the basis of facts and information concerning Z Energy, the general business environment, and the circumstances affecting the business of the Z Energy Group as at 21 February 2022 (being the last practicable date before the date of this Scheme Booklet), in each case as to the extent known by Ampol.

4.1 Ampol NZ

If the Scheme is implemented, Ampol NZ will acquire all of the Scheme Shares, having been elected as Ampol's nominee pursuant to the Scheme Implementation Agreement. Ampol NZ is a New Zealand limited liability company incorporated on 12 October 2021 for the sole purpose of acquiring the Scheme Shares. Ampol NZ is wholly owned by Ampol. Further details about Ampol NZ and Ampol are set out in Section 5.

4.2 Overview of Ampol

Ampol is listed on the ASX (ASX ticker code: ALD) and is one of Australia's leading transport fuel suppliers and convenience retailers.

Ampol's principal activities include the purchase, supply, refining, distribution and sale of petroleum products and the operation of convenience retail stores throughout Australia, as well as New Zealand under the Gull New Zealand brand (which will be divested if the Scheme is implemented). Ampol also supplies fuel to international customers including Seaoil Philippines Inc. in the Philippines (a business in which Ampol holds a 20% equity interest).

Ampol has a long history in Australia, and over the last six years has transformed to focus on its two connected businesses – fuels & infrastructure and convenience retail:

- Ampol's fuels & infrastructure business is a market leader in Australian transport fuels, being the largest wholesale supplier with 28% market share in Australia (2019). Ampol's integrated business sources, imports, refines and distributes fuels and lubricants that supplies approximately 1,900 company-owned or affiliated sites and business and commercial customers across a range of industries. Ampol has a network of distribution assets across Australia, which includes a refinery in Lytton, Queensland, 16 terminals, six major pipelines and 55 wet depots.

  Ampol has leveraged its Australian business to extend its supply chain and operations into international markets. This includes the establishment of Ampol's trading and shipping business in 2013 that operates out of Singapore and Houston, which is responsible for the strategic sourcing of crude oil, refined fuels and feedstocks, and the management of associated shipping.
- Ampol's convenience retail network consists of 697 sites across Australia, of which 688 are company operated. This provides an expansive platform for the sale of retail fuels and convenience products, including through its 'flagship' format of Ampol Woolworths Metro stores, which is delivered through a partnership with Woolworths, and 'Foodary', Ampol's Tier 2 Format which is the default store format.

  In addition to Ampol's partnership with Woolworths and strong relationships with quick service restaurant (**QSR**) partners, Ampol is dedicated to improving customer service through technology and new partnerships, including with organisations such as Uber, Toyota, NRMA and Hyundai. To date, Ampol has ten EV charging stations across five sites, delivered in partnership with Evie Networks. Over the long term Ampol will look to develop its own charging network, with the expected delivery of over 100 additional fast charging bays across Ampol's national retail network, in partnership with the Australian Renewable Energy Agency (announced in July 2021), being the first scaled rollout of Ampol fast charging bays.

Ampol's two business units, fuels & infrastructure and convenience retail, have clear 'Enhance', 'Expand' and 'Evolve' strategies as Ampol continues to enhance its delivery of everyday convenience to its customers, expand in international markets and evolve with its customers' energy needs.

Ampol's strategy builds on its strengths in fuels, focussing on its core business, establishing a platform to grow and ultimately evolve as energy markets transition. Ampol controls a network of retail and distribution assets and remains focused on delivering integrated value and growth across its business.

Ampol has a successful track record of transformation underpinned by its capabilities in managing complex supply chains, strategic assets and a deep customer base. This has enabled the evolution of its business model and customer offering from a refiner marketer to an integrated fuels and convenience retailer with significant long term growth pathways.

The execution of Ampol's strategy is underpinned by a culture of continuous improvement and its disciplined Capital Allocation Framework.

In May 2021, Ampol announced its Future Energy and Decarbonisation Strategy, which outlines its approach to decarbonising its own operations, and its plan to transition with its customers to serve their future energy needs through extending its customer value proposition in electricity, hydrogen, gas, biofuels and carbon mitigation.
The Decarbonisation Strategy aims to address the emissions associated with Ampol's operations (Scope 1 & 2), together with emissions associated with its supply chain and customers' combustion of Ampol products (Scope 3). The strategy sets an ambition to reach net zero emissions across operations by 2040, with operational emissions reduction targets consistent with this objective for 2025 and 2030.

Section 5: Information Equivalent to Schedule 1 of the Takeovers Code

This section contains information, to the extent applicable, equivalent to the information that would be provided by the Ampol Group in a takeover offer document in accordance with Schedule 1 of the Takeovers Code.

The information set out in this section has been prepared by Ampol on behalf of the Ampol Group. Ampol is solely responsible for information contained in this section. Ampol has not prepared, and is not responsible for, information which is referred to in this section, but which is set out in another section of this Scheme Booklet.

5.1 Date

This section was prepared and is current as at 21 February 2022, being the latest practicable date before publication of this Scheme Booklet.

5.2 Ampol NZ and its directors

The name and address of Ampol NZ is:

Ampol Holdings NZ Limited
c/- Bell Gully
Level 22, Vero Centre
48 Shortland Street
Auckland 1010, New Zealand

Ampol NZ can be contacted by email at secretariat@ampol.com.au.

The directors of Ampol NZ are:

- Gregory David Barnes
- Brent Edward Merrick

Ampol, as the sole shareholder of Ampol NZ, will become the controller of an increased percentage of voting securities in Z Energy as a result of the Scheme.

The directors of Ampol are:

- Steven Gregg (Chair)
- Matthew Halliday (Managing Director and Chief Executive Officer)
- Mark Chellew
- Melinda Conrad
- Elizabeth Donaghey
- Michael Ihlein
- Gary Smith
- Penny Winn

See Section 4 for further information on Ampol NZ and Ampol.

5.3 Scheme company

The name of the company to which the Scheme relates is Z Energy Limited.

5.4 Ownership of equity securities of Z Energy

None of the following persons hold or control any equity securities of any class of Z Energy (or derivatives over such equity securities) as at 21 February 2022:

a) Ampol NZ;

b) Ampol;

c) any Related Company of Ampol NZ or Ampol;

d) any person acting jointly or in concert with Ampol NZ or Ampol; and

e) any director of any of the persons described in paragraphs (a) to (d) above.

Information about the persons who hold or control 5% or more of any class of equity securities in Z Energy (or derivatives over such equity securities) is set out in Section 6.5.

5.5 Trading in Z Energy equity securities

None of the persons referred to in sub-paragraphs 5.4(a) to (e) above under the heading "Ownership of equity securities of Z Energy" have, during the six month period ending on 21 February 2022, acquired or disposed of any equity securities of Z Energy.

5.6 Agreements to vote in favour of Scheme

No person has agreed with Ampol NZ or Ampol conditionally or unconditionally to vote in favour of the Scheme as at 21 February 2022.

The Scheme Implementation Agreement requires Z Energy to ensure that those Directors who hold or control Z Energy Shares undertake to vote such Z Energy Shares in favour of the Scheme, in the absence of a Superior Proposal. If any Director changes, qualifies or withdraws that undertaking (except in response to a Superior Proposal), a break fee will be payable from Z Energy to Ampol, as further described in Section 3.12.

The Directors and Senior Managers who hold or control Z Energy Shares have confirmed they intend to vote in favour of the Scheme, in the absence of a Superior Proposal, as contemplated by the statements elsewhere in this Scheme Booklet. Details of the shareholdings of those Directors and Senior Managers are set out in Section 6.9.

5.7 Arrangements to pay consideration

Ampol confirms that resources will be available to it sufficient to meet the total Scheme Consideration to be provided to Scheme Shareholders upon the Scheme being implemented. Further information on the sources of funds available to Ampol are set out in section 3.1.

Ampol and Ampol NZ have each executed the Deed Poll pursuant to which Ampol has undertaken in favour of each Scheme Shareholder that it will pay of behalf of Ampol NZ the Scheme Consideration to which each Scheme Shareholder is entitled under the Scheme and Ampol NZ has undertaken to acquire all of the Scheme Shares, in each case subject to the Scheme being implemented. Subject to the Scheme Implementation Agreement not being terminated and the Scheme having become unconditional:

- Ampol must deposit, or procure the deposit of, in immediately available cleared funds, by no later than 5.00p.m. on the Business Day before the Implementation Date an amount equal to the aggregate amount of the Scheme Consideration payable to all Scheme Shareholders as set out in the Scheme Plan, such deposit to be made into the trust account to be held and dealt with in accordance with the Scheme Plan; and
- the Scheme Consideration deposited into the trust account must be applied to Scheme Shareholders in satisfaction of their respective entitlements to receive the Scheme Consideration under the Scheme on the Implementation Date in accordance with the Scheme Plan, provided that the Scheme Shares are transferred to Ampol NZ.

5.8 Arrangements between Z Energy and Ampol Group

Except as set out below, as at 21 February 2022, no agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between Ampol, Ampol NZ or any of their Associates and Z Energy or any Related Company of Z Energy, in connection with, in anticipation of, or in response to, the Scheme:

- Z Energy and Ampol entered into a confidentiality agreement (including an information sharing protocol) dated 5 August 2021 (as amended on 20 August 2021) setting out the terms on which the parties exchange confidential information relating to the Scheme. Under that confidentiality agreement, each of Ampol and Z Energy agreed to keep each other's confidential information disclosed to it confidential and only to disclose such information in limited circumstances.
- Z Energy and Ampol entered into an exclusivity agreement dated 20 August 2021 setting out, amongst other matters, the terms on which the Ampol Group would be granted exclusive access to undertake due diligence and that Z Energy would not solicit or invite any Competing Proposal during the exclusivity period. The confidentiality agreement and information sharing protocols were also amended on 20 August 2021 to reflect the granting of exclusivity. This exclusivity period was extended until 11 October 2021 by Z Energy and Ampol by an amendment to the exclusivity agreement on 26 September 2021.
- Ampol and Z Energy entered into the Scheme Implementation Agreement dated 10 October 2021. Under the Scheme Implementation Agreement, Z Energy agreed to propose a Scheme of Arrangement, the effect of which will be that all Z Energy Shares will be transferred to Ampol NZ and Ampol will provide or procure the provision of the Scheme Consideration to Shareholders. Ampol and Z Energy agreed on 13 February 2022 to amend the Scheme Implementation Agreement to confirm that the total number of Z Energy Shares on issue for the purposes of Part A of Schedule 4 of the Scheme Implementation Agreement is 520,476,853 (rather than 520,136,969) and to record Ampol's consent to the cash-settlement of certain Performance Rights (see Section 6.19) to ensure that Z Energy does not have more than 519,289,407 Z Energy Shares on issue on the Implementation Date (being the maximum number permitted under the Scheme Implementation Agreement) (*Share Capital Confirmation*). Copies of the Scheme Implementation Agreement and the Share Capital Confirmation are at www.zenergyscheme.com.
- Z Energy gave Ampol the Z Energy Disclosure Letter before execution of the Scheme Implementation Agreement, which was countersigned by Ampol on 10 October 2021. The Z Energy Disclosure Letter sets out certain agreed matters and or disclosures in relation to the Scheme, such as the conduct of business, fee estimates, disclosures against the Z Energy Warranties, the agreed timetable, and the process to be followed in obtaining consents (amongst other matters).

5.9 Arrangements between the Ampol Group and directors and senior managers of Z Energy

No agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between the Ampol Group or any of its Associates, and any Director or Senior Manager of Z Energy or any of Z Energy's Related Companies (including particulars of any payment or other benefit proposed to be made or given by way of compensation for loss of office, or as to their remaining in or retiring from office) in connection with, in anticipation of, or in response to the Scheme.

As set out in Sections 3, 5.6 and 6.9 of this Scheme Booklet, those Directors and Senior Managers who hold or control Z Energy Shares intend to vote such Z Energy Shares in favour of the Scheme, in the absence of a Superior Proposal.

For completeness, and as disclosed in Section 6.14 of this Scheme Booklet, Z Energy may accelerate vesting of certain Performance Rights under the PRLTIP and convert these to Scheme Shares or cash-settle them. In addition, as disclosed in Section 3.19 of this Scheme Booklet, Z Energy has agreed to pay a one-off retention cash payment to each of its Senior Managers.

5.10 Financial assistance

As noted in Section 5.7, arrangements are in place to pay the total Scheme Consideration upon the Scheme being implemented.

No agreement or arrangement has been made, or is proposed to be made, under which Z Energy or any of its Related Companies will give financial assistance for the purpose of or in connection with the Scheme.

5.11 Intentions about Material Changes to Z Energy

Given that if the Scheme is implemented Ampol NZ will acquire all of the Z Energy Shares on issue, the Ampol Group is not required to disclose its intentions for Z Energy.

5.12 Pre-emption clauses in Z Energy's constitution

There is no restriction on the right to transfer equity securities to which the Scheme relates contained in the constitution of Z Energy that has the effect of requiring the holders of the equity securities to offer the equity securities for purchase to Shareholders of Z Energy or to any other person before transferring the equity securities.

5.13 No escalation clause

There is no agreement or arrangement (whether legally enforceable or not) under which:

- any existing holder of equity securities in Z Energy will or may receive in relation to, or as a consequence of, the Scheme any additional consideration or other benefit from the Ampol Group or any of their Associates over and above the Scheme Consideration; or
- any prior holder of equity securities in Z Energy will or may receive any consideration or other benefit from the Ampol Group or any of their Associates as a consequence of the Scheme.

5.14 Classes of securities

No report is required to be obtained by Ampol NZ or Ampol as to the fairness and reasonableness of the consideration and terms of the Scheme as between different classes of financial products as there will only be one class of equity securities of Z Energy, ordinary shares, on issue when the Scheme is implemented. As outlined in Sections 6.14 and 6.19, all existing Performance Rights (which are convertible into ordinary shares in certain circumstances) will be converted into ordinary shares, cash-settled or lapse prior to the Scheme Record Date.

Section 6: Information Equivalent to Schedule 2 of the Takeovers Code

This Section contains the applicable information that would be provided by Z Energy in a target company statement under Schedule 2 of the Takeovers Code.

6.1 Date

This section was prepared and is current as at 21 February 2022, being the latest practicable date before publication of this Scheme Booklet.

6.2 Scheme

This Scheme Booklet relates to a scheme of arrangement between Z Energy, its Shareholders and Ampol in relation to the proposed acquisition of the Scheme Shares by Ampol NZ.

6.3 Z Energy and its Directors

The name of the company to which the Scheme relates is Z Energy Limited. Its postal address is 3 Queens Wharf, Wellington Central, Wellington 6011, Attention Debra Blackett. Z Energy's email address for enquiries is debra.blackett@z.co.nz.

The Directors of Z Energy, all of whom are independent directors, are:

- Abby Foote
- Mark Cross
- Mark Malpass
- Blair O'Keeffe
- Julia Raue
- Stephen Reindler

6.4 Ownership of equity securities of Z Energy

The table below sets out the number and the percentage of Z Energy Shares held or controlled by each Director or Senior Manager of Z Energy or their Associates.

No other Director or Senior Manager[8] and their Associates holds or controls any equity securities of Z Energy.

Name	Number of Z Energy Shares held or controlled	Percentage of total Z Energy Shares (excluding treasury shares)
Abby Foote	52,040	0.010%
Mark Cross	35,818*	0.007%
Mark Malpass	15,000+	0.003%
Blair O'Keeffe	53,685	0.010%
Julia Raue	21,191	0.004%
Stephen Reindler	20,167	0.004%
Mike Bennetts	368,266	0.071%
Lindis Jones	120,415	0.023%

8 Z Energy's Senior Managers (as defined in the Takeovers Code) are Mike Bennetts, Lindis Jones, Andy Baird, Julian Hughes, and Nicola Law.

Notes:

1. *This information is taken from information provided by the Directors and Senior Managers.*
2. *Percentages have been rounded to three decimal places.*

* *Mark Cross is the beneficial owner of 35,818 Z Energy Shares held by Alpha Investment Partners (the registered owner).*

+ *Mark Malpass is the spouse of Ngaire Lin Malpass, the registered and beneficial owner of 15,000 Z Energy Shares, and has the ability to influence the voting, buying and selling of these Z Energy Shares.*

As part of the Z Energy – Performance Rights Long Term Incentive Plan, each of the Senior Managers has been issued with Performance Rights. See Sections 6.14 and 6.19 for further details with respect to the Performance Rights.

The table below sets out the number and the percentage of Performance Rights held by each Senior Manager or their Associates.

Name	Number of Performance Rights	Percentage of total Performance Rights
Mike Bennetts	1,003,557	35.041%
Lindis Jones	268,564	9.377%
Andy Baird	226,865	7.921%
Julian Hughes	197,986	6.913%
Nicola Law	102,979	3.596%

Notes:

1. *Percentages have been rounded to three decimal places.*

6.5 Ownership interests of substantial product holders of Z Energy

The table below sets out the number and the percentage of Z Energy Shares held or controlled by any other person holding or controlling 5% or more of the Z Energy Shares, to the knowledge of Z Energy.

Name	Number of Z Energy Shares held or controlled (including derivative interests in underlying Z Energy Shares)	Percentage of total Z Energy Shares (excluding treasury shares)	Date of last available substantial product holder notice
New Zealand Central Securities Depository Limited (*NZCSD*)	287,115,701	55.373	N/A
L1 Capital Pty Ltd	44,539,249	8.590	5 July 2021
UBS Group AG and its related bodies corporate	32,928,520	6.351	18 November 2021
Accident Compensation Corporation	25,992,284	5.013	17 February 2022

Notes:

1. *This information is based on information known to Z Energy (from Z Energy's share register, in the case of NZCSD, and substantial product holder notices provided to the NZX Main Board or provided by the relevant Shareholder) as at 21 February 2022 (being the latest practicable date before the date of this Scheme Booklet). Substantial product holder notices provided to the NZX Main Board after that date will be available to review at https://www.nzx.com/companies/ZEL/announcements.*
2. *NZCSD is a bare trustee custodian that holds legal title to Z Energy Shares but has no control over the voting, acquisition or disposal of the Z Energy Shares it holds.*
3. *Percentages have been rounded to three decimal places.*
4. *Percentages have been calculated based on the total number of Z Energy Shares on issue (excluding treasury shares) on 21 February 2022.*
5. *The information set out in the table above includes an interest in derivatives in the form of cash settled swaps as follows: UBS Group AG and its related bodies corporate have disclosed that UBS AG London Branch has entered into cash settled swap agreements relating to 27,661 underlying Z Energy Shares (0.005% of total Z Energy Shares). The number of Z Energy Shares held or controlled by UBS Group AG and its related bodies corporate excluding derivative interests in underlying Z Energy Shares is 32,900,859 (6.325% of total Z Energy Shares). Further details of these derivatives are included in Table A (below) of this section 6.5.*

Table A: Derivative relevant interests held by UBS AG London Branch

Type of derivative	Details of derivative			
	Notional value of the derivative[1]	Settlement type	Expiry date of derivative	Prices specified in the terms of the derivative (if any)
Swaps on Indices	10,500[2]	Cash	8/08/2022	Not Applicable
Swaps on Indices	1,970[2]	Cash	15/09/2022	Not Applicable
Swaps on Indices	2,728[2]	Cash	15/09/2022	Not Applicable
Swaps on Indices	2,055[2]	Cash	25/05/2022	Not Applicable
Swaps on Baskets	31,850 (AUD)	Cash	31/01/2024	3.4310
Swaps on Baskets	1,403 (AUD)	Cash	31/07/2024	3.4308
Swaps on Baskets	209,458 (AUD)	Cash	1/03/2024	3.4400
Swaps on Baskets	58,771 (AUD)	Cash	8/02/2024	3.3907
Swaps on Baskets	82,499 (AUD)	Cash	8/02/2024	3.3890
Swaps on Baskets	569,981 (AUD)	Cash	8/02/2024	3.3893
Swaps on Baskets	39,881 (AUD)	Cash	31/03/2023	3.4283
Swaps on Baskets	30,803 (AUD)	Cash	31/01/2023	3.4283
Swaps on Baskets	363,043 (AUD)	Cash	31/01/2024	3.4283
Swaps on Baskets	3,849 (AUD)	Cash	15/08/2023	3.4398
Swaps on Baskets	3 (AUD)	Cash	24/05/2022	3.4100
Swaps on Baskets	993,583 (AUD)	Cash	29/04/2022	3.3269
Swaps on Baskets	63,504 (AUD)	Cash	11/10/2024	3.4434

[1] *Notional value of the Derivative for the Swaps on Indices and Swaps on Baskets refer to the face value of the derivative as at the date on which the relevant agreement is entered into.*

[2] *Currency/Price is not available for the Swaps on Indices.*

To Z Energy's knowledge no other person holds or controls more than 5% of a class of equity securities of Z Energy.

6.6 Issues of equity securities

The following table reflects the number of equity securities of Z Energy which have, during the two year period ending on 21 February 2022:

- been issued to Directors or Senior Managers or their Associates; or
- in which the Directors or Senior Managers or their Associates have obtained a beneficial interest under any employee share scheme or other remuneration arrangement.

Name	Position	Number of equity securities	Type of equity security	Reason for issue	Consideration per share (NZ$)	Date of transaction
Abby Foote	Director	14,255	Ordinary shares	Allotment pursuant to share purchase plan	2.81	05/06/2020
Mark Cross	Director	17,818	Ordinary shares	Allotment pursuant to share purchase plan	2.81	05/06/2020
Julia Raue	Director	10,691	Ordinary shares	Allotment pursuant to share purchase plan	2.81	05/06/2020
Stephen Reindler	Director	2,067	Ordinary shares	Allotment pursuant to share purchase plan	2.81	05/06/2020

Name	Position	Number of equity securities	Type of equity security	Reason for issue	Consideration per share (NZ$)	Date of transaction
Mike Bennetts	Chief Executive Officer	17,818	Ordinary shares	Allotment pursuant to share purchase plan	2.81	05/06/2020
		398,649	Performance Rights	Grant of Performance Rights pursuant to the PRLTIP for FY21	Nil	01/04/2020
		419,373	Performance Rights	Grant of Performance Rights pursuant to the PRLTIP for FY22	Nil	01/04/2021
Lindis Jones	Chief Financial Officer	17,818	Ordinary shares	Allotment pursuant to share purchase plan	2.81	05/06/2020
		103,378	Performance Rights	Grant of Performance Rights pursuant to the PRLTIP for FY21	Nil	01/04/2020
		117,073	Performance Rights	Grant of Performance Rights pursuant to the PRLTIP for FY22	Nil	01/04/2021
Andy Baird	General Manager, Retail	89,189	Performance Rights	Grant of Performance Rights pursuant to the PRLTIP for FY21	Nil	01/04/2020
		96,167	Performance Rights	Grant of Performance Rights pursuant to the PRLTIP for FY22	Nil	01/04/2021
Julian Hughes	General Manager, Supply	78,041	Performance Rights	Grant of Performance Rights pursuant to the PRLTIP for FY21	Nil	01/04/2020
		83,624	Performance Rights	Grant of Performance Rights pursuant to the PRLTIP for FY22	Nil	01/04/2021
Nicola Law	General Manager, Commercial	13,892	Performance Rights	Grant of Performance Rights pursuant to the PRLTIP for FY21	Nil	01/04/2020
		83,624	Performance Rights	Grant of Performance Rights pursuant to the PRLTIP for FY22	Nil	01/04/2021

6.7 Trading by Directors and Senior Managers of Z Energy

No equity securities of Z Energy were acquired or disposed of by Directors, Senior Managers or their Associates during the 6-month period before 21 February 2022 (being the latest practicable date before the date of this Scheme Booklet).

6.8 Trading by substantial product holders of Z Energy

The table below sets out details of any Z Energy Shares acquired or disposed of during the six month period before 21 February 2022 (being the latest practicable date before the date of this Scheme Booklet) by any person holding or controlling 5% or more of the Z Energy Shares.

This section does not disclose the acquisition or disposal of Z Energy Shares by NZCSD as that company only acts in relation to Z Energy Shares as a custodian on the direction of the beneficial owners of such Z Energy Shares. Accident Compensation Corporation is a beneficial owner of Z Energy Shares held via NZCSD and it controls more than 5% of the Z Energy Shares as at 21 February 2022. Its acquisitions and disposals of Z Energy Shares during the six month period before 21 February 2022 are separately disclosed below.

Notes to the tables below

1. *This information is based on information known to Z Energy as at 21 February 2022 (being the latest practicable date before the date of this Scheme Booklet). Details of further trading by substantial product holders after that date will be available to review in any further substantial product holder notices filed at https://www.nzx.com/companies/ZEL/announcements.*
2. *In the case of multiple acquisitions or disposals in any given week, the total number of securities, and the weighted average consideration per security, acquired or disposed of in that week have been provided.*
3. *For the purpose of presenting this data, securities lending transactions have not been included in the analysis.*

a) *UBS AG London Branch*

Week commencing	Acquisition or disposal	Class of Securities	Total consideration (NZD)	Number of Z Energy Shares	Weighted average consideration per Z Energy Share (NZD)
15/11/2021	Acquisition	Ordinary Shares	4,450,980.00	1,238,000	3.60
8/11/2021	Acquisition	Ordinary Shares	13,513,215.00	3,752,948	3.60
1/11/2021	Acquisition	Ordinary Shares	1,462,184.00	405,773	3.60
15/11/2021	Disposal	Ordinary Shares	73,278.00	20,417	3.59
8/11/2021	Disposal	Ordinary Shares	213,336.00	59,337	3.60
1/11/2021	Disposal	Ordinary Shares	96,091.00	26,746	3.59

b) *UBS AG London Branch – derivatives trading*

UBS AG London Branch has disclosed that it has entered into swap agreements to provide a derivative exposure for the following amounts of underlying Z Energy Shares and notional amounts on the following dates (and for which it is treated as holding or controlling through the derivative interest is):

Number of underlying Z Energy Shares/notional amounts acquired or disposed of (daily net amount)	Acquisition or Disposal (net)	Date
14,509	Disposal	16/11/2021
10,418	Disposal	15/11/2021
2,458	Acquisition	12/11/2021
6,098	Disposal	11/11/2021
2,500	Disposal	10/11/2021
26,273	Acquisition	9/11/2021
7,970	Disposal	8/11/2021
19,562	Disposal	5/11/2021
13,386	Acquisition	4/11/2021

c) *UBS Securities Australia Ltd*

Week commencing	Acquisition or disposal	Class of Securities	Total consideration (NZD)	Number of Z Energy Shares	Weighted average consideration per Z Energy Share (NZD)
15/11/2021	Acquisition	Ordinary Shares	50,809.00	14,144	3.59
8/11/2021	Acquisition	Ordinary Shares	256,759.00	70,897	3.62
1/11/2021	Acquisition	Ordinary Shares	197,418.00	54,584	3.62
15/11/2021	Disposal	Ordinary Shares	172,591.00	48,036	3.59
8/11/2021	Disposal	Ordinary Shares	324,877.00	89,825	3.62
1/11/2021	Disposal	Ordinary Shares	317,832.00	88,062	3.61

d) *Accident Compensation Corporation (as beneficial owner of securities via New Zealand Central Securities Depository Limited)*

Period of trading*	Acquisition or disposal	Class of Securities	Total consideration (NZD)	Number of Z Energy Shares	Weighted average consideration per Z Energy Share (NZD)
06/02/2022 to 16/02/2022	Acquisition	Ordinary Shares	1,448,000	400,000	3.62
09/11/2022 to 04/02/2022	Acquisition	Ordinary Shares	586,000.00	2,068,640	3.53
09/11/2021 to 04/02/2022	Disposal	Ordinary Shares	21,623,918.32	6,076,637	3.56
14/10/2021 to 08/11/2021	Disposal	Ordinary Shares	19,245,501.47	5,322,769	3.62

** The substantial product holder notices filed by ACC on 9 November 2021, 8 February 2022 and 17 February 2022 report on aggregate on-market transactions between the dates specified in this column.*

6.9 Intentions to vote in favour of the Scheme

The table below sets out, as at the date of this Scheme Booklet, the name of every Director or Senior Manager or Associate of a Director or Associate of a Senior Manager who has advised Z Energy that he or she intends to vote in favour of the Scheme in the absence of a Superior Proposal, and the number of Z Energy Shares in respect of which the person intends to vote.

Name	Number of Z Energy Shares intended to be voted in favour of the Scheme in the absence of a Superior Proposal
Abby Foote	52,040
Mark Cross	35,818
Mark Malpass	15,000
Blair O'Keeffe	53,685
Julia Raue	21,191
Stephen Reindler	20,167
Mike Bennetts	368,266
Lindis Jones	120,415

Notes:

1. *This information is taken from information provided by the Directors and Senior Managers.*

6.10 Ownership of equity securities of Ampol and Ampol NZ

Neither Z Energy, nor any Director, Senior Manager or any of their Associates, holds or controls any equity securities of Ampol, Ampol NZ or any of their Related Companies.

6.11 Trading in equity securities of Ampol and Ampol NZ

Neither Z Energy, nor any Director, Senior Manager or any of their Associates, has acquired or disposed of any equity securities of Ampol, Ampol NZ or any of their Related Companies during the six-month period before 21 February 2022 (being the latest practicable date before the date of this Scheme Booklet).

6.12 Arrangements between Ampol, Ampol NZ and Z Energy

Except for the agreements described in Section 5.8 above, no agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between Ampol, Ampol NZ or any of their Associates and Z Energy or any Related Company of Z Energy, in connection with, in anticipation of, or in response to, the Scheme.

6.13 Relationship between Ampol, Ampol NZ and Directors and Senior Managers of Z Energy

No agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between Ampol, Ampol NZ and any of their Associates, and any Director or Senior Manager of Z Energy or any Related Company of Z Energy in connection with, in anticipation of, or in response to, the Scheme other than as described in Section 5.9 above.

None of the Directors or Senior Managers of Z Energy is also a director or senior manager of Ampol or Ampol NZ (or any Related Company of Ampol or Ampol NZ).

6.14 Agreement between Z Energy and its Directors and Senior Managers

Except as set out in this Section 6.14, no agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between Z Energy or any Related Company of Z Energy and any Directors, Senior Managers or their Associates of Z Energy or its Related Companies, (including any agreement or arrangement under which a payment or other benefit may be made or given by way of compensation for loss of office, or as to their remaining in or retiring from office) in connection with, in anticipation of, or in response to, the Scheme.

Retention Payments

Z Energy has agreed to pay a one-off retention cash payment to each of the Senior Managers, as described above in Section 3.19.

Performance Rights

As Z Energy Shares will no longer be traded post-acquisition, the Board has determined that, in the event of the Scheme proceeding, it will accelerate vesting of existing grants under the PRLTIP proportionate to their relative years of maturity. The Board has also determined, and Z Energy has notified the Senior Managers (and other employees holding Performance Rights) accordingly, that vesting, cash settlement or lapse (as applicable) of the Performance Rights they hold will be accelerated prior to the Implementation Date on the following basis, assuming that the Implementation Date is on or after 1 April 2022:

- 2019 grant: All Performance Rights will lapse
- 2020 grant: 50% of a participant's Performance Rights will vest, the remainder will lapse
- 2021 grant: 33% of a participant's Performance Rights in this grant will vest, the remainder will lapse
- 2022 grant*: 16.67% of a participant's Performance Rights in this grant will vest, the remainder will lapse

*The Board retains absolute discretion to make the offer of the 2022 grant.

Performance Rights are rights to potentially acquire ordinary shares. Performance Rights do not carry votes. Vesting of Performance Rights is expected to take place shortly before the Implementation Date, which will be after the Scheme Meeting. Accordingly, the Performance Rights and any accelerated vesting will not influence voting outcomes on the Scheme.

See Section 6.19 below for further details of the Performance Rights and certain limitations under the Scheme Implementation Agreement with respect to the grant and vesting of Performance Rights, including the potential for Z Energy to cash settle certain Performance Rights. Subject to these limitations, the Board retains absolute discretion on vesting timing and mechanics.

6.15 Interests of Directors and Senior Managers of Z Energy in contracts of Ampol, Ampol NZ or their related companies

No Director or Senior Manager or their Associates has an interest in any contract to which Ampol, Ampol NZ or any related company of Ampol or Ampol NZ, is a party.

6.16 Interests of Z Energy's substantial security holders in material contracts of Ampol, Ampol NZ or their related companies

No person who, to the knowledge of the Directors or the Senior Managers holds or controls 5% or more of any class of equity securities of Z Energy, has an interest in any material contract to which Ampol, Ampol NZ or any Related Company of Ampol or Ampol NZ is a party.

6.17 Additional information

In the opinion of the Directors, no additional information, to the knowledge of Z Energy, is required to make the information in this Scheme Booklet correct or not misleading.

6.18 Actions of Z Energy

Except for the arrangements summarised in Section 5.8, there are no material agreements or arrangements (whether legally enforceable or not) of Z Energy and any Related Company of Z Energy entered into as a consequence of, in response to, or in connection with, the Scheme.

There are no negotiations underway as a consequence of, in response to, or in connection with the Scheme that relate to or could result in:

a) an extraordinary transaction, such as a merger, amalgamation, or reorganisation, involving Z Energy or any of its Related Companies; or

b) the acquisition or disposition of material assets by Z Energy or any of its Related Companies; or

c) an acquisition of equity securities by, or of, Z Energy or any Related Company of Z Energy; or

d) any material change in the equity securities on issue, or policy relating to distributions, of Z Energy.

6.19 Equity securities of Z Energy

As at the 21 February 2022, Z Energy has 520,476,853 Z Energy Shares on issue, including:

- 1,968,326 Z Energy Shares held as treasury shares; and
- 199,125 Z Energy Shares held by Z Energy LTI Trustee Limited.

Z Energy LTI Trustee Limited is a wholly-owned subsidiary of Z Energy. It is the trustee of a historic Z Energy employee share scheme that no longer has any participants. It holds Z Energy Shares that were forfeited under that employee share scheme.

The Scheme Implementation Agreement requires that:

- all Z Energy Shares currently held by Z Energy LTI Trustee Limited are transferred to Z Energy and cancelled for no net monetary consideration prior to the Scheme Record Date such that, on the Implementation Date, there are no Z Energy Shares held by Z Energy LTI Trustee Limited; and
- Z Energy LTI Trustee Limited does not exercise the votes attached to any of the Z Energy Shares that it holds at the Scheme Meeting on the basis there is no underlying beneficiary in respect of such Z Energy Shares. This is consistent with the terms of the existing trust deed which does not permit Z Energy LTI Trustee Limited to vote in these circumstances.

In accordance with the Scheme Implementation Agreement, the Board resolved on 16 February 2022 to effect the acquisition and cancellation of the Z Energy Shares held by Z Energy LTI Trustee Limited. Annexure D of this Scheme Booklet contains a disclosure document for Shareholders relating to this buy-back which is provided under section 62 of the Companies Act.

In addition, as at the date of this document, Z Energy has on issue 2,863,939 Performance Rights under the Z Energy – Performance Rights Long Term Incentive Plan.

Each Performance Right entitles the holder to acquire one Z Energy Share, subject to the holder remaining employed by Z Energy until the end of the vesting period, achieving performance hurdles, and Board discretion.

Under the Scheme Implementation Agreement, Z Energy and Ampol have agreed that, if the Implementation Date is on or after 1 April 2022, Z Energy may issue up to 1,189,235 Performance Rights for FY23, but the Board retains absolute discretion to make the offer of this FY23 grant.

The Scheme Implementation Agreement provides that, assuming the Implementation Date is on or after 1 April 2022, a maximum of 1,319,889 Z Energy Shares may be transferred from treasury stock to participants in the PRLTIP on conversion of Performance Rights. Ampol has agreed that up to 180,540 Performance Rights may be cash-settled in order to ensure that the maximum number of Z Energy Shares on the Implementation Date is no greater than 519,289,407 (as outlined further below).

If any of the 180,540 Performance Rights are cash-settled, instead of receiving Z Energy Shares, eligible Performance Rights holders will instead receive an amount in cash equal to the Scheme Consideration multiplied by the number of Performance Rights that would have otherwise been eligible to convert into Z Energy Shares.

Any Performance Rights that are not converted into Z Energy Shares or cash-settled will lapse and be cancelled prior to the Scheme Record Date such that, on the Implementation Date, there are no Performance Rights on issue.

The Scheme Implementation Agreement also provides that all remaining treasury shares held by Z Energy following the conversion of Performance Rights into Z Energy Shares are cancelled prior to the Scheme Record Date such that, on the Implementation Date, there are no treasury shares held by Z Energy and no treasury shares shall form part of the Scheme Shares.

Assuming that the maximum number of Performance Rights held as at 21 February 2022 or that are permitted to be issued for FY23 convert to Z Energy Shares (or are cash-settled) in accordance with the proportionate vesting scale outlined in Section 6.14, and on the basis that all remaining treasury shares and Z Energy Shares held by Z Energy LTI Trustee Limited are cancelled, the maximum number of Z Energy Shares on the Implementation Date will be 519,289,407 Z Energy Shares.

All Z Energy Shares are fully paid.

Subject to certain conditions in the constitution of Z Energy and the NZX Listing Rules and ASX Listing Rules, each Z Energy Share confers upon the holder the right to:

- an equal share in dividends authorised by the Board;
- an equal share in the distribution of surplus assets on liquidation of Z Energy;
- participate in certain further issues of equity securities by Z Energy; and
- cast one vote on a show of hands or cast one vote per share on a poll, at a meeting of Shareholders on any resolution, including a resolution to:
  - appoint or remove a director or auditor;
  - alter Z Energy's constitution;
  - approve a major transaction;
  - approve an amalgamation involving Z Energy; and
  - put Z Energy into liquidation.

6.20 Financial information

A copy of Z Energy's most recent annual report (for the year ended 31 March 2021) and its half year report (for the 6 months ended 30 September 2021) are available on Z Energy's website at investors.z.co.nz.

Each person who is eligible to vote on the Scheme is also entitled to obtain from Z Energy a hard copy of Z Energy's most recent annual report or half year report by making a written request to:

General Counsel
3 Queens Wharf
Wellington Central
Wellington, 6011
New Zealand

Other than as set out in this Scheme Booklet, the Independent Adviser's Report, the annual report for the year ended 31 March 2021, the half year report (for the 6 months ended 30 September 2021) or otherwise released to the NZX and ASX, there have not been any material changes in the financial or trading position, or prospects, of Z Energy since the annual report was prepared and sent to Shareholders.

6.21 Asset valuations

No information provided in this Scheme Booklet refers to a valuation of any asset of Z Energy.

6.22 Prospective financial information

The Independent Adviser's Report contains prospective financial information in relation to Z Energy. The principal assumptions on which the prospective financial information is based are set out in the Independent Adviser's Report.

Other than the prospective financial information referred to above, this Scheme Booklet does not refer to any other prospective financial information about Z Energy.

6.23 Sales of unquoted equity securities under the Scheme

There are no unquoted equity securities that are subject to the Scheme.

6.24 Market prices for quoted equity securities

The Z Energy Shares are quoted on the NZX Main Board and ASX.

The closing price on NZX Main Board and ASX of Z Energy Shares on:

- 20 August 2021, being the last day on which NZX and ASX were open for business before the date on which Z Energy announced that it had received an acquisition proposal from Ampol, was NZ$3.05 on NZX Main Board and A$2.89 on ASX; and
- 21 February 2022, being the latest practicable working day before the date on which this Scheme Booklet was sent to Shareholders, was NZ$3.64 on the NZX Main Board and A$3.37 on ASX.

The highest and lowest closing market prices of Z Energy Shares on NZX Main Board and ASX (and the relevant dates) during the six months before 20 August 2021 (being the last day on which NZX and ASX were open for business before the date on which Z Energy announced that it had received an acquisition proposal from Ampol), were as follows:

- the highest closing market price was NZ$3.10 per share on the NZX Main Board and A$2.98 per share on ASX (on 9 August 2021); and
- the lowest closing market price was NZ$2.52 per share on the NZX Main Board and A$2.36 per share on ASX (on 15 June 2021).

6.25 Other information

The Directors are not aware of any additional information, which is not required to be disclosed elsewhere in this Scheme Booklet, that could reasonably be expected to be material to the Shareholders when making a decision to vote for, or against, the Scheme Resolution.

6.26 Board approval of Z Energy information

The contents of the Scheme Booklet have been approved by the Board, other than:

- the Ampol Information, which Ampol has approved; and
- the Independent Advisers Report, which has been prepared by the Independent Adviser.

Section 7: Glossary

The meaning of terms used in this Scheme Booklet are set out below:

Adjusting Permitted Dividend	means a fully imputed cash dividend or dividends for the financial year to 31 March 2022 of an aggregate amount of up to NZ$0.18[9] per Z Energy Share declared by Z Energy in connection with the announcement of Z Energy's half-year results or full-year results which is consistent with Z Energy's dividend policy and past practice. Adjusting Permitted Dividends will reduce the Scheme Consideration payable on the Implementation Date. Adjusting Permitted Dividends do not include the amount of the Non-Adjusting Permitted Dividend.
Ampol	means Ampol Limited (ACN 004 201 307), an Australian company listed on the ASX and the sole shareholder of Ampol NZ
Ampol Group	means Ampol and each of its Related Companies, including Ampol NZ, and a reference to an Ampol Group Member or a member of the Ampol Group is to Ampol or any of its Related Companies
Ampol NZ	means Ampol Holdings NZ Limited (NZCN 8243546), a New Zealand company, which is a wholly owned by Ampol and has been nominated by Ampol to acquire all of the Scheme Shares under the Scheme
Ampol Information	means such information regarding the Ampol Group that is provided or approved by the Ampol Group or any of its advisers and is contained in: a) the statements in the Chair's letter and section 3.4(b) of Ampol's intention to apply for a secondary listing on the NZX Main Board following implementation of the Scheme; b) the statements in section 3.1 of Ampol's sources of financing; c) Section 4; and d) Section 5.
Ampol Undertakings	means the undertakings set out in Part 2 of Schedule 3 of the Scheme Implementation Agreement
Ampol Warranties	means the warranties set out in Part 1 of Schedule 3 of the Scheme Implementation Agreement
Associate	has the meaning given to it in the Takeovers Code
ASX	means ASX Limited or the Australian Securities Exchange, as the context requires
Average Net Assets	means a simple average of the Net Assets as at each month end for the 12 month period preceding the relevant event or events
Board	means the board of Directors of Z Energy
Business Day	means any day other than a Saturday, Sunday, a statutory public holiday in Auckland or Wellington, New Zealand or Sydney, Australia, and excluding any day between 25 December 2021 and 4 January 2022 (both dates inclusive)
Commerce Act	means the Commerce Act 1986
Companies Act	means the Companies Act 1993

9 An interim dividend of NZ$0.07 per Z Energy Share was paid on 8 December 2021 in respect of the six months ended 30 September 2021, of which an amount equal to NZ$0.02 per Z Energy Share was an Adjusting Permitted Dividend and NZ$0.05 per Z Energy Share was a Non-Adjusting Permitted Dividend. As a result, Z Energy is permitted to pay a further NZ$0.16 remaining as an Adjusting Permitted Dividend.

Competing Proposal	means any proposed: a) takeover bid (whether full or partial under the Takeovers Code) for Z Energy; b) scheme of arrangement in respect of Z Energy; c) sale of material assets by Z Energy; d) reverse takeover, sale of securities, strategic alliance, joint venture, partnership, economic or synthetic merger or combination or other transaction or arrangement which, if completed, would result in a Third Party: i) directly or indirectly acquiring or being entitled to acquire a Relevant Interest or any other direct or indirect legal, beneficial or economic interest in, or control over, more than 20% of the shares of Z Energy or more than 20% of the shares in any other member or members of the Z Energy Group that, individually or collectively, contribute 20% or more of the consolidated EBITDAF of the Z Energy Group or whose assets represent 20% or more of the total consolidated assets of the Z Energy Group; or ii) directly or indirectly acquiring or being entitled to acquire the whole or substantially all of the business or assets of the Z Energy Group or any part of the business or assets of the Z Energy Group that, individually or collectively, contributes 20% or more of the consolidated EBITDAF of the Z Energy Group or that represents 20% or more of the total consolidated assets of the Z Energy Group; or iii) acquiring Control (as defined in the Scheme Implementation Agreement) of Z Energy or merging or amalgamating with Z Energy or with any other member or members of the Z Energy Group that, individually or collectively, contribute 20% or more of the consolidated EBITDAF of the Z Energy Group or whose assets represent 20% or more of the total consolidated assets of the Z Energy Group, or which would otherwise require Z Energy to abandon, or otherwise fail to proceed with, the implementation of the Scheme. For the purposes of this definition of Competing Proposal: e) any such proposal may be an expression of interest, indicative, conditional or otherwise non-binding; f) paragraphs (a) to (d) above include any agreement (within the meaning of section 6 of the FMCA) whereby such a transaction is effected through a series of linked or related transactions which if conducted as a single transaction would constitute a Competing Proposal within the meaning of any of paragraphs (a) to (d) above; g) each successive material modification to or variation of a Competing Proposal will constitute a new Competing Proposal; and h) references to a Third Party include all Associates of the Third Party
Conditions	means: a) the conditions set out in clause 3.1 of the Scheme Implementation Agreement, which are summarised in Section 3.11 of this Scheme Booklet; and b) such other conditions made or required by the Court under section 236(1) or section 237(1) of the Companies Act and approved in writing by Z Energy and Ampol in accordance with clause 3.2 of the Scheme Implementation Agreement
Core ITS Services	has the meaning given to it in Refining NZ Limited's "Marsden Point Conversion Proposal" explanatory memorandum and independent appraisal report dated 5 July 2021
Deed Poll	means the deed poll entered into by Ampol and Ampol NZ in favour of the Scheme Shareholders dated 4 February 2022 and reproduced for reference as Annexure B of this Scheme Booklet
Directors or **Director**	means a member or members of the Board

Due Diligence Material	means: a) the written information and documents made available to Ampol or its Representatives (including the written answers or written confirmations together with any documents attached to those written answers or confirmations provided to Ampol or its Representatives) on or before 5.00pm on 9 October 2021, in the electronic data room hosted by ansarada and assembled by Z Energy; b) Z Energy's NZX announcements made through the NZX market announcements platform on or after 31 March 2021 and at least two Business Days' prior to 10 October 2021; and c) the Z Energy Disclosure Letter
EBITDAF	means the consolidated earnings, including (for the avoidance of doubt) those from associated companies, before interest, tax, 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 of the Z Energy Group for the relevant period, as would be disclosed in the consolidated financial statements of the Z Energy Group if they were prepared in accordance with Z Energy's reporting of its replacement costs EBITDAF calculated by applying the accounting policies and methodologies applicable to the Z Energy Group at 10 October 2021 as disclosed in the Z Energy Group's consolidated audited financial statements for the financial year ended 31 March 2021
Effective	when used in relation to the Scheme, means the coming into effect, under section 236(3) of the Companies Act, of the order of the High Court made under section 236(1) of the Companies Act in relation to the Scheme and all Conditions to the implementation of the Scheme having been satisfied or waived (where capable of waiver) in accordance with the Scheme Implementation Agreement and the Scheme
End Date	means 10 October 2022, or such later date as agreed in writing between Z Energy and Ampol
Excluded Shares	means any shares in Z Energy nominated in writing by Ampol to Z Energy not less than two Business Days prior to the Scheme Record Date which are held or controlled by Ampol or any of its Associates at 7.00p.m. on the Scheme Record Date
Final Court Hearing	means the final hearing of the High Court in respect of the Scheme, the date of which will be announced in due course following satisfaction of the Regulatory Conditions, or such later date as the High Court directs
Final Orders	means, on application of Z Energy, orders that the Scheme shall be binding on Z Energy, Ampol, Ampol NZ, Scheme Shareholders and/or such other persons or class of persons as the Court may specify, in accordance with section 236(1) (and section 237, if applicable) of the Companies Act
Government Agency	means any government, any department, officer or minister of any government and any governmental, semi-governmental, administrative, fiscal, judicial or quasi-judicial agency, authority, board, commission, tribunal or entity and includes the Overseas Investment Office, the Commerce Commission, the Takeovers Panel and the Financial Markets Authority
High Court or **Court**	means the High Court of New Zealand, Wellington Registry
Implementation Date	means the date on which the Scheme is to be implemented, being five Business Days after the Scheme Record Date, or such other date as agreed in writing by Z Energy and Ampol
Implementation Date Adjustment	means an amount of NZ$0.00055 per Scheme Share, per calendar day, for each day that the Implementation Date is after 31 March 2022 up to a maximum amount of NZ$0.10 per Scheme Share, payable in cash[10]

10 Any Implementation Date Adjustment will increase the Scheme Consideration of NZ$3.76 per Scheme Share (subject to adjustments) payable to you in cash on the Implementation Date.

Independent Adviser	means Calibre Partners Limited, an independent advisory firm appointed by Z Energy, and approved by the Takeovers Panel, as independent adviser to prepare the Independent Adviser's Report
Independent Adviser's Report	means the independent adviser's report prepared by the Independent Adviser in relation to the Scheme stating the Independent Adviser's opinion on the merits of the Scheme, as amended or updated from time to time and including any supplementary or replacement report
Initial Court Orders	means the initial court orders of the High Court relating to the Scheme dated 21 February 2022
Link Market Services	means Link Market Services Limited, Z Energy's share registrar
Marsden Point Operations Commencement	means the commencement of provision by Refining NZ Limited or any Refining NZ Limited group member of the Core ITS Services to customers substantially in accordance with the agreements in place with such customers at that time
Marsden Point Transition	means the transition by the Z Energy Group to an import-only supply chain as a result of the conversion of the Marsden Point Oil Refinery to an import only terminal
Material Adverse Change	has the meaning set out in the Scheme Implementation Agreement, and, by way of summary, means any matter, event, condition or change in circumstances or thing which occurs or is announced or discovered (each a *Specified Event*), which individually or when aggregated with all other Specified Events, reduces or is reasonably likely to reduce: a) Net Assets of the Z Energy Group by NZ$100 million or more against the Average Net Assets (over the previous 12 months); or b) EBITDAF of the Z Energy Group by NZ$40 million or more in any 12 month period against what it would reasonably have expected to have been but for the Specified Event(s), provided that such event, condition, matter or change in circumstances or thing is not the result of: c) delay in Marsden Point Operations Commencement past 30 June 2023; d) changes in exchange or interest rates, general economic or financial conditions, or legal or regulatory requirements (unless materially disproportionately adverse to Z Energy than others in the industry) (not including the COVID-19 pandemic and related government measures including the impact of any government mandated alert levels and corresponding public health restrictions); e) any change in the price of New Zealand Units under the NZ Emissions Trading Scheme (unless materially disproportionately adverse to Z Energy than others in the industry); f) any thing disclosed in the Due Diligence Material or on the NZX before the date of the Scheme Implementation Agreement; g) any change in accounting policy required by law; h) any thing required by the Scheme Implementation Agreement; i) any act of war, terrorism, riots etc or act of God, earthquake or other natural event (unless materially disproportionately adverse to Z Energy than others in the industry); j) in respect of a reduction in EBITDAF only, the COVID-19 pandemic; k) in respect of reduction in Net Assets only, the market price of crude oil or fuel products and the effect of the payment of any Permitted Dividends; l) anything approved in writing by Ampol. One-off transitional costs associated with the Marsden Point Transition up to the amount of such costs forecast by Z Energy and set out in the Z Energy Disclosure Letter will not be taken into account for the purposes of calculating reduction in EBITDAF
Net Assets	means the consolidated net assets of the Z Energy Group, calculated in accordance with NZ GAAP

Non-Adjusting Permitted Dividend	means a fully imputed cash dividend for the six month period to 30 September 2021 of an amount of up to NZ$0.05 per Share declared by Z Energy in connection with the announcement of Z Energy's half-year results which is consistent with Z Energy's dividend policy and past practice[11]
Notice of Meeting	means the notice of meeting relating to the Scheme Meeting, which is set out in Section 2 of this Scheme Booklet
NZCC Condition	means the Condition set out in clause 3.1(b) of the Scheme Implementation Agreement, namely, that before 8.00am on the End Date, clearance has been given, or an authorisation granted, to Ampol under the Commerce Act for implementation of the Scheme on terms or conditions acceptable to Ampol acting reasonably, provided that Ampol may not withhold its approval to terms or conditions of any consent if the terms or conditions imposed are consistent with undertakings given to the Commerce Commission, specified in, or specified in writing by Ampol in connection with, Ampol's application for clearance or authorisation under the Commerce Act
OIO Condition	means the Condition set out in clause 3.1(a) of the Scheme Implementation Agreement, namely, that before 8.00am on the End Date, Ampol has obtained all consents required under the Overseas Investment Act to the implementation of the Scheme on terms or conditions acceptable to Ampol acting reasonably, provided that Ampol may not withhold its approval to terms or conditions of any consent if the terms or conditions imposed: a) are the standard terms or conditions set out in Schedule 5 or are consistent in all material respects with such terms or conditions; or b) are consistent with the positive undertakings, plans or intentions specified in writing in Ampol's application for the consents required under the Overseas Investment Act;
Other Regulatory Approvals Condition	means that Condition set out in clause 3.1(c) of the Scheme Implementation Agreement, namely, that before 8:00am on the End Date, Ampol and Z Energy have received all approvals or consents from the Takeovers Panel, NZX and ASX as are required to implement the Scheme
Overseas Investment Act	means the Overseas Investment Act 2005
Overseas Investment Office	means the Overseas Investment Office and the relevant Government Ministers responsible for assessing applications for consent under the Overseas Investment Act
Performance Right	means a performance right issued under the Z Energy – Performance Rights Long Term Incentive Plan
Permitted Dividend	means the Non-Adjusting Permitted Dividend and any Adjusting Permitted Dividend
Prescribed Occurrence	means an occurrence set out in Schedule 1 of the Scheme Implementation Agreement, other than an event for which Ampol has given its prior approval in writing, and includes matters such as changes to Z Energy's capital structure, payment of non-Permitted Dividends, insolvency events and various other prescribed events
Proxy Form	means the voting and proxy form which accompanies this Scheme Booklet
Register	means the share register of Z Energy
Regulatory Conditions	means the OIO Condition, the NZCC Condition, the Other Regulatory Approvals Condition set out in clause 3.1 of the Scheme Implementation Agreement, which are summarised in Sections 3.11(a), (b), and (c) of this Scheme Booklet
Related Company	in relation to a company, has the meaning given to that expression in section 2(3) of the Companies Act read as if a reference to a company was a reference to any company or body corporate wherever incorporated
Relevant Interest	has the meaning given in section 235(1) of the Financial Markets Conduct Act 2013

11 An interim dividend of NZ$0.07 per Z Energy Share was paid on 8 December 2021 in respect of the six months ended 30 September 2021, of which NZ$0.05 per Z Energy Share was a Non-Adjusting Permitted Dividend and NZ$0.02 was an Adjusting Permitted Dividend. As a result, no further Non-Adjusting Permitted Dividend may be paid.

Representative	means in relation to a person: a) any director, officer or employee or agent of, and any accountant, auditor, financier, financial adviser, legal adviser, technical adviser or other expert adviser or consultant to, that person; and b) when used in clauses 2.4, 12.2, 12.3, 12.4, 12.5, 12.7, 12.8 and 15.2 of the Scheme Implementation Agreement only, also includes any Related Entity (as that term is defined in the Scheme Implementation Agreement) and any director, officer or employee or agent of, and any accountant, auditor, financier, financial adviser, legal adviser, technical adviser or other expert adviser or consultant to, any Related Entity
Scheme or **Scheme of Arrangement**	means a scheme of arrangement under Part 15 of the Companies Act under which all of the Z Energy Shares held by Scheme Shareholders will be transferred to Ampol NZ and the Scheme Shareholders will be entitled to receive the Scheme Consideration, in accordance with the Scheme Plan, subject to any amendment or modification made pursuant to section 236(2) of the Companies Act
Scheme Booklet	means this document together with its annexures
Scheme Consideration	means, in respect of each Z Energy Share held by a Scheme Shareholder on the Scheme Record Date NZ$3.76 cash for each Scheme Share a) plus the Implementation Date Adjustment (if any); and b) less the aggregate per Z Energy Share amount of any Adjusting Permitted Dividends paid after the date of this Scheme Booklet, the record date for payment of which is prior to the Scheme Record Date
Scheme Implementation Agreement	means the scheme implementation agreement between Z Energy and Ampol dated 10 October 2021 as amended pursuant to the Share Capital Confirmation. A copy of the Scheme Implementation Agreement is available at www.zenergyscheme.com
Scheme Meeting	means the meeting of Shareholders ordered by the High Court to be convened in respect of the Scheme and includes any adjournment of that meeting
Scheme Plan	means the scheme plan attached as Annexure A to this Scheme Booklet, subject to any alterations or conditions approved by Ampol and Z Energy in writing and which are disclosed to the Court prior to the Court making the Final Orders
Scheme Record Date	means 7.00 p.m. (New Zealand time) on the fifth Business Day after the later of: a) the Final Orders date; and b) the date on which the last of the Regulatory Conditions are satisfied in accordance with the Scheme Implementation Agreement, or such other date as agreed in writing by Z Energy and Ampol
Scheme Resolution	means the special resolution set out in the Notice of Meeting to approve the Scheme
Scheme Shareholder	means each person who is a Shareholder as at the Scheme Record Date
Scheme Shares	means all of the Z Energy Shares on issue as at 7.00 p.m. on the Scheme Record Date other than the Excluded Shares
Senior Managers	means Mike Bennetts (Chief Executive Officer), Lindis Jones (Chief Financial Officer), Andy Baird (General Manager, Retail), Julian Hughes (General Manager, Supply) and Nicola Law (General Manager, Commercial)
Share Capital Confirmation	means the agreement between Z Energy and Ampol dated 13 February 2022 to amend the Scheme Implementation Agreement to confirm the total number of Z Energy Shares on issue for the purposes of Part A of Schedule 4 of the Scheme Implementation Agreement and to record Ampol's consent to the cash-settlement of certain Performance Rights (see Section 6.19). A copy of the Share Capital Confirmation is available at www.zenergyscheme.com.

Shareholder	means each person registered in the Register as a holder of Z Energy Shares
Superior Proposal	means a written bona fide Competing Proposal received after 10 October 2021 that the Board determines, acting in good faith and after having taken advice from its external financial and legal advisers: a) does not result from a breach by Z Energy of any of its obligations under clause 12 of the Scheme Implementation Agreement or from any act by any member of the Z Energy Group or its Representatives, which, if done by Z Energy, would constitute a breach of clause 12 of the Scheme Implementation Agreement by Z Energy; b) is reasonably capable of being valued and implemented, taking into account all aspects of the Competing Proposal, including its conditions precedent, timing considerations, the identity and financial condition and capacity of the proponent and any other matters affecting the implementation (including any matters affecting probability of implementation occurring) of the Competing Proposal (together, the *relevant aspects*); c) assuming it is completed substantially in accordance with its terms, is more favourable to Shareholders as a whole than the Scheme (if applicable, as amended or varied under any counter proposal provided by Ampol), taking into account all the terms and conditions and the other relevant aspects of the Competing Proposal and the Scheme; and d) failing to attempt to advance such Competing Proposal would constitute a breach of the fiduciary duties or statutory obligations by or of a director of Z Energy
Takeovers Code	means the Takeovers Code recorded in the Takeovers Regulations 2000 (SR2000/210) (New Zealand), as amended
Third Party	means a person other than a member of the Ampol Group
Voting Eligibility Date	means the time for determining eligibility to vote at the Scheme Meeting, expected to be 5:00 p.m. (New Zealand time) on Wednesday, 23 March 2022 or, if the Scheme Meeting is adjourned, being 5:00 p.m. (New Zealand time) on the day which is two Business Days before the adjourned meeting time for the Scheme Meeting
Z Energy or Z	means Z Energy Limited
Z Energy Group	means Z Energy and each of its Related Companies and a reference to a Z Energy Group Member or a member of the Z Energy Group is to Z Energy or any of its Related Companies
Z Energy Disclosure Letter	means the written disclosure letter dated 10 October 2021 given by or on behalf of Z Energy to Ampol, and countersigned by Ampol, before execution of the Scheme Implementation Agreement
Z Energy Share or Z Share	means a fully paid ordinary share of Z Energy
Z Energy Undertakings	means the undertakings set out in Part 2 of Schedule 2 of the Scheme Implementation Agreement
Z Energy Warranties	means the statements set out in Part 1 of Schedule 2 of the Scheme Implementation Agreement

Annexure A: Scheme Plan

SCHEME OF ARRANGEMENT PURSUANT TO PART 15 OF THE COMPANIES ACT 1993

PARTIES

Z ENERGY LIMITED ("Z Energy")

AMPOL LIMITED ("Ampol")

Each person who is registered in the Register as the holder of one or more Scheme Shares (together the "**Scheme Shareholders**")

1. Definitions and interpretation

1.1 **Definitions:** In this Scheme Plan, unless the context otherwise requires:

a) *Ampol Nominee* means Ampol Holdings NZ Limited.

b) *ASX* means ASX Limited or the Australian Securities Exchange, as the context requires.

c) *Business Day* means any day other than a Saturday, Sunday, a statutory public holiday in Auckland, New Zealand or Sydney, Australia and excluding any day between 25 December 2021 and 4 January 2022 (both dates inclusive).

d) *Companies Act* means the Companies Act 1993.

e) *Conditions* means:

i) the conditions set out in clause 3.1 of the Scheme Implementation Agreement; and

ii) such other conditions made or required by the Court under section 236(1) or section 237(1) of the Companies Act and approved in writing by Z Energy and Ampol in accordance with clause 3.2 of the Scheme Implementation Agreement.

f) *Consideration* means $3.78 in respect of each Scheme Share held by a Scheme Shareholder, as adjusted in accordance with the Scheme Implementation Agreement, which is payable in cash.

g) *Court* means the High Court of New Zealand, Wellington Registry.

h) *Deed Poll* means the deed poll entered into by Ampol and Ampol Nominee in favour of the Scheme Shareholders.

i) *Encumbrance* means:

i) any security interest within the meaning of section 17(1)(a) of the Personal Property Securities Act 1999 and any option, right to acquire, right of pre-emption, assignment by way of security or trust arrangement for the purpose of providing security, retention arrangement or other security interest of any kind (other than any reservation of title by suppliers in the ordinary course of business); and

ii) any agreement to create any of the foregoing.

j) *End Date* has the meaning given to that term in the Scheme Implementation Agreement.

k) *Final Court Orders* means orders made, on application of Z Energy, that the Scheme is binding on Z Energy, Ampol, Ampol Nominee, the Scheme Shareholders and such other persons or class of persons as the Court may specify, in accordance with section 236(1) (and section 237, if applicable) of the Companies Act.

l) *Final Orders Date* means the day on which the Final Court Orders are granted by the Court.

m) *Funds* has the meaning given to that term in clause 3.1.

n) *Government Agency* means any government, department, officer or minister of any government and any governmental, semi-governmental, regulatory, administrative, fiscal, judicial or quasi-judicial agency, authority, board, commission, tribunal or entity, and includes the Overseas Investment Office, the Takeovers Panel, and the Financial Markets Authority.

o) *Implementation Date* means the day on which the Scheme is to be implemented, being the date five Business Days after the Record Date, or such other date as Ampol and Z Energy agree in writing, and Implementation correspondingly means the time at which implementation commences with the first step under clause 4.1(a).

p) *LINK* means LINK Market Services Limited.

q) *NZX* means NZX Limited and, where the context requires, the main board financial market that it operates.

r) *NZX Listing Rules* means the NZX Listing Rules for the NZX Main Board.

s) *Record Date* has the meaning given to that term in the Scheme Implementation Agreement.

t) *Register* means the Share register maintained by LINK on behalf of Z Energy.

u) *Registered Address* means, in relation to a Shareholder, the address of that Shareholder shown in the Register as at the Record Date.

v) *Scheme means* this scheme of arrangement, subject to any alterations or conditions made or required by the Court under Part 15 of the Companies Act and approved by Z Energy and Ampol in writing.

w) *Scheme Implementation Agreement* means the scheme implementation agreement dated 10 October 2021 between Z Energy and Ampol.

x) *Scheme Meeting* means the special meeting of Shareholders ordered by the Court to be convened pursuant to section 236(2)(b) and 236A(2) of the Companies Act in respect of the Scheme (and including any meeting convened following any adjournment or postponement of that meeting).

y) *Scheme Shareholder* means a person who is registered in the Register as the holder of one or more Scheme Shares as at the Record Date.

z) *Scheme Shares* means all of the Shares on issue on the Record Date.

aa) *Share* means a fully paid ordinary share in Z Energy.

bb) *Shareholder* means a person who is registered in the Register as the holder of one or more Shares from time to time.

cc) *Takeovers Panel* means the Takeovers Panel established by section 5(1) of the Takeovers Act 1993.

dd) *Trading Halt Date* means the date which is two Business Days after the Final Orders Date or such other date as Ampol and Z Energy agree in writing.

ee) *Trust Account* has the meaning given to that term in clause 3.1.

ff) *Unconditional* means all of the Conditions having been satisfied or, if capable of waiver in accordance with the Scheme Implementation Agreement, waived.

1.2 **Interpretation**: In this Scheme Plan, unless the context otherwise requires:

a) headings are to be ignored in construing this document;

b) the singular includes the plural and vice versa;

c) words of any gender include all genders;

d) a reference to a clause, is a reference to a clause of this Scheme Plan;

e) a reference to a statute or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;

f) reference to any document (including this Scheme Plan) includes reference to that document (and, where applicable, any of its provisions) as amended, novated, supplemented, or replaced from time to time;

g) reference to a party, person or entity includes:

i) an individual, partnership, firm, company, body corporate, corporation, association, trust, estate, state, government or any agency thereof, municipal or local authority and any other entity, whether incorporated or not (in each case whether or not having a separate legal personality); and

ii) an employee, sub-contractor, agent, successor, permitted assign, executor, administrator and other representative of such party, person or entity;

h) written and in writing include any means of reproducing words, figures or symbols in a tangible and visible form;

i) the words including or includes do not imply any limitation;

j) a reference to any time is a reference to that time in New Zealand; and

k) references to money or $ are to New Zealand dollars.

1.3 **Things required to be done other than on a Business Day:** Unless otherwise indicated, if the day on which any act, matter or thing is to be done is a day other than a Business Day, that act, matter or thing must be done on or by the next Business Day.

1.4 **No contra proferentem:** No term or condition of this Scheme Plan will be construed adversely to a party solely because that party was responsible for the preparation of this Scheme Plan or a provision of it.

1.5 **Ampol Nominee:** Ampol has provided written notice to Z Energy in accordance with clause 2.7 of the Scheme Implementation Agreement to elect Ampol Nominee, a wholly-owned subsidiary of Ampol, to acquire all of the Scheme Shares under the Scheme. Ampol will ensure that Ampol Nominee completes the acquisition of the Scheme Shares, and Ampol will pay the Consideration on behalf of Ampol Nominee, each in accordance with the terms of the Scheme Implementation Agreement and the Deed Poll.

2. Conditions

2.1 **Conditions**: The implementation of the Scheme is conditional in all respects on:

a) all of the Conditions having been satisfied or waived in accordance with the terms of the Scheme Implementation Agreement by 8.00am on the Implementation Date; and

b) neither the Scheme Implementation Agreement nor the Deed Poll having been terminated in accordance with its terms before 8.00am on the Implementation Date.

3. Consideration into trust account

3.1 **Obligation to pay Consideration into Trust Account:** Subject to the Scheme Implementation Agreement not having been terminated and the Scheme having become Unconditional (except for the Conditions set out in clauses 3.1(d), (h), (i) and (j) of the Scheme Implementation Agreement), Ampol must, by no later than 5.00pm on the Business Day before the Implementation Date, deposit (or procure the deposit of) in immediately available cleared funds an amount equal to the aggregate amount of the Consideration payable to Scheme Shareholders in a New Zealand dollar denominated trust account operated by LINK and notified by LINK to Ampol no later than 5.00pm on the Business Day falling three Business Days before the Implementation Date (the *Funds* and that account the *Trust Account*).

3.2 **Details of Trust Account:**

a) Subject to clauses 3.2(b), 5.4, 5.5 and 5.6, the Trust Account will be held and operated by LINK on the basis that the Funds are held on trust for Ampol and to its order, such that only Ampol may direct how the Funds will be paid from the Trust Account.

b) Clause 3.2(a) is subject to a standing written direction from Ampol to Z Energy and to LINK to make payment of the Consideration to the Scheme Shareholders in accordance with this Scheme Plan upon transfer of the Scheme Shares to Ampol under clause 4.1(a).

c) The details of the Trust Account will be provided to Ampol by (or on behalf of) LINK not less than three Business Days before the Implementation Date.

3.3 **Interest:** Any interest earned on the amount deposited in the Trust Account up to Implementation will be payable to Ampol by LINK as directed by Ampol (less bank fees and other third party charges relating to the Trust Account).

3.4 **Scheme not implemented:** Should the implementation of the Scheme not occur by 5.00pm on the Implementation Date for any reason, LINK will immediately repay the Funds to Ampol to such New Zealand dollar denominated account instructed to LINK by Ampol.

4. Implementation

4.1 **Implementation:** Subject to any amendments or variations as may be required by the Court, the conditions referenced in clause 2 being satisfied (to be confirmed to LINK by written notice given by Ampol and Z Energy prior to 9.00am on the Implementation Date, which written notice must be so given immediately after 8.00am on the Implementation Date upon the conditions set out in clause 2 being satisfied), the Consideration having been deposited into the Trust Account in accordance with clause 3.1, commencing at 9.00am on the Implementation Date, the following steps will occur sequentially:

a) without any further act or formality, all the Scheme Shares, together with all rights and entitlements attaching to them as at the Implementation Date, will be transferred to Ampol Nominee, and Z Energy must enter, or procure LINK enter, the name of Ampol Nominee in the Register as holder of all of the Scheme Shares; and

b) in accordance with the direction set out in clause 3.2(b), subject to compliance in full with clause 4.1(a), Z Energy must instruct LINK to pay or procure the payment from the Trust Account of the cash Consideration to each Scheme Shareholder based on the number of Scheme Shares held by that Scheme Shareholder as set out in the Register as at the Record Date.

5. Payment of consideration

5.1 **Method of payment:** The payment obligations under clause 4.1(b) will be satisfied by:

a) where a Scheme Shareholder has, prior to the Record Date, provided bank account details to enable LINK and Z Energy to make payments of New Zealand dollars by electronic funds transfer, LINK must pay the Consideration in New Zealand dollars to the Scheme Shareholder by electronic funds transfer of the relevant amount to the bank account nominated by that Scheme Shareholder;

b) where a Scheme Shareholder has, prior to the Record Date, provided bank account details to enable LINK and Z Energy to make payments of Australian dollars by electronic funds transfer, LINK must pay the Consideration to the Scheme Shareholder by electronic funds transfer of the relevant amount in Australian dollars to the bank account nominated by that Scheme Shareholder;

c) where a Scheme Shareholder that has an address outside of New Zealand and Australia has, prior to the Record Date, registered provided sufficient written instructions to enable LINK to make payment in foreign currency, LINK must pay that Consideration (less any applicable costs and fees) to such Scheme Shareholder (in the currency nominated by such Scheme Shareholder at such exchange rate that LINK may obtain to convert the New Zealand dollar amount of Consideration to that foreign currency); or

d) where a Scheme Shareholder has not provided the information and/or taken the steps contemplated by clauses 5.1(a), 5.1(b) and 5.1(c) to enable payment to be made to such Scheme Shareholder in a manner contemplated by one of those clauses (or if an electronic payment to such Scheme Shareholder is rejected by the recipient bank) LINK must retain the Consideration owed to that Scheme Shareholder in the Trust Account to be claimed by the Scheme Shareholder in accordance with clause 5.5.

If a Shareholder has given more than one payment direction, then the later direction in time of receipt will be followed.

5.2 **Joint holders:** In the case of Scheme Shares held in joint names:

a) the Consideration is payable to the bank account nominated by the joint holders or, at the sole discretion of Z Energy, nominated by the holder whose name appears first in the Register as at the Record Date; and

b) any other document required to be sent under this Scheme Plan will be sent to either, at the sole discretion of Z Energy, the holder whose name appears first in the Register as at the Record Date or to the joint holders.

5.3 **Surplus in Trust Account:** To the extent that, following satisfaction of the obligations under clause 4.1(b), there is a surplus in the Trust Account, that surplus (less the aggregate amount of the Consideration retained in the Trust Account in accordance with clause 5.1(d) or clause 5.6(b), and less bank fees and other third party charges relating to the Trust Account) shall be promptly paid in full to Ampol.

5.4 **Holding on Trust:** Z Energy must, in respect of any monies retained by LINK pursuant to clause 5.1(d) or clause 5.6(b), instruct LINK to hold such monies in the Trust Account on trust for the relevant Scheme Shareholders for a period of two years and thereafter, subject to clause 5.6, to pay any remaining money in the Trust Account to Z Energy.

5.5 **Unclaimed monies:** During the period of two years commencing on the Implementation Date, on request in writing from a Scheme Shareholder that has not received payment of the Consideration in accordance with clause 5.1(a), 5.1(b) or 5.1(c), LINK must, if such Scheme Shareholder has taken the necessary steps required to effect payment to such Scheme Shareholder in a manner contemplated by clause 5.1(a), 5.1(b) or 5.1(c), pay to that Scheme Shareholder the Consideration held on trust for that Scheme Shareholder in a manner contemplated by clause 5.1(a), 5.1(b) or 5.1(c) (or in any other manner approved by LINK and agreed to by that Scheme Shareholder).

5.6 **Orders of a court or Government Agency:** Notwithstanding any other provision of this Scheme Plan, if written notice is given to Z Energy prior to the Record Date of an order or direction made by a court of competent jurisdiction or a Government Agency that:

a) requires Consideration to be provided to a third party in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable to that Scheme Shareholder in accordance with clause 4.1(b), Z Energy will be entitled to procure, and Ampol will be deemed to have instructed LINK to ensure, that provision of that Consideration is made in accordance with that order or direction; or

b) prevents the Consideration from being provided to any particular Scheme Shareholder in accordance with clause 4.1(b), or the payment of such Consideration is otherwise prohibited by applicable law, the payment (equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the Consideration) will be retained in the Trust Account until such time as provision of the Consideration to the Scheme Shareholder in accordance with clause 4.1(b) or clause 5.5 (as applicable) is permitted by that order or direction or otherwise by law,

and such provision or retention (as the case may be) will constitute the full discharge of Ampol's and Z Energy's obligations under clause 4.1(b) with respect to the amount so provided or retained.

5.7 **Exchange Rate:**

a) If a Scheme Shareholder elects to be paid in Australian dollars as contemplated by clause 5.1(b), the conversion of the Consideration into Australian dollars will be undertaken in a manner and at an exchange rate determined by LINK, and neither Z Energy nor Ampol will be responsible for (or have any liability in connection with) any such conversion.

b) If a Scheme Shareholder elects to be paid in a foreign currency as contemplated by clause 5.1(c), the conversion of the Consideration into such foreign currency will be undertaken in a manner and at an exchange rate determined by LINK, and neither Z Energy nor Ampol will be responsible for (or have any liability in connection with) any such conversion.

6. Dealing in shares

6.1 **Trading Halt:**

a) Following the sealing of the Final Court Orders Z Energy will advise NZX and ASX of the grant of the Final Court Orders and, once known, the Trading Halt Date and Record Date and use its reasonable endeavours to procure that the NZX and ASX suspend trading in the Shares from the close of trading on the Trading Halt Date.

b) Z Energy must not accept for registration, nor recognise for any purpose (except a transfer to Ampol Nominee pursuant to this Scheme Plan and any subsequent transfer by Ampol Nominee or its successors in title), any transfer or transmission application or other request received after 7.00pm on the Record Date or received prior to such time, but not in registrable or actionable forms.

6.2 **Register:**

a) Z Energy must register registrable transmission applications or registrable transfers of Shares received prior to the Trading Halt Date before 7.00pm on the Record Date provided that, for the avoidance of doubt, nothing in this clause 6.2(a) requires Z Energy to register a transfer that relates to a transfer of Shares on which Z Energy has a lien.

b) A holder of Scheme Shares (and any person claiming through that holder) must not dispose of, or purport or agree to dispose of, any Scheme Shares, or any interest in them, after 7.00pm on the Trading Halt Date otherwise than pursuant to this Scheme Plan, and any attempt to do so will have no effect and Z Energy and Ampol shall be entitled to disregard any such disposal.

c) For the purposes of determining entitlements to the Consideration, but subject to the requirements of the NZX Listing Rules, Z Energy must maintain the Register in accordance with the provisions of this clause 6 until the Consideration has been paid to the Scheme Shareholders. The Register in this form will solely determine entitlements to the Consideration.

d) From 7.00pm on the Record Date, each entry that is current on the Register (other than entries on the Register in respect of Excluded Shares), will cease to have effect except as evidence of entitlement to the Consideration in respect of the Shares relating to that entry.

e) As soon as possible on the first Business Day after the Record Date and in any event by 7.00pm on that day, Z Energy must make available to Ampol in the form Ampol reasonably requires, details of the names, Registered Addresses and holdings of Shares for each Scheme Shareholder as shown in the Register on the Record Date.

7. General provisions

7.1 **Amendments to Consideration:** Ampol may increase the Consideration by written notice at any time to Z Energy prior to the Scheme Meeting, provided that the Scheme Implementation Agreement has not been terminated in accordance with its terms prior to the receipt of such notice by Z Energy.

7.2 **Title to and rights in Scheme Shares:**

a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme Plan to Ampol Nominee will, at the time of transfer to Ampol Nominee, vest in Ampol Nominee free from all Encumbrances and free from any restrictions on transfer of any kind.

b) Each Scheme Shareholder is taken to have warranted to Ampol and Ampol Nominee on the Implementation Date that all their Scheme Shares (including any rights and entitlements attaching to those shares) which are transferred under this Scheme Plan will, at the time of transfer, be fully paid and free from all Encumbrances and restrictions on transfer of any kind, and that they have full power and capacity to transfer their Shares to Ampol Nominee together with any rights and entitlements attaching to those Shares.

7.3 **Authority given to Z Energy:** Each Scheme Shareholder, without the need for any further act:

a) on the Final Orders Date, irrevocably appoints Z Energy as its attorney and agent for the purpose of enforcing the Deed Poll against Ampol (but without limiting each Scheme Shareholder's right to itself enforce the Deed Poll); and

b) on the Implementation Date, irrevocably appoints Z Energy as its attorney and agent for the purpose of executing any document or doing or taking any other act necessary, desirable or expedient to give effect to the Scheme and the transactions contemplated by it,

and Z Energy accepts each such appointment. Each such attorney and agent, may sub-delegate its functions, authorities or powers under this clause 7.3 to one or more of Z Energy's directors or senior managers.

7.4 **Binding effect of Scheme:**

a) The Scheme binds:

i) Z Energy;

ii) Ampol;

iii) Ampol Nominee; and

iv) all of the Scheme Shareholders (including those who did not attend the Scheme Meeting to vote on the Scheme, did not vote at the Scheme Meeting, or voted against the Scheme at the Scheme Meeting).

b) In the event of any inconsistency, this Scheme Plan overrides the constitution of Z Energy.

7.5 **End Date:** If the Scheme has not become Unconditional on or before the End Date, or if the Scheme Implementation Agreement is terminated in accordance with its terms at any time, this Scheme Plan is immediately void and of no further force or effect (other than any provision of the Scheme or this Scheme Plan relating to the repayment to Ampol of any Funds deposited in accordance with clause 3 and the interest thereon (less bank fees and other third party charges relating to the Trust Account)).

7.6 **No liability when acting in good faith:** Each Scheme Shareholder agrees that none of the directors, officers or employees of Z Energy, Ampol or Ampol Nominee, will be liable for anything done or omitted to be done in the performance of the Scheme in good faith.

7.7 **Successor obligations:** To the extent that any provision of the Scheme or this Scheme Plan imposes any obligation on Ampol, Ampol Nominee or Z Energy that continues or arises after the implementation of the Scheme, such obligation may instead be performed by any successor or related company of Ampol, Ampol Nominee or Z Energy (as applicable) in which case the obligation will be satisfied as if performed by Ampol, Ampol Nominee or Z Energy (as applicable).

7.8 **Governing law:**

a) This Scheme Plan and any non-contractual obligations arising out of or in connection with it is governed by and must be construed in accordance with the laws of New Zealand.

b) The courts having jurisdiction in New Zealand have non-exclusive jurisdiction to settle any dispute arising out of or in connection with this Scheme Plan (including a dispute relating to any non-contractual obligations arising out of or in connection with this Scheme Plan) and the parties irrevocably submit to the non-exclusive jurisdiction of the courts having jurisdiction in New Zealand.

Annexure B: Terms of Deed Poll

This **Deed Poll** is made on 4 February 2022

between (1) **Ampol Limited** (*Ampol*)

and (2) **Ampol Holdings NZ Limited** (*Ampol Nominee*)

and (2) **Each registered holder of Scheme Shares as at 7.00pm on the Scheme Record Date** (*Scheme Shareholders*)

Introduction

A. Z Energy Limited (**Z Energy**) and Ampol are parties to the Scheme Implementation Agreement.

B. Z Energy has agreed in the Scheme Implementation Agreement to propose a scheme of arrangement between Z Energy, Ampol, and the Scheme Shareholders, the effect of which will be that all Scheme Shares will be transferred to Ampol Nominee and Ampol will provide or procure the provision of the Consideration to the Scheme Shareholders.

C. Ampol is entering into this Deed Poll for the purpose of undertaking in favour of Scheme Shareholders to pay the Consideration on behalf of Ampol Nominee to Scheme Shareholders in accordance with the terms of the Scheme Plan.

D. Ampol Nominee is entering into this Deed as Ampol's nominee to acquire all of the Scheme Shares in accordance with the terms of the Scheme Plan in consideration for, and simultaneously with, the payment of the Consideration by Ampol on behalf of Ampol Nominee to Scheme Shareholders.

It is agreed

1 Defined terms and interpretation

1.1 **Defined terms**

In this Deed, unless the context requires otherwise:

Final Orders means orders made on application of Z Energy, that the Scheme is binding on Z Energy, Ampol, Ampol Nominee, the Scheme Shareholders and such other persons or class of persons as the Court may specify, in accordance with section 236(1) (and section 237, if applicable) of the Companies Act;

Scheme Implementation Agreement means the scheme implementation agreement between Z Energy and Ampol dated 10 October 2021;

Scheme Plan means the scheme plan attached as Annexure 1 to the Scheme Implementation Agreement, subject to any alterations or conditions approved by Ampol and Z Energy in writing and which are disclosed to the Court prior to the Court making the Final Orders; and

words defined in the Scheme Plan which are not separately defined in this Deed Poll have the same meaning when used in this Deed Poll.

1.2 **Interpretation**

Clauses 1.2 and 1.3 of the Scheme Plan apply to the interpretation of this Deed Poll, except that references to "this Scheme Plan" are to be read as reference to "this Deed Poll".

2 Nature of this Deed Poll

2.1 **Third party rights and appointment of attorney**

a) This Deed Poll is intended to, and does, confer a benefit on, and therefore may be relied on and enforced by, any Scheme Shareholder in accordance with its terms under Part 2, Subpart 1 of the Contract and Commercial Law Act 2017 (but not otherwise), even though the Scheme Shareholders are not party to the Deed Poll.

b) Under the Scheme Plan, each Scheme Shareholder appoints Z Energy as the Scheme Shareholder's attorney and agent to enforce this Deed Poll against Ampol with effect on and from the date prescribed for such appointment in the Scheme Plan (but without limiting each Scheme Shareholder's right to itself enforce this Deed Poll).

Notwithstanding clauses 2.1(a) and 2.1(b), this Deed Poll may be varied by Ampol and Z Energy in accordance with clause 7.2 without the approval of any Scheme Shareholder.

2.2 **Continuing obligations**

This Deed Poll is irrevocable and, subject to clause 3, remains in full force and effect until either:

c) Ampol and Ampol Nominee have fully performed their respective obligations under this Deed Poll; or

d) this Deed Poll is terminated under clause 3.2.

3 Conditions

3.1 **Conditions**

This Deed Poll, and the obligations of Ampol and Ampol Nominee under it, are conditional in all respects on the Scheme becoming Unconditional.

3.2 **Termination**

The obligations of Ampol and Ampol Nominee under this Deed Poll will automatically terminate, and the terms of this Deed Poll will be of no force or effect, if the Scheme Implementation Agreement is validly terminated in accordance with its terms before the Scheme becomes Unconditional, unless Ampol and Z Energy otherwise agree in writing.

3.3 **Consequences of termination**

If this Deed Poll is terminated under clause 3.2, then Ampol and Ampol Nominee are each released from their respective obligations to further perform this Deed Poll.

4 Scheme Consideration

a) Subject to the Scheme Implementation Agreement not being terminated and the Scheme having become Unconditional (save for the Conditions set out in clauses 3.1(d), 3.1(h), 3.1(i) and 3.1(j) of the Scheme Implementation Agreement), Ampol undertakes in favour of each Scheme Shareholder to deposit, or procure the deposit of, in immediately available cleared funds, by no later than 5.00pm on the Business Day before the Implementation Date, an amount equal to the aggregate amount of the Consideration payable to all Scheme Shareholders as set out in the Scheme Plan, such deposit to be made into the Trust Account to be held and dealt with by LINK in accordance with the Scheme Plan.

b) Subject to clause 3, Ampol irrevocably acknowledges and agrees that, subject to compliance in full by Z Energy with its obligations under clause 4.1(a) of the Scheme Plan, the Consideration deposited into the Trust Account must be, and will be, paid in accordance with clause 4.1(b) of the Scheme Plan in satisfaction of the Scheme Shareholders' respective entitlements to receive the Consideration under the Scheme in accordance with the Scheme Plan.

5 Warranties

Each of Ampol and Ampol Nominee warrant in favour of each Scheme Shareholder that:

a) it is a corporation validly existing under the laws of its place of incorporation;

b) it has the corporate power to enter into, and perform its obligations under, this Deed Poll and to carry out the transactions contemplated by this Deed Poll;

c) it has taken all necessary corporate action to authorise its entry into this Deed Poll and has taken, or will prior to the Implementation Date take, all necessary corporate action to authorise the performance of this Deed Poll and to carry out the transactions contemplated by this Deed Poll;

d) this Deed Poll is valid and binding on it and enforceable against it in accordance with its terms; and

e) this Deed Poll does not conflict with, or result in the breach of or default under, any provision of its constitution, or any writ, order or injunction, judgment, law, rule or regulation to which it is a party or subject or by which it is bound.

6 Notices

6.1 **Manner of giving notice**

Any notice or other communication to be given under this Deed Poll must be in writing and may be physically delivered or sent by email to Ampol and Ampol Nominee at:

Address: Bell Gully, Level 22, Vero Centre, 48 Shortland Street,
Auckland 1010

Email: james.gibson@bellgully.com / haydn.wong@bellgully.com

For the attention of: James Gibson and Haydn Wong

or at any such other address or email address notified for this purpose to the other parties under this clause. Any notice or other communication sent by post must be sent by prepaid ordinary post (if the country of destination is the same as the country of origin) or by airmail (if the country of destination is not the same as the country of origin).

6.2 **When notice given**

In the absence of earlier receipt, any notice or other communication is deemed to have been given:

a) if delivered, on the date of delivery; or

b) if sent by email, four business hours (being the hours between 9am and 5pm on a Business Day in the jurisdiction of the recipient) after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that the email has not been delivered (excluding an "out of office" automated message),

but if the notice or other communication would otherwise be taken to be received after 5.00pm or on a Saturday, Sunday or public holiday in the place of receipt then the notice or communication is taken to be received at 9.00am on the next day that is not a Saturday, Sunday or public holiday in the place of receipt.

6.3 **Proof of service**

In proving service of a notice or other communication, it is sufficient to prove that delivery was made or that the envelope containing the communication was properly addressed and posted either by prepaid post or by prepaid airmail or that the e-mail was properly addressed and transmitted by the sender's server into the network and there was no apparent error in the operation of the sender's e-mail system, as the case may be.

6.4 **Documents relating to legal proceedings**

This clause 6 does not apply in relation to the service of any claim form, notice, order, judgment or other document relating to or in connection with any proceedings, suit or action arising out of or in connection with this Deed Poll.

7 General

7.1 **Waiver**

a) Neither Ampol nor Ampol Nominee may rely on the words or conduct of any Scheme Shareholder as a waiver of any right in respect of the Scheme unless the waiver is in writing and signed by the Scheme Shareholder granting the waiver.

b) For the purposes of clause 7.1(a):

i) conduct includes a delay in exercising a right;

ii) right means any right arising under or in connection with this Deed Poll and includes the right to rely on this clause; and

iii) waiver includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

7.2 **Variation**

a) Subject to clauses 7.2(b) and 7.2(c), this Deed Poll may not be varied.

b) Before the date on which the Final Orders are made, this Deed Poll may be varied by agreement in writing between Ampol and Z Energy, in which event Ampol and, if applicable Ampol Nominee, will enter into a further deed poll in favour of the Scheme Shareholders giving effect to the variation.

c) If the Court orders that it is a condition of the Scheme that Ampol enters into a new deed poll which has the effect of reversing any variation under clause 7.2(b), then, if Ampol so agrees, Ampol and, if applicable, Ampol Nominee, must promptly enter into a further deed poll in favour of the Scheme Shareholders to give effect to the reversal of that variation.

7.3 **Cumulative rights**

The rights, powers and remedies of Ampol, Ampol Nominee and Scheme Shareholders under this Deed Poll are cumulative and do not exclude any other rights, power or remedies provided by law independently of this Deed Poll.

7.4 **Assignment**

The rights and obligations of Ampol, Ampol Nominee and each Scheme Shareholder under this Deed Poll are personal. They cannot be assigned, charged or otherwise dealt with at law or in equity. Any purported dealing in contravention of this clause 7.4 is invalid.

7.5 **Further assurance**

Ampol must, at its own expense, do all things reasonably required of it to give full force and effect to this Deed Poll and the transactions contemplated by it.

7.6 **Governing law and jurisdiction**

a) This Deed Poll and any non-contractual obligations arising out of or in connection with it is governed by the law applying in New Zealand.

b) The courts having jurisdiction in New Zealand have non-exclusive jurisdiction to settle any dispute arising out of or in connection with this Deed Poll (including a dispute relating to any non-contractual obligations arising out of or in connection with this Deed Poll) and Ampol and Ampol Nominee irrevocably submit to the non-exclusive jurisdiction of the courts having jurisdiction in New Zealand.

Annexure C: Independent Adviser's Report

Set out on the following pages is an Independent Adviser's Report prepared by Calibre Partners Limited.

A copy of the Independent Adviser Report will also be sent to any Shareholder on request.

The Independent Adviser's Report has been prepared by, and is the responsibility of, the Independent Adviser. Z Energy and its Directors, officers, employees and advisers have not been involved in the preparation of the Independent Adviser's Report, otherwise than to provide information to, or answer questions from, the Independent Adviser.

calibre partners

Z Energy Limited

Independent Adviser's Report in relation to the proposed scheme of arrangement with Ampol Limited

February 2022

STATEMENT OF INDEPENDENCE

Calibre Partners confirms that it:

- has no conflict of interest that could affect its ability to provide an unbiased report; and
- has no direct or indirect pecuniary or other interest in the proposed transaction considered in this report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.

Calibre Partners has satisfied the Takeovers Panel, on the basis of the material provided to the Panel, that it is independent under the Panel's Guidance Note on Independent Advisers for the purposes of preparing this report.

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1. Executive summary

1.1 Introduction

Z Energy Limited (**Z**) is a New Zealand incorporated company listed on both the NZX Main Board and ASX (under a foreign exempt listing). Z supplies fuels to retail customers and commercial customers like airlines, trucking companies, mines, shipping companies and vehicle fleet operators. It also holds substantial investments in other businesses and assets.

On 23 August 2021, Z announced that it had received a proposal from Ampol Limited (**Ampol**) to acquire all the shares of Z at an offer price of $3.78 per share (subject to adjustment). Ampol was granted a four-week period of exclusivity (which was extended by a further two weeks) to undertake due diligence, further develop its proposal and negotiate transaction documentation with Z.

On 10 October 2021, Z and Ampol concluded those negotiations and entered into a Scheme Implementation Agreement (**SIA**), pursuant to which the parties agreed to implement a court-approved scheme of arrangement (**the Scheme**) to effect the sale of all outstanding shares in Z to Ampol, subject to the satisfaction or waiver of the conditions to the Scheme.

Ampol's offer in the SIA entitles Z shareholders to receive $3.76 in cash for each Scheme Share[1] they hold (subject to adjustments). If the Scheme has not been implemented by 31 March 2022, the cash consideration will be increased by $0.00055 per Scheme Share for each day that implementation is after 31 March 2022, up to a limit of $0.10 per Scheme Share.

In accordance with the SIA, Z paid an interim dividend of $0.07 per Z share on 8 December 2021 to Z shareholders as at 19 November 2021. If you received this dividend and you also receive the payment of $3.76 per share (subject to adjustments) on implementation of the Scheme, the total value you will have received since announcement of the Scheme is $3.83 per Z share. Any other dividends paid by Z prior to the implementation of the Scheme will decrease the amount of $3.76 per Z share that Z shareholders receive (subject to adjustments) on implementation of the Scheme.

Ampol (formerly Caltex Australia) is involved in the purchase, supply, refining, distribution and sale of petroleum products and the operation of convenience retail stores, and is based in Australia and listed on the ASX. It currently owns and operates the Gull business in New Zealand, but has committed to the full divestment of Gull, subject to acquiring Z.

1.2 Scheme approval

The Scheme is subject to a number of key conditions that are set out in the Scheme Booklet, including the approval of Z's shareholders.

Shareholders are being asked to vote to approve or reject the implementation of the Scheme.
For the Scheme to proceed, it is necessary that both of two voting thresholds are met, being:

1. At least 75% of the votes cast in each interest class must be voted in favour of the Scheme.[2]
2. More than 50% of the total number of Z shares on issue and entitled to vote must be voted in favour of the Scheme.

Z's Board of Directors unanimously recommends that shareholders vote in favour of the Scheme, in the absence of a superior proposal. The Directors intend to vote all shares held or controlled by them in favour of the Scheme.

[1] Being all of the Z shares on issue as at 7.00 p.m. on the record date for the Scheme other than the "Excluded Shares" (being any shares in Z nominated in writing by Ampol which are held or controlled by Ampol or any of its associates at 7.00p.m. on the record date for the Scheme).

[2] At the date of this Report, it is expected that all shareholders will comprise one interest class.

1.3 Potential outcomes

The possible outcomes are:

- **The Scheme is implemented**

  If Z shareholders approve the Scheme and all other steps required to implement the Scheme (as set out in the Scheme Booklet) are completed, then the Scheme will be implemented. In that event, all shareholders in Z would have their shares acquired at $3.76 per share in cash (or higher if the implementation date is after 31 March 2022). Z's shares would cease to be quoted on the NZX Main Board and the ASX.

- **The Scheme does not proceed**

  If Z shareholders do not approve the Scheme, it will not proceed. The Scheme would also not proceed if Z shareholders vote in favour of it, but the other conditions in the SIA are either not satisfied or waived, or if the SIA is validly terminated. If the Scheme does not proceed, then no shares would be acquired by Ampol and Z would remain a listed company with its shares quoted on the NZX Main Board and the ASX. Shareholders who received a divided from Z in December 2021 will retain the dividend.

Pursuant to the SIA, Z cannot solicit any alternative proposal. However, should a superior proposal eventuate, in certain circumstances Z can respond and facilitate an alternative transaction. Ampol has the right to match any superior alternative proposal.

1.4 COVID-19

COVID-19 and the lockdown restrictions implemented by the New Zealand Government have had a significant impact on Z's business and its recent financial performance. Examples of how Z has been affected include the following:

- Commercial (primarily marine and jet fuel) and retail fuel volumes have significantly decreased due to ongoing travel restrictions and repeated regional lockdowns. For example, Z sold 3,086 million litres of fuel in FY21, compared to 3,968 million litres in FY20 (a decrease of 22%).
- Refining margins have been significantly compressed. Z was required to pay $33 million of fee floor top-up payments to The New Zealand Refining Company Limited (**Refining NZ**) in FY21 and generated a net loss on refining activities of $21 million for that year. Z supports the proposed transition of the Marsden Point oil refinery to an import-only terminal, as this would remove Z's exposure to refining margins and is expected to reduce the volatility of its earnings.
- Sustained increases in the price of crude oil caused a $0.05 per litre compression of retail fuel margins in the second half of FY21, compared with the same period in the prior year.
- Z reported net profit after tax (measured on a replacement cost basis) of $3 million in FY21, compared to $44 million in FY20 (a decrease of 93%).
- In May and June 2020, $347 million of equity was raised from new and existing investors via a placement of shares and share purchase plan. Proceeds from the capital raising have been used to pay down bank debt, with Z committed to reducing its debt by $330 million over an 18-month period.
- Z suspended its final dividend for FY20 and, as part of a financing agreement with its banking partners and debt providers, agreed to pause dividend payments to shareholders until after the first half of FY22 (**1H22**). However, Z successfully negotiated an early release from these provisions and paid a dividend of $0.14 per share in respect of FY21 earnings.
- Z estimates that COVID-19 lockdowns in August and September 2021 had a negative $27 million impact on its EBITDAF[3] in 1H22.
- Z is focused on its core business operations, cost reductions and capital management in order to improve the resilience of the company. It reduced annually recurring costs by $49 million and one-off costs by $14 million in FY21 (for example, through suspended marketing and lower fuel delivery costs), and aims to deliver a further $21 million of structural cost savings in FY22.

Given the uncertain economic conditions at present and current volatility in share prices, shareholders should remember that this Independent Adviser's Report (**Report**) was finalised on 4 February 2022 and does not take account of unforeseen events that occurred after that date.

[3] EBITDAF means earnings before interest, tax, depreciation, amortisation and fair value movements. It is presented on a replacement cost basis throughout the Report.

1.5 Key issues to be considered by shareholders

For shareholders deciding whether to approve or reject the Scheme, key issues to be considered include:

- Our assessed valuation range is $3.54 to $4.07 per share, with a midpoint of $3.80 per share. The proposed cash price of $3.76 per share sits near the midpoint of the valuation range.
- Z shareholders would be entitled to receive $3.76 per share, which represents:
  - A premium of 34.8% to the closing share price of $2.79 on 26 July 2021, which was the last trading day before the first press speculation in relation to corporate activity involving Z.
  - A premium of 11.2% to the closing share price of $3.38 on 8 October 2021, which was the last trading day before the SIA was announced to the market.
- Our valuation assumes the Scheme is implemented on or around 31 March 2022. If the Scheme is not implemented by 31 March 2022, the cash consideration will be increased by a rate of $0.00055 per Scheme Share for each day that implementation is after 31 March 2022, up to a limit of $0.10 per Scheme Share. The amount of this payment, which increases daily after 31 March 2022, provides a return for any continued period of ownership while Conditions are being satisfied and before the Scheme is implemented.
- Z's financial performance has deteriorated in recent periods, to a low of $238 million EBITDAF in FY21. The decline has been caused by a significant compression of fuel and refining margins and the impacts of COVID-19. On the upside, lower operating expenses partly offset the impacts of deteriorating fuel and refining margins in FY21.
- Z expects to turnaround its financial performance and has issued earnings guidance of $270 million to $310 million EBITDAF in FY22. Furthermore, Z is targeting EBITDAF growth of between $85 million and $115 million per annum from FY21 by FY24.
- Pursuant to the SIA, Z cannot solicit any alternative proposal. However, should a superior proposal eventuate in accordance with the terms of the SIA, in certain circumstances Z can respond and facilitate an alternative transaction. Ampol has the right to match any superior alternative proposal.
- In theory, there is nothing to prevent another party from issuing a formal takeover offer to acquire Z, or to procure a shareholder to requisition a meeting of shareholders to consider a competing proposal, at some time before shareholders vote on the Scheme. In saying this, it would be presumptive to assume that a superior proposal will eventuate, given the above as well as the highly publicised process to facilitate the current proposal.
- If the Scheme is not implemented, Z would remain a listed company with its shares quoted on the NZX Main Board and the ASX. In the absence of any other factors, we consider there is a real prospect that Z's share price could recede from current levels.

In our opinion, the offer is reasonable. The proposed cash price of $3.76 per share sits within the assessed valuation range, and near the midpoint.

The above should be read in conjunction with our analysis of the merits of the Scheme, as set out in Section 7 of this Report.

Voting on the Scheme is a matter for individual shareholders based on their own views as to value and future market conditions, as well as their risk profile, liquidity preference, portfolio strategy, tax position and other factors. In particular, taxation consequences can vary widely across shareholders, and we note the after-tax value of the proposed consideration may vary between shareholders given their respective tax positions. Shareholders will need to consider these consequences and, if appropriate, consult their own professional advisers.

2. Background

2.1 Prior to the Scheme

On 23 August 2021, Z announced that it had received a non-binding indicative proposal from Ampol to acquire all the shares of Z at an offer price of $3.78 per share (subject to decreases to the cash consideration for any dividends paid and a mechanism to increase the cash consideration progressively up to a maximum of $0.10 per Scheme Share if the implementation date occurred after 31 March 2022).

The proposal from Ampol followed earlier unsolicited, confidential and non-binding indicative proposals in the form of letters or verbal communications from Ampol to Z, at prices of $3.35, $3.50 and $3.60 per share. Z's Board of Directors considered that the earlier proposals did not represent sufficient value to justify the exclusivity or confirmatory due diligence access that was requested.

Following its $3.78 per share proposal on 23 August 2021, Ampol was granted a period of exclusivity to undertake due diligence, further develop its proposal and negotiate transaction documentation with Z. This ultimately led to Z and Ampol entering the SIA on 10 October 2021.

2.2 The Scheme

On 10 October 2021, Z and Ampol entered into the SIA to effect the sale of all outstanding shares in Z.

Ampol's offer in the SIA entitles Z shareholders to receive $3.76 in cash for each Scheme Share[4] they hold (subject to adjustments). If the Scheme has not been implemented by 31 March 2022, the cash consideration will be increased by $0.00055 per Scheme Share for each day that implementation is after 31 March 2022, up to a limit of $0.10 per Scheme Share.

In accordance with the SIA, Z paid an interim dividend of $0.07 per Z share on 8 December 2021 to Z shareholders as at 19 November 2021. If you received this dividend and you also receive the payment of $3.76 per share (subject to adjustments) on implementation of the Scheme, the total value you will have received since announcement of the Scheme is $3.83 per Z share. Any other dividends paid by Z prior to the implementation of the Scheme will decrease the amount of $3.76 per Z share that Z shareholders receive (subject to adjustments) on implementation of the Scheme.

The SIA is to be implemented by way of scheme of arrangement under Part 15 of the Companies Act 1993 (**Companies Act**) and is subject to key conditions that include:

- The approval of Z's shareholders.
- The approval of the High Court of New Zealand (**High Court**) in accordance with the Companies Act.
- The approval of the New Zealand Commerce Commission.
- The approval of the New Zealand Overseas Investment Office (**OIO**).
- No event occurring which is reasonably likely to delay commencement of certain services in connection with the transition of the Marsden Point oil refinery to an import only terminal past 30 June 2023 (or prevents it occurring at all).
- No Material Adverse Change or Prescribed Occurrence, as defined in the SIA.

In respect of its application for New Zealand Commerce Commission clearance, Ampol has committed to the full divestment of Gull in New Zealand, subject to acquiring Z.

Ampol is required to use all reasonable endeavours to obtain the consent of the OIO. The OIO needs to be satisfied that the transaction will deliver appropriate benefits to New Zealand to support giving its

[4] Being all of the Z shares on issue as at 7.00 p.m. on the record date for the Scheme other than the "Excluded Shares" (being any shares in Z nominated in writing by Ampol which are held or controlled by Ampol or any of its associates at 7.00p.m. on the record date for the Scheme).

approval. Z is supporting Ampol with its applications for consent with the New Zealand Commerce Commission and OIO.

Pursuant to the SIA, Z cannot solicit any alternative proposal. However, should a superior proposal eventuate in accordance with the terms of the SIA, in certain circumstances Z can respond and facilitate an alternative transaction. Ampol has the right to match any superior alternative proposal.

Z's Board of Directors unanimously recommends that shareholders vote in favour of the Scheme, in the absence of a superior proposal. The Directors intend to vote all shares held or controlled by them in favour of the Scheme, in the absence of a superior proposal.

2.3 Profile of Ampol

Ampol is listed on the ASX and is one of Australia's leading transport fuel suppliers and convenience retailers.

Ampol's principal activities include the purchase, supply, refining, distribution and sale of petroleum products and the operation of convenience retail stores throughout Australia, as well as New Zealand under the Gull New Zealand brand (which will be divested if the Scheme is implemented). Ampol also supplies fuel to international customers including Seaoil Philippines Inc. in the Philippines (a business in which Ampol holds a 20% equity interest).

2.4 Purpose of this Report

Z is subject to the Takeovers Code (**the Code**).

The Scheme is governed by the Companies Act and is required to be approved by the High Court in order to proceed. The High Court will not approve a scheme that affects the voting rights of a company subject to the Code unless:

- It is satisfied that the shareholders of the company will not be adversely affected by the use of a scheme rather than the Code to effect the change involving the company; or
- The High Court is presented with a 'no-objection statement' from the Takeovers Panel (**the Panel**). The Panel will take various factors into account when considering an application for a no-objection statement, including:
  - All material information relating to the scheme proposal has been disclosed.
  - The standard of disclosure to all shareholders has been equivalent to the standard that would be required by the Code in a Code-regulated transaction, or is otherwise appropriate in all of the relevant circumstances.
  - The interest classes of shareholders have been adequately identified.
  - Other key matters have been addressed and there are no other reasons for the Panel to object to the scheme.

  The practice of the Panel (except in very limited circumstances) is to require the preparation of an Independent Adviser's Report before it will consider issuing a 'no-objection statement' to the High Court.

  The Board has engaged Calibre Partners to prepare this Report to inform Z's shareholders on the merits of the Scheme. Our appointment has been approved by the Panel. Shareholders should read the Scheme Booklet issued by Z in conjunction with this Report.

  Accepting or rejecting the Scheme is a matter for individual shareholders based on their views as to value and future market conditions, as well as their risk profile, liquidity preference, portfolio strategy, tax position and other factors. In particular, taxation consequences can vary widely between shareholders. Shareholders will need to consider these consequences and, if appropriate, consult their own professional advisers.

2.5 Other

The sources of information we have had access to and relied upon are set out in Appendix 1.

This Report should be read in conjunction with the statements and declarations set out in Appendix 2 regarding our independence, qualifications, general disclaimer and indemnity, as well as restrictions on the use of this Report.

References to '$', 'NZD' or dollars are to New Zealand Dollars, unless specified otherwise. When referring to Z, references to financial years or 'FY' mean Z's financial years ending 31 March.

Tables may not add due to rounding.

3. Industry overview

Z operates in the downstream oil industry in New Zealand.

The downstream oil industry currently encompasses the following activities:

- The transportation of crude oil to refineries and the processing of crude oil into refined fuels.
- The transportation of refined fuels to storage facilities and the distribution to consumers using a range of methods.

Z is not involved in upstream oil activities such as the exploration for, and extraction of, crude oil and gas.

3.1 New Zealand industry and key assets

Refining NZ

Refining NZ owns and operates New Zealand's sole oil refinery at Marsden Point in Whangarei and is publicly-listed on the NZX. Currently, the company imports crude oil and processes it into petroleum products such as gasoline, diesel, jet fuel and heating oils. Today it processes and supplies approximately 70% of New Zealand's transport fuels, with the remaining 30% being imported as refined fuels. However, this is expected to change from April 2022 given a planned transition of Marsden Point into an import-only terminal. Further information is set out in Section 3.3 of this Report.

Z, Mobil and BP each own a shareholding in Refining NZ, although access to processing capacity at the refinery is governed by processing agreements.

Import hubs

Wellington, Mount Maunganui and Lyttelton are the major refined product import hubs in New Zealand. Fuels are then redistributed by a combination of land freight and sea freight.

Pipelines

New Zealand's key distribution infrastructure is largely owned through joint ventures between the three major market participants in New Zealand - Z, Mobil and BP.

Pipelines play an important role in the primary distribution of refined fuels around New Zealand.

- **Refinery to Auckland Pipeline (RAP):** The RAP is owned by Refining NZ and transports fuels from the Marsden Point refinery to Wiri (New Zealand's largest tank farm) before being redistributed around the country. Z owns approximately 44% of Wiri Oil Services.
- **Wiri to Airport Pipeline (WAP):** The WAP is a pipeline that transports 100% of the jet fuel used by airlines operating at Auckland's international and domestic airports. Z owns 60% of this pipeline.
- **Lyttleton to Woolston:** Mobil owns the pipeline that transports fuel from Lyttelton to Woolston in the South Island.

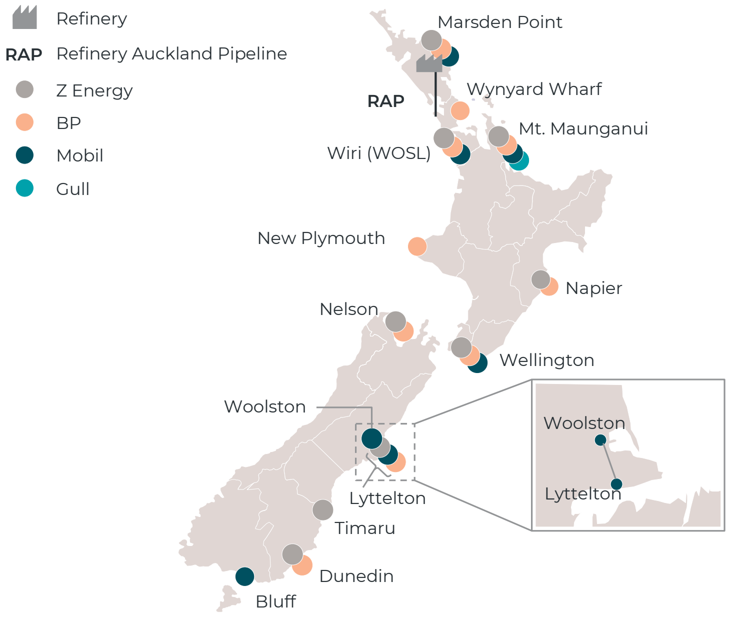
Terminals

Once distributed from the Marsden Point refinery or directly imported from overseas, refined fuels are stored at 10 terminal storage locations throughout New Zealand.

Z and the other integrated operators each own storage terminals and inventory. Commercial arrangements between these owners allow them to purchase fuel from each other's storage terminals. Fee levels are set by the relevant terminal owner on an asset-by-asset basis and are dependent, among other things, on the owner's need to draw from terminals owned by other participants and the fees it is charged to do so. Gull operates its Mount Maunganui storage terminal independently of these commercial agreements.

Figure 1 shows the locations and owners of New Zealand's storage terminals.

Figure 1: New Zealand fuel terminals



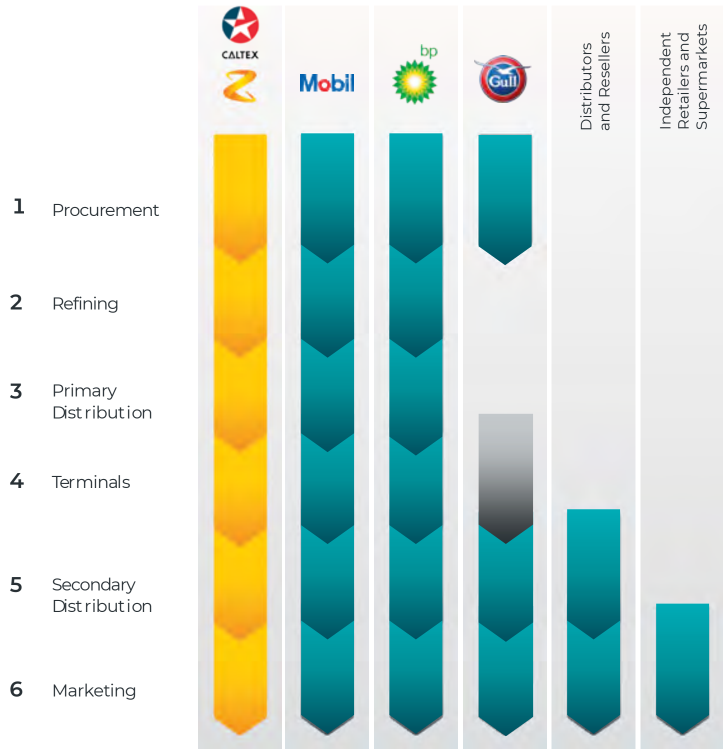
Source: Z presentations[5]

[5] In addition to the sites shown in Figure 1, Z has decommissioned terminal sites in New Plymouth and Bluff, which it is seeking to exit.

3.2 Industry participants

The New Zealand downstream oil industry comprises a mix of integrated operators, independent distributors and resellers, and independent retailers and supermarkets.

Figure 2: Participants in downstream oil industry[6]



Source: Z presentations

Z and other integrated downstream operators

Z, Mobil and BP are the only integrated operators in New Zealand. The term "integrated" means that these companies operate across the entire downstream supply chain, procuring and importing crude oil and refined fuels, arranging the refining of crude oil, and distributing the refined fuels to branded and independent service stations, truck stops and a range of commercial customers.

Mobil and BP are subsidiaries of large multinational organisations, which are also involved in oil and gas exploration. They run a portfolio of businesses and product lines internationally, whereas Z is focused solely on the New Zealand downstream oil market.

Competition between market participants occurs primarily at a retail level (where there are up to 21 brands in the New Zealand market), rather than the wholesale level (where four participants own and operate the terminal infrastructure). This is consistent with the terms of access to Refining NZ and the ownership of distribution network assets, including key storage facilities. Changes resulting from the Fuel Industry Act 2020 (discussed in Section 3.5) have created a more open and dynamic wholesale market, through the establishment of Terminal Gate Pricing.

[6] Primary distribution defined as pipeline and coastal shipping transport operations. Gull does not participate in the joint venture arrangements for key terminal infrastructure but owns and operates a terminal at Mt. Maunganui

Gull

Gull is a supplier of fuel in New Zealand through its network of service stations and is currently owned by Ampol. Gull also supplies biofuel and makes commercial sales generally of diesel to marine and commercial customers. It does not have an ownership interest in Refining NZ, nor does it participate in the joint venture arrangements for key distribution infrastructure. Gull currently sources its refined fuels predominantly offshore through its current owner, Ampol and also from the integrated operators.

Independent distributors and resellers

Independent distributors and resellers are only involved in secondary distribution and marketing activities. They either source refined fuels from the integrated operators through long-term contracts, or through Terminal Gate Pricing arrangements that have recently been established.

Independent retailers and supermarkets

Other market participants and supermarket retailers (PAK'nSAVE and New World) are involved in marketing activities and supply customers from their own retail service stations.

3.3 Refinery transition

Current arrangements

Refining NZ's three largest shareholders are also its customers:

- Mobil (14.9% shareholding);
- Z (13.3% shareholding); and
- BP (8.81% shareholding);

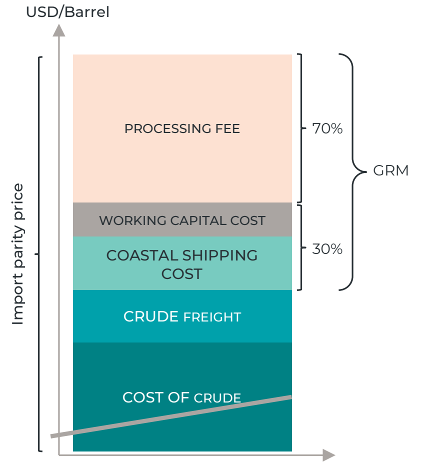
(together the **Shareholding Customers**).

Refining NZ charges processing fees for converting the Shareholding Customers' crude oil into transport fuels on a tolling basis. The current arrangements are based on a margin-sharing principle, with Refining NZ retaining 70% of the gross refining margin (**GRM**) as its processing fee income and the remaining 30% accruing to the Shareholding Customers. The 70/30 split was chosen to reflect the costs and risks borne by Refining NZ and its Shareholding Customers.

The Shareholding Customers incur the holding cost of the large hydrocarbon inventory and are exposed to oil price and exchange rate volatilities, as well as the cost of coastal shipping to deliver refined fuels to New Zealand's regional ports. Refining NZ carries the risk of maintaining operations and plant integrity to provide reliable supply to the New Zealand market.

The current arrangements are summarised in Figure 3 below.

Figure 3: Current processing arrangements



Under the current arrangements where crude oil is processed at Marsden Point, the Shareholding Customers pay for (bottom to top):

- the crude oil needed to make the products;
- freight costs to transport the crude oil to Marsden Point;
- coastal shipping to transport their products from Marsden Point to ports around New Zealand;
- higher working capital costs for holding inventory; and
- a processing fee to Refining NZ.

Source: Refining NZ Independent Appraisal Report

The current arrangements also contain a fee floor and margin cap mechanism, which works as follows:

- **Fee floor:** The fee floor sets the minimum amount that Refining NZ can earn from refining activities in a calendar year, irrespective of the GRM or the volume of crude oil processed for the Shareholding Customers. If the processing fee is below the fee floor in a given year, the Shareholding Customers make a pro-rata payment to Refining NZ. In 2021, the fee floor is approximately $141 million.

- **Margin cap:** The margin cap sets a maximum limit on the amount that Refining NZ can receive in a calendar year. The margin cap is currently set at US$9 per barrel for 2021. Where a Shareholding Customer's calculated GRM exceeds US$9 per barrel, then that Shareholding Customer's processing fee will be calculated as though the GRM were US$9 per barrel. That is, a Shareholding Customer would not be invoiced for any GRM in excess of US$9 per barrel.

The fee floor and margin cap levels provide protection to both Refining NZ and the Shareholding Customers from a particularly low or high GRM. The fee floor provides a guaranteed minimum income to Refining NZ during periods of low GRM (such as during the COVID-19 pandemic). For the Shareholding Customers, the margin cap provides a limit on the processing fees paid to Refining NZ.

Strategic review

On 15 April 2020, Refining NZ announced that it had commenced a strategic review to determine the optimal business model and capital structure for its assets. The strategic review evaluated alternative operating models for the Marsden Point oil refinery, which resulted in the following two options:

1. Simplified refinery operations; or
2. Transition to an import-only terminal.

On 6 August 2021, shareholders of Refining NZ voted 98.7% in favour of the refinery being converted to an import-only terminal, with April 2022 being targeted as the start date for the new operating model.

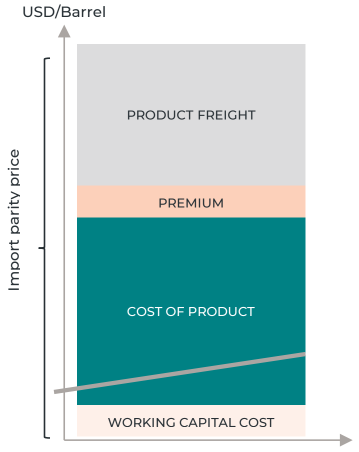
Z fully supports the proposed transition of Refining NZ's business model. Shifting to a fuel import terminal would remove Z's exposure to refining margins and reduce the volatility of its earnings and operating expenses. Z would also be able to choose the fuels it wants to supply.

Future arrangements

The import-only terminal will receive, store and deliver finished fuel products, primarily for the Northland and Auckland markets, including all of the jet fuel for Auckland International Airport.

Figure 4 summarises the pricing components under the import model.

Figure 4: Import terminal model



Under the proposed import terminal, the Shareholding Customers pay for (bottom to top):

- the working capital cost for holding inventory;
- the imported products themselves;
- a product quality premium that relates to New Zealand's fuel standards; and
- freight costs to transport products to New Zealand ports.

Source: Refining NZ Independent Appraisal Report

The required agreements have been reached on the key commercial terms to enable Marsden Point to commence its conversion to an import only terminal. The key commercial terms are summarised below.

- **Scope of services:** Core import terminal services for the Shareholding Customers will include:
  - Operating and maintaining the import terminal.
  - Priority jetty access at Marsden Point.
  - The discharge of products from vessels and a specified capacity of co-mingled tank storage.
  - Delivery of products to the truck loading facility at Marsden Point (owned by the Shareholding Customers) and via the RAP to Wiri in Auckland.

  Ancillary services will also be available to Shareholding Customers for additional fees.
- **Key performance indicators:** Refining NZ is to run the import terminal as a reasonable and prudent terminal operation. There will be a limited number of operational key performance indicators (**KPIs**) with specified performance criteria, and the fees that Refining NZ receives from Shareholding Customers may be reduced if it fails to meet these KPIs.
- **Import terminal fees:** The monthly fees charged to the Shareholding Customers for core import terminal services will comprise fixed and variable components.
  - **Fixed access fees** will consist of a base access fee per Shareholding Customer, plus a shared access fee payable by each Shareholding Customer based on their relative utilisation of the import terminal.
  - **Variable throughput fees** are charges based on actual fuel volumes delivered for each Shareholding Customer and comprise both wharfage fees and delivery fees.
- **Take-or-pay:** The Shareholding Customers will also share a minimum take-or-pay commitment. To the extent the aggregate of the fixed and variable fees, plus any ancillary fees, is below a certain amount, a top-up payment to achieve a specified minimum level will need to be paid by the Shareholding Customers.
- **Efficiency sharing:** Any efficiencies achieved between the initial best estimate of transition and conversion costs, and the actual costs, will be retrospectively shared on a 50/50 basis between Refining NZ and the Shareholding Customers, up to the level of take-or-pay payments received.

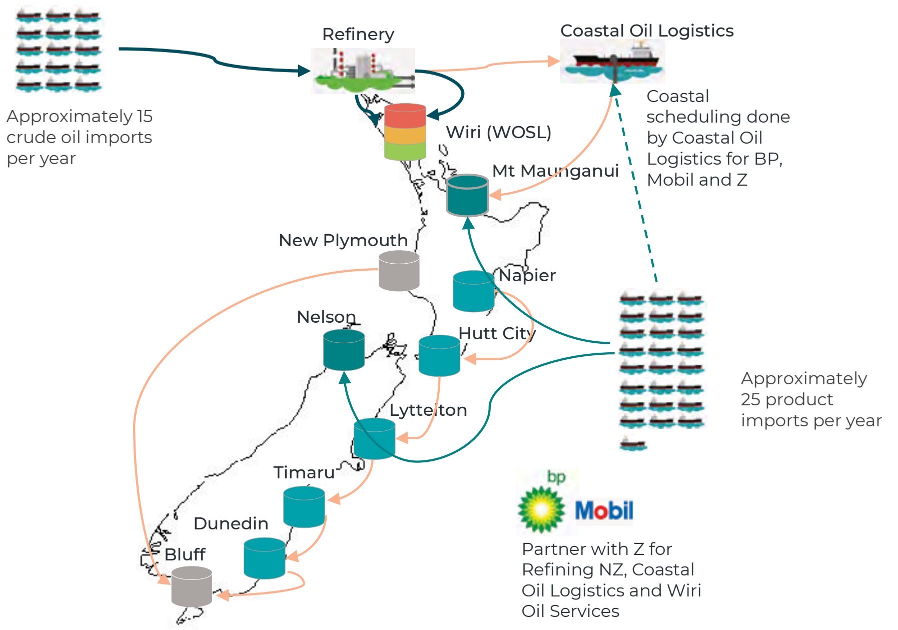
Efficiencies in terminal operating costs (when compared against initial estimates) will be shared on a 50/50 basis between Refining NZ the Shareholding Customers through reduced fees.

Supply chain – before and after refinery transition

Figure 5 illustrates how Z expects its supply chain to change following the proposed refinery transition.

Figure 5: Refinery transition – current versus future state

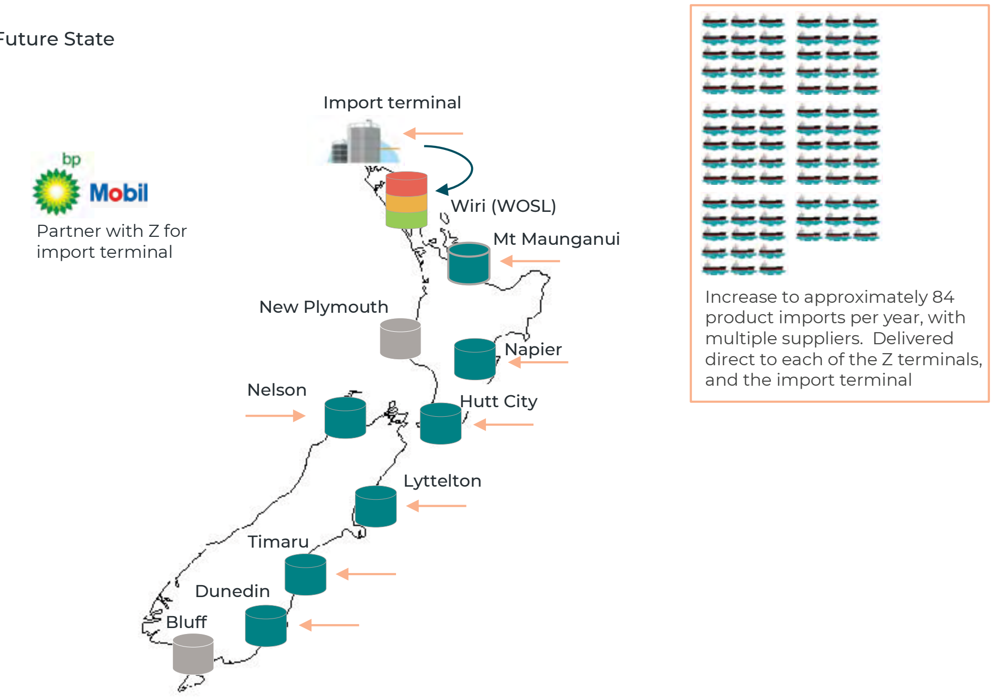
Current State



- Z terminals in National Inventory Agreement
- Z terminals operated independently
- Competitor terminals in National Inventory Agreement

Source: Z presentations

Future State



- Z terminals operated independently
- Competitor terminals in National Inventory Agreement, albeit it is uncertain if the National Inventory Agreement will endure changes to the industry including the Fuel Industry Act

Source: Z presentations

3.4 Future demand for transport fuels

In the decades ahead, the need to address global climate change will alter the face of transport in New Zealand. Central to that change is a substantial reduction in the use of the transport fuels that currently power New Zealand's vehicles.

Z has formed a view on the likely path ahead for transport fuel demand. Z's key benchmark is the final advice delivered by the Climate Change Commission to the New Zealand Government in May 2021, which targets a near halving of carbon emissions from transport over the period 2018 to 2035, consistent with the Climate Change Response (Zero Carbon) Amendment Act 2019 (**Zero Carbon Act**).

To form a view on the future demand for transport fuels, Z and its advisers developed a fuel demand model based on key drivers and assumptions, and tested various scenarios. In creating the model, they aimed to address three questions:

1. What will the total vehicle kilometres travelled (**VKT**) be in New Zealand?
2. What mix of transport modes and vehicle types will service Z's needs?
3. What will be the resulting fuel requirement?

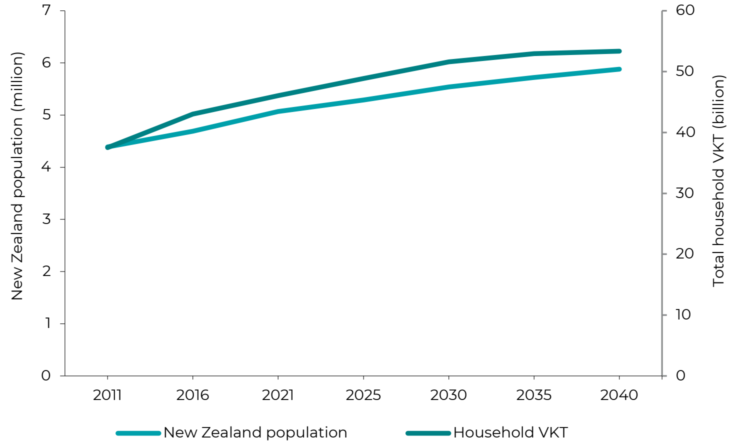
Each is discussed in more detail below.

Vehicle kilometres travelled (VKT)

Population growth is a key driver of overall growth in household VKT and it is expected that New Zealand's population will continue to grow.

Over the last 20 years, VKT per capita has been reasonably stable for light passenger vehicles at around 7,000 VKT per person. Z expects this ratio to hold in the future.

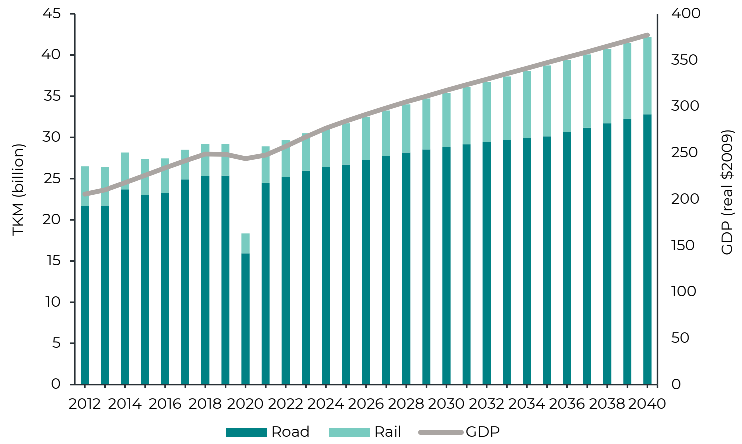
Figure 6: Population and household vehicle kilometres



Source: Z fuel demand model

Freight transport (trucks and rail) accounts for a material share of total land diesel demand, estimated at around 55%–60%. Z estimates the total freight task or tonne kilometres (**TKM**) of road and rail transport using a relationship to gross domestic product (**GDP**). Figure 7 presents the forecast freight task from Z's fuel demand model.

Figure 7: Freight kilometres and GDP



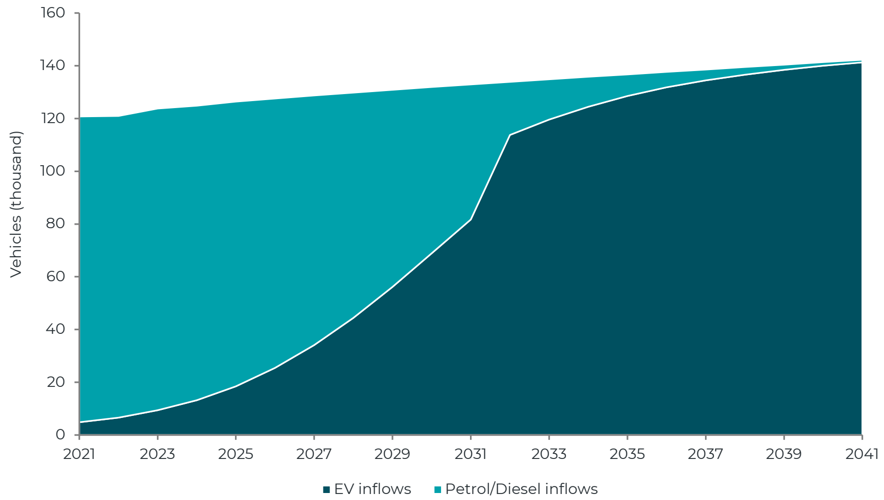
Source: Z fuel demand model

Transport modes

Z has used the Bass Diffusion Model to forecast the adoption of electric vehicles (**EVs**). The Bass Diffusion Model estimates the total size of Z's vehicle fleet and the proportion of new vehicles that will be EVs.

Figure 8 presents the forecast number and mix of new passenger vehicles in New Zealand.

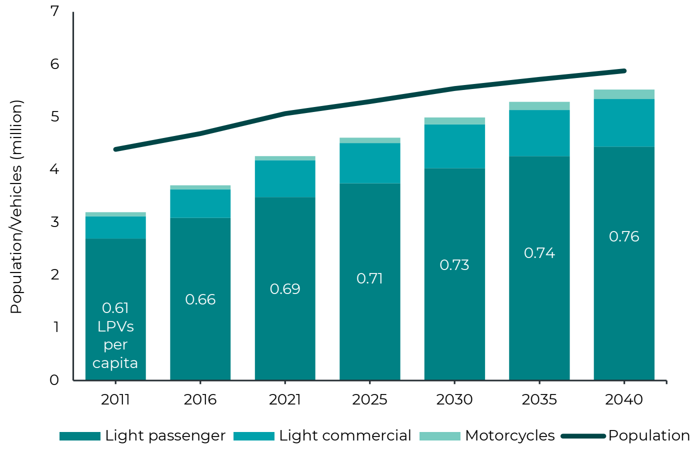
Figure 8: New light passenger vehicles



Source: Z fuel demand model

Vehicle fleet levels are projected by taking the current size of the vehicle fleet, adding inflows and subtracting disposals. Vehicle inflows are estimated based on the average of the volumes observed for the last two years, increasing at the rate of GDP growth. Vehicle disposals are estimated using an annual disposal factor of 6%, which is applied to the cumulative number of vehicle inflows.

Figure 9: Vehicle fleet size



Source: Z fuel demand model

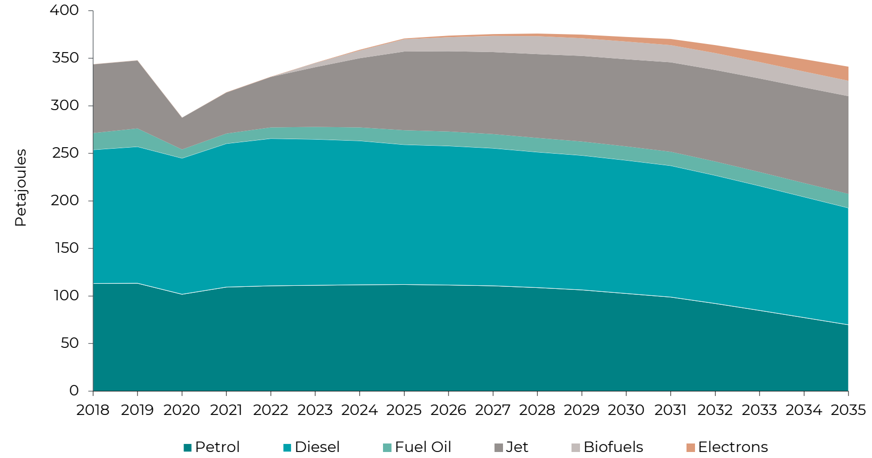
Fuel requirement

For the period 2021 to 2035, Z is forecasting a 15% increase in VKT for light passenger and commercial vehicles and a 23% increase for medium and heavy trucks. Petrol volumes and diesel volumes (including biofuel) are forecast to decrease by 36% and 8% respectively over the same time period.

All of the growth in demand for transport fuels, and a proportion of the existing demand, must be met by alternatives to fossil fuels in order to meet New Zealand's emission targets.

Figure 10 summarises Z's forecast for transport fuel demand in New Zealand.

Figure 10: New Zealand transport fuel demand[7]



Source: Z fuel demand model

It is important to note that electrons used in electric motors for transport are approximately three times more efficient than fossil fuels used in an internal combustion engine, in terms of work done for the same amount of energy.

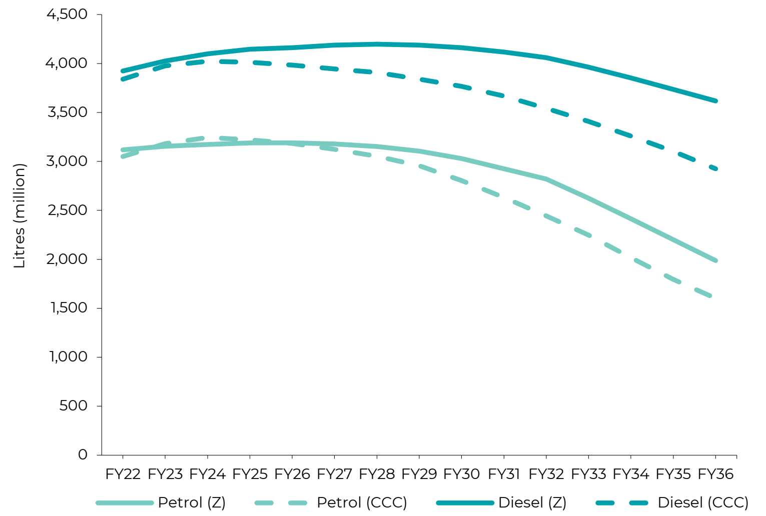
Jet fuel may be substituted by sustainable aviation fuels (**SAF**), but Z is unable to forecast the timing of the substitution given the evolution of SAF technology. Hydrogen has been excluded from the forecasts given the current uncertainty surrounding this alternative fuel source.

[7] Forecasts for petrol, diesel, biofuels and transport electrons reflect Z's view. Fuel oil and jet volumes are based on projections by the Climate Change Commission.

Comparison to Climate Change Commission forecasts

Figure 11 below presents Z's long-term forecasts for petrol and diesel demand, and compares these against forecasts by the Climate Change Commission.

Figure 11: Future fuel demand – Z versus Climate Change Commission



Source: Z fuel demand model

Underpinning these projections are assumptions regarding key drivers of transport fuel demand. The table below summarises Z's position on each area compared to that of the Climate Change Commission.

Table 1: Key assumptions underlying future fuel demand

Key Driver	Z Relative Position	Impact on Z Fuel Demand Forecast
Climate change policy for transport	Slower than Climate Change Commission	Increased
	Feebate has been included in Z modelling	Reduced
Consumer adoption of EVs	Slower than Climate Change Commission	Increased
NZ vehicle market EV pricing and availability	Better than Climate Change Commission	Reduced
Fuel/electricity pricing and taxes	Fuel more expensive in Z modelling	Reduced
Fuel efficiency standards/vehicle improvement	Same as Climate Change Commission	None
Transport patterns – VKT per person, mode shift	Less mode shift than Climate Change Commission	Increased
Freight task (TKM)	Higher than Climate Change Commission	Increased
Relative use of EVs	Less than Climate Change Commission	Increased

Source: Z presentations

3.5 Regulatory environment

Industry participants are subject to a wide range of legislation and regulatory interventions, which are subject to change from time-to-time. Some of New Zealand's key policies are discussed below.

Emissions Trading Scheme

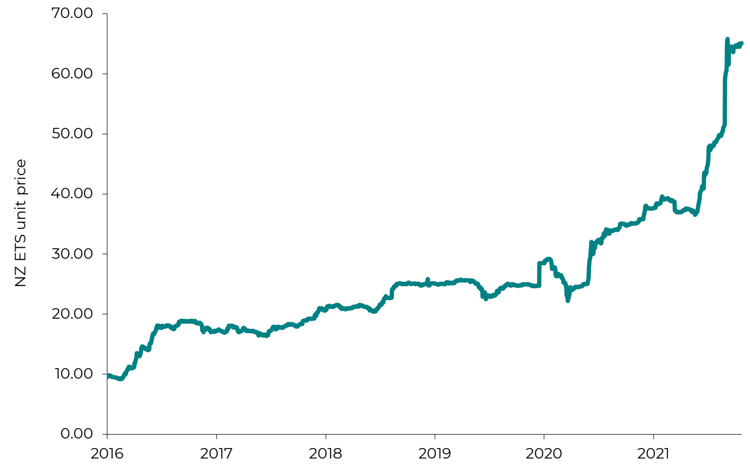
The New Zealand Emissions Trading Scheme (**NZ ETS**) was first established in 2008 and is an important tool for helping New Zealand to reduce its carbon emissions and meet its international obligations under the Paris Agreement.

The NZ ETS creates a financial disincentive for companies that produce or import non-renewable sources of energy. Under the NZ ETS, producers or importers of non-renewable energy sources must purchase and surrender NZ ETS units, which are measured in tonnes of carbon dioxide equivalent (CO_2e).

Fuel suppliers such as Z are required to surrender NZ ETS units to cover the emissions resulting from the fuel they sell. They have been required to report their emissions since 1 January 2010 and to surrender NZ ETS units to the New Zealand Government since 1 July 2010.

As at 31 December 2021, Z held approximately 3.3 million NZ ETS units in excess of its obligation liability. The price of NZ ETS units has increased significantly in recent years, as shown in Figure 12 below.

Figure 12: NZ ETS unit price history ($)



Source: Bloomberg

Fuel Industry Act 2020

In August 2020, the New Zealand Government passed the Fuel Industry Act in order to promote competition in fuel markets for the long-term benefit of end users of transport fuel products.
The Fuel Industry Act 2020 provides for the making of regulations to facilitate a more active wholesale market for petrol and diesel, as a way to potentially increase the level of price transparency, participation and competition in this market. Regulators anticipate that the benefits of competition will flow through to retail markets in the form of lower fuel prices. The regulations will also require better information to be made available to consumers about premium fuel prices, to improve pricing transparency and better inform purchasing decisions.

A key regulation introduced in August 2021 to support the Fuel Industry Act is a Terminal Gate Pricing regime. Terminal Gate Pricing requires wholesale suppliers to supply fuel to resellers at a price that has been publicly displayed. The regime also requires wholesale suppliers to supply fuel at storage terminals, even where they do not own the facilities (provided they are contractually entitled to collect fuel from that terminal). Wholesale suppliers may refuse to supply if they need the requested volume for their commercial customers or their own retail outlets, or if the purchaser fails to meet standard credit or health and safety requirements. However, they may only do so provided they have already supplied a minimum volume over a particular time period.

Z has reached agreements with BP and Mobil for the storage terminal at Nelson. Z is currently negotiating contracts for it's terminal at Mount Maunganui which also operates outside of the National Inventory Agreement.

Z has implemented Terminal Gate Pricing at all of its terminals.

Climate Change Response (Zero Carbon) Amendment Act 2019

In November 2019, the New Zealand Government passed the Zero Carbon Act to provide a framework for implementing climate change policies. The Zero Carbon Act aims to achieve the following:

- Reduce net emissions of all greenhouse gases (except biogenic methane) to zero by 2050.
- Reduce emissions of biogenic methane to between 24% and 47% below 2017 levels by 2050, including to 10% below 2017 levels by 2030.[8]
- Establish a system of emissions budgets as a step towards the long-term target.
- Ensure the New Zealand Government develops and implements policies for climate change adaptation and mitigation.

Following the passing of the Zero Carbon Act, the Climate Change Commission was established in December 2019 to help the New Zealand Government to set and achieve emissions budgets, reduction targets and policy direction.

On 31 May 2021, the Climate Change Commission released its final advice to the New Zealand Government, covering a broad range of matters. If the final advice is adopted, transport emissions would be impacted by initiatives such as greater use of public transport, electrification of the vehicle fleet and increased use of low-carbon fuels (for example, biofuels and hydrogen).

[8] Ministry for the Environment on the Climate Change Response (Zero Carbon) Amendment Act.

Sustainable Biofuels Mandate

The New Zealand Government has confirmed it will introduce a Sustainable Biofuels Mandate from 1 April 2023 with the purpose being to reduce the greenhouse gas emissions from transportation activities.

Following the initial discussion document, produced by the Ministry of Business, Innovation and Employment (MBIE) and the Ministry of Transport (MoT), the Government has confirmed the mandate will include the following requirements:

- From 1 April 2023, fuel wholesalers (Z, bp, Mobil, Gull) will be required to cut the total greenhouse gas emissions for transport fuels they sell by a set percentage each year, by deploying biofuels as a part of their fuel supply.
- The set percentages for greenhouse gas emissions reductions start at 1.2% in 2023, increasing up to 2.4% in 2024 and 3.5% in 2025. The Government has also signalled provisional targets for the years 2026-2035.
- The maximum penalty for an obligated party who does not comply with the mandate is $800 per tonne of carbon dioxide equivalent emissions not achieved, to incentivise compliance.
- The mandate applies to all liquid transport fuels (petrol and diesel), with domestic aviation fuel treated separately. Ministers will do further work on a Sustainable Aviation Fuel (SAF) Mandate later this year (2022).
- All biofuels must meet sustainability criteria to certify that they do not impact on biodiversity, carbon stocks, food security, water quality, the risk of indirect land use change and the use of waste.
- The estimated impact on fuel prices is expected to be up to 5 cents per litre for petrol and up to 10 cents per litre for diesel in 2025.

The Government will draft and introduce a Sustainable Biofuels Mandate bill and regulations that give effect to the mandate which will likely be introduced to Parliament in early-mid 2022, with the intention to pass legislation before the end of the year.

4. Z overview

4.1 Background and history

Z supplies fuels to retail customers and commercial customers like airlines, trucking companies, mines, shipping companies and vehicle fleet operators. It also holds substantial investments in other businesses and assets.

Formerly known as Greenstone Energy, Z was originally formed by the Guardians of the New Zealand Superannuation Fund and Infratil, who jointly acquired Shell New Zealand's downstream business in 2010. The acquisition included Shell's 220 service stations, 17% shareholding in Refining NZ and 25% shareholding in Loyalty New Zealand (which runs Flybuys), as well as their commercial fuel operations.

A timeline of key events since Z was established is shown below.

Figure 13: Timeline of key events

- **2010** Greenstone Energy acquires Shell's fuels business in New Zealand.
- **2011** Greenstone Energy rebrands to Z.
- **2012** 7 North Island properties sold and leased back.
- **2013** Z receives resource consent for an additional 25 million litres of storage at Port of Lyttelton.
- **2013** Z IPO – 60% of shares sold at $3.50 per share.
- **2015** Infratil sells its remaining 20% interest in Z and New Zealand Superannuation fund sold down to a 10% shareholding in Z.
- **2016** Z completes the acquisition of Chevron New Zealand (which operated the Caltex brand) fuels business.
- **2017** Refining NZ's RAP ruptures, disrupting the transportation of fuels from Marsden Point to the Auckland.
- **2017** MBIE completes its Fuel Market Financial Performance Study for the Minister of Energy and Resources.
- **2018** Z enters a new refinery optimisation and procurement arrangement with Refining NZ and Mobil.
- **2019** Z completes a review of its crude oil procurement contract and re-signs with Shell.
- **2019** New Zealand Commerce Commission completes a study of the retail fuel market.
- **2020** Z completes a $290 million placement of new shares (fully underwritten).
- **2020** $57 million of further equity raised through a share purchase plan.
- **2021** Z agrees in-principle to the terms offered by Refining NZ for the proposed transition of Marsden Point to an import-only terminal.
- **2021** Z receives non-binding indicative proposal from Ampol and agrees exclusivity period.
- **2021** Z extends the exclusivity period to further negotiations with Ampol.
- **2021** Z enters the SIA with Ampol to effect the sale of all outstanding shares in Z to Ampol.

Source: NZX announcements and Z

4.2 Principal operations

Z's operations span all aspects of the downstream fuel industry in New Zealand-procurement of crude oil, refining and primary distribution, terminal storage and secondary distribution, commercial and retail sales. Z is not involved in upstream oil exploration or extraction.

Fuel segment

Z expects to import approximately 11.0 million barrels of crude oil during FY22, through supply contracts with Shell. Smaller quantities are also bought locally to optimise refinery production. Approximately 6.6 million barrels of refined fuels are imported each year too, although this volume will increase significantly (to 100% of product) once the refinery transition is completed.

At present, Refining NZ supplies approximately 75% of Z's refined product sales. The fuels are distributed to Auckland via the RAP and other parts of New Zealand via Coastal Oil Logistics (a shipping joint venture).

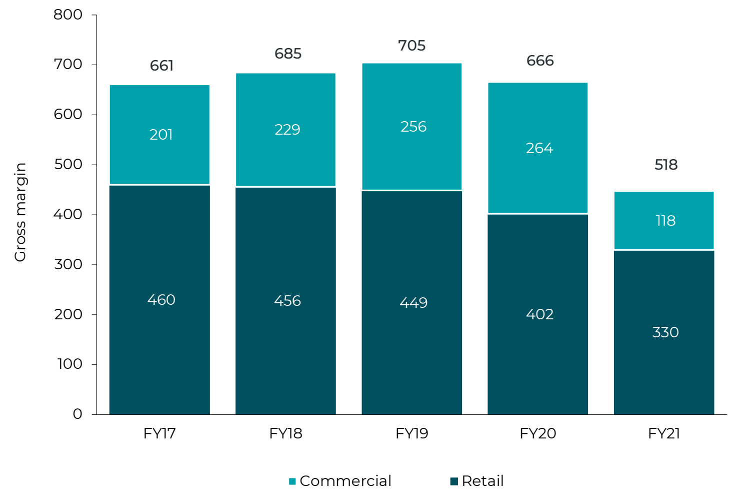
Z's refined fuels are stored at nine fully-owned and operated terminals located throughout New Zealand. The products are then distributed from storage terminals to retail service stations, truck stops and commercial customers by way of bunker pipelines at Nelson, Timaru and Dunedin, and Mini-Tankers.

Z's retail service comprises 198 Z stations and 135 independently owned and operated Caltex stations. Z supplies fuels to the Caltex service stations under a wholesale bulk supply agreement. In 2019, Z launched its loyalty programme, 'Pumped' across both the Z and Caltex networks, and also has partnerships with Flybuys and Airpoints.

Z also has a network of 148 truck stops across New Zealand, which operate using the Z and Caltex brands. Z's commercial activities service a broad range of industries, including shipping, fishing, aviation, construction, farming and road transport.

Figure 14 below shows the gross margin for Z's Fuel segment over the last five years. Commercial margins are lower than retail margins, reflecting the lower cost to serve. However, they are generally more stable than retail margins.

Figure 14: Fuel segment gross margin ($ million)[9]



Source: Z annual reports

[9] Gross margins are presented on a replacement cost basis.

Non-Fuel segment

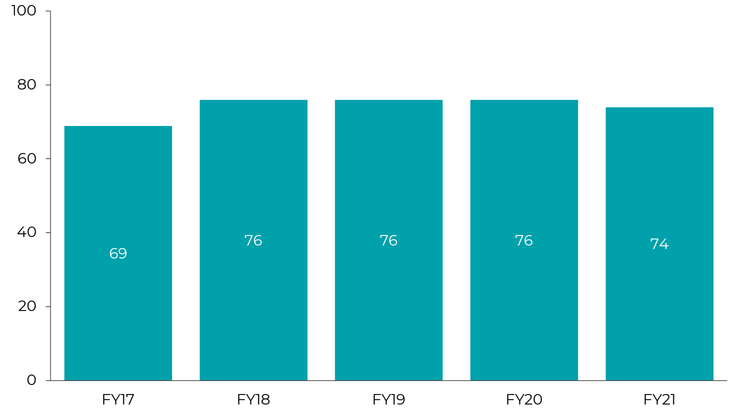
Z has established a high-quality convenience food and coffee offering across its retail network, developed its 'Pumped' loyalty programme, and partnered with Foodstuffs. Convenience retail accounts for approximately 90% of the income generated by the Non-Fuel segment.

Z's sales mix continues to change as it focuses more on selling higher margin food categories and upgrades the quality of its convenience stores. Average store sales have increased in the areas where Z has made significant investments.

The Non-Fuel segment has been impacted by COVID-19 and lockdown restrictions imposed by the New Zealand Government. However, adoption of Z's mobile phone application (**Z App**) has increased due to the COVID-19 lockdowns, driving higher pre-order sales volumes. Pre-order sales via the Z App now contribute approximately 25% of all coffee orders.

Figure 15 below shows the gross margin for Z's Non-Fuel segment over the last five years.

Figure 15: Non-Fuel segment gross margin ($ million)[10]



Source: Z annual reports

[10] Gross margins are presented on a replacement cost basis.

Refining segment

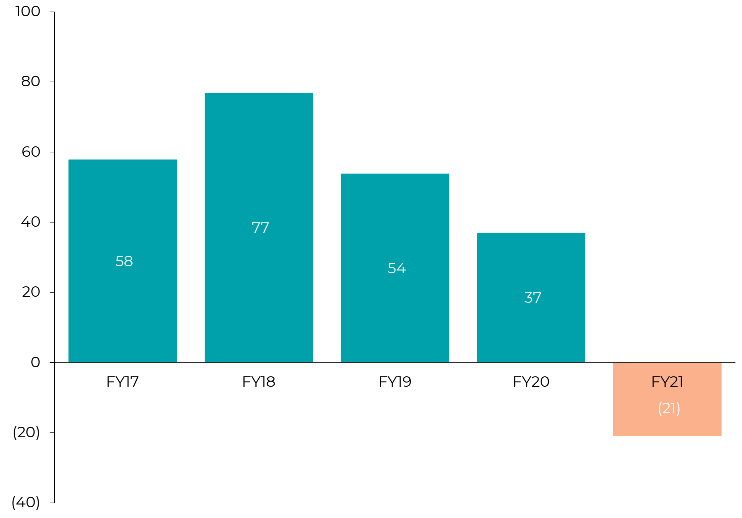
Z owns 13.3% of the shares in Refining NZ and the refinery supplies approximately 75% of its refined product sales.

As discussed in Section 3.3, the Shareholding Customers of Refining NZ support the transition of Marsden Point to an import-only terminal from 2022. This means that Z will likely exit the crude oil supply chain and no longer be exposed to refining margins.

Z's refining margins have significantly declined in recent years, as shown in Figure 16 below. Key drivers that influence its margins from refining activities include Asian and global supply and demand balances for crude oil, international shipping and transportation costs and the refinery's yields and production levels. The disruption caused by COVID-19 has had a major impact on the performance of Z's Refining segment.

As a result of Refining NZ's low throughput and refining margins, Z was required to pay $33 million of fee floor top-up payments in FY21 and incurred a net loss of $21 million on refining activities in that year.

Figure 16: Refining segment gross margin ($ million)[11]



Source: Z annual reports

[11] Gross margins are presented on a replacement cost basis.

4.3 Investments

Z holds various investments in associates, subsidiaries and joint operations, which either support the principal operations described in Section 4.2 or are non-core assets. A few of these investments are summarised below.

In addition, Z currently owns approximately 54% of New Zealand's bulk fuel storage infrastructure.

4.3.1 Associates

Wiri Oil Services Limited

Z owns approximately 44% of Wiri Oil Services, which operates onshore fuel storage facilities located at Wiri and Marsden Point on behalf of its shareholders. The other shareholders are Mobil and BP, which each own approximately 28% of the company.

The Wiri storage terminal is the termination point of the RAP. The fuel handled and stored at Wiri includes premium and regular gasoline, aviation jet fuel and diesel.

The Marsden Point storage terminal is situated adjacent to the refinery. The fuel handled and stored at Marsden Point includes premium and regular gasoline, and diesel.

Coastal Oil Logistics Limited

Z has a 50% shareholding in Coastal Oil Logistics, which transports refined fuels from the Marsden Point refinery to 10 coastal ports around New Zealand. Coastal Oil Logistics is a joint venture between New Zealand's major fuel suppliers – Z, Mobil and BP.

Z's shareholding in Coastal Oil Logistics helps to lower its primary distribution costs.

Drylandcarbon One Limited Partnership

Z owns 37% of Drylandcarbon. Drylandcarbon is a limited liability partnership established to generate NZ ETS units through the plating of trees. Air New Zealand, Contact Energy, Genesis Energy and Z announced the formation of Drylandcarbon on 14 March 2019, to invest in a diversified forestry portfolio to generate NZ ETS units and contribute to the fulfilment of the future obligation that each investor has under the NZ ETS.

Loyalty New Zealand Limited

Z owns 25% of Loyalty New Zealand, the company that operates the Flybuys loyalty scheme. Flybuys was first launched in 1996 and now has 2.9 million members across approximately 80% of New Zealand households.

Z acquired its interest in Loyalty New Zealand through the acquisition of Shell's New Zealand business.

Mevo Limited

Incorporated in April 2015, Mevo is a New Zealand company that aims to deliver mobility-on-demand with its network of hybrid Audi e-trons.

Z has invested a total of $2.5 million in Mevo and has a shareholding of almost 32%. Z recognises the importance of innovation in providing mobility solutions that are better for the planet and for customers, which is the rationale for the continued support it offers this start-up business.

4.3.2 Subsidiaries

Flick Energy Limited

In August 2018, Z acquired a 70% shareholding in Flick Energy for consideration of $46 million. Flick Energy is a Wellington-based retail electricity supplier that was the first power company in New Zealand to offer customers access to the wholesale price of electricity.

Z's investment in Flick Energy aligns with its strategy of investing in adjacent businesses that operate in one of Z's three preferred market spaces – future fuels, mobility and the 'last transport mile'.

4.3.3 Joint operations

Z has participating interests in four unincorporated and jointly-controlled operations that relate to the storage and distribution of fuel products. These joint operations are:

- Joint User Hydrant Installation (33% ownership).
- Joint Interplane Fuelling Services (50% ownership).
- Jointly Owned Storage Facility (50% ownership).
- WAP (40% ownership).

Revenues and expenses associated with these joint operations are allocated in the financial statements on a performance/usage basis, rather than based on the ownership structure. Z has rights to the assets and obligations for the liabilities relating to the jointly-controlled operations.

4.4 Strategic initiatives

Z's future direction is based on two overarching strategies:

1. Optimising the core business.
2. Transitioning to a low carbon future.

Some specific initiatives being undertaken by Z to adapt the business for the future are discussed below.

4.4.1 Optimising the core business

Z aims to achieve organic growth by optimising its core business. Its planned actions are centred around key themes such as a simplified supply chain, network optimisation, monetising infrastructure and leveraging convenience retail assets and capabilities.

Simplified supply chain

Z expects that transitioning the refinery to an import-only terminal will lead to future financial benefits and provide options for further simplification of business processes and cost savings.

From a financial standpoint, Z estimates that the refinery transition will allow approximately $166 million of working capital to be released from two million barrels of crude oil inventory. The cash release would be assigned to further debt reduction to support the repayment of retail bonds in 2023 ($70 million) and 2024 ($125 million).

Z also estimates a net reduction in refining and supply chain costs of $26 million, as well as $19 million of immediate freight and procurement benefits. Together, these benefits are expected to more than offset the Import Terminal Fee payable under the new arrangements.

At the time of writing, a process is underway to procure refined fuels from multiple suppliers and the refinery conversion remains on track for the first half of 2022.

In terms of earnings, Z forecasts that the transition to 100% imported fuel products could increase its EBITDAF by $45–$55 million between FY21 and FY24. A one-off downside impact of approximately $10 million is anticipated upon conversion of the refinery to an import terminal.

Network optimisation

Z plans to optimise its network of service stations and truck stops in preparation for likely transport fuel demand in 2030. Planned actions include establishing approximately five new sites in highway locations, close a limited number of non-performing/underutilised sites over FY22 and FY23, rebrand some Caltex sites to Z (4 completed to date) and continue to upgrade some low-quality sites by enabling customers to make contactless payments. In managing the Z network, Z has the flexibility to renew (or not) 30% of all retail leases.

To deliver the above actions, Z expects to incur an additional $35–$40 million of capital expenditure over the period FY22 to FY24, and estimates an uplift to EBITDAF of $10–$15 million between FY21 and FY24.

Monetising infrastructure

Z owns and operates 54% of New Zealand's bulk fuel storage terminals, representing 191 million litres of storage capacity. The safe and reliable operation of these storage terminals is critically important but despite the contribution of these assets to the national economy, they have never generated an appropriate commercial return for the capital that is committed to them. However, this is now changing with the introduction of new legislation.

The Fuel Industry Act (discussed in Section 3.5) passed in August 2020 and is strongly supported by Z. This legislation and its supporting regulations provide the impetus for Z to unwind historic industry arrangements and ensure its assets are fairly remunerated. Z expects an additional $10–$15 million of EBITDAF per annum, by FY24, from the implementation of its wholesale strategy, through new distributor

contract wins and increased wholesale volume from early FY23. To date, Z has withdrawn its Nelson and Mount Maunganui terminals from the National Inventory Agreement and is now receiving commercial returns from these terminals.

Convenience retail

Convenience retail is an ever-developing segment for Z and provides opportunities for further growth. Z has five key workstreams targeted at expanding its convenience retail offering, which are summarised in Table 2 below.

Table 2: Convenience retail workstreams

Customer Experience	• Retain and grow target customers through leveraging Z's digital advantages (e.g. pre-order sales). • Increase fuel forecourt payment transactions (37% to 50%) to free store labour to focus on food and coffee.
Store refresh	• Enhance the top 50 stores – contemporary image, design and merchandising offer. • Design known capacity break points, coffee and payment queues. • Increase physical assets to deliver highest growth potential categories. • Move to Barista Coffee, grow credibility, capacity and speed. • Grow fresh food options (e.g. smoothie bar).
Category management	• Shift store product mix to higher margin food and drink categories. • Grow core categories by applying space-to-sales principles in the store, and exit low potential categories (e.g. magazines).
Format	• Define offer, range and categories across the network to leverage different store types and geographies. • Yearly store relays.
Supply chain	• Reduce cost to serve. • Enable daily fresh food delivery and explore partnership or equity models with key suppliers.

Source: Z presentations

To deliver some of the planned actions above, Z estimates an additional capital expenditure requirement of $30–$35 million over the period FY22 to FY24, and is targeting an EBITDAF uplift of $20–$30 million between FY21 and FY24.

Exit of discretionary activity

Z is planning to exit certain business activities that are considered non-core assets and do not provide a platform for growth in a low carbon future.

For example:

- **Refining NZ shareholding**: The planned conversion of Marsden Point to an import-only terminal substantially reduces the strategic requirement for Z to maintain its shareholding in Refining NZ. Z may consider divesting its shareholding in this company, which based on a current price of $0.97 per share, implies a current value of $47 million.
- **National Inventory Agreement**: Z is considering a full exit of its storage from the National Inventory Agreement. Its Nelson and Mt Maunganui terminals have already been withdrawn.
- **Coastal Oil Logistics**: Z is discussing an exit from Coastal Oil Logistics with its joint venture partners.
- **Discretionary wholesale businesses**: Z may sell a portion of all of its interests in certain wholesale businesses in the near term, including its Mini-Tankers, General Aviation and Lubricants assets.

4.4.2 Transition to a low carbon future

Z understands that climate change has become an important global issue that needs to be addressed. Fossil fuels will inevitably play a much smaller role in the future of transport as decarbonisation initiatives continue to gain momentum.

Alternatives to fossil fuels

Low or zero carbon fuels are possible now but require policy support to incentivise investment and change buyer behaviour.

Z considers that it is well placed to incorporate lower carbon fuels into its supply chain when market conditions are suitable. Z already has some exposure to biofuels, hydrogen and electron opportunities and partnerships. Furthermore, its investments in electricity retailing, biofuels and mobility have been positive for its brand image and reputation across multiple stakeholder groups, although have not delivered a commercial return. Timing, approach and execution will be critical to any further investments that Z makes.

Z considers that it can be competitive in alternative markets to fossil fuels, through leveraging its combination of assets, positions and capabilities.

Table 3: Z key strengths

Scale infrastructure	Customer reach	Capabilities	Brand
Z has terminal infrastructure and retail assets across all regions of New Zealand.	A leading position in both B2B channels, primarily through direct customer relationships rather than third parties.	Core capabilities in managing a downstream oil business are now supplemented with growing capability in digital and customer experience (CX).	Z is an iconic Kiwi brand that has potential to extend beyond fossil fuels.
• Contracted for 44–53% of Refining NZ's import terminal capacity. • Ownership of 54% of the other terminal infrastructure. • Tenure over Z retail sites secured through freehold and extended lease tenure (as options not commitments). • Key retail and truck stop locations can be repurposed for alternative fuels or non-fuel uses.	• Combined retail network of >550 sites across all brands. • 52 million transactions each year through Z sites. • 80% of the population live within 5km of a Z or Caltex service station. • 32,000 SME accounts. • Average tenure with top 20 commercial customers is >20 years.	• NZ leading health and safety performance across the entire value chain. • Operational management of liquid supply chains of hazardous materials. • Only participant with domestic experience in biofuels production at scale. • Z is flexible in how it works with others, having been involved in different structures (e.g. joint ventures, equity positions).	• Ranked #2 in Colmar Brunton's 2020 corporate reputation survey. • Leading brand metrics on "progressive" attributes (such as innovation, technology, future fuels). • Acknowledged as "open for business" for fossil fuel alternatives by a broad group of stakeholders.

Source: Z presentations

Investing in carbon sequestration

As discussed in Section 4.3.1, Z has an investment in Drylandcarbon alongside Air New Zealand, Contact Energy and Genesis Energy. Z estimates that Drylandcarbon will provide 100,000 NZ ETS units from 2026 onwards, which represents approximately 1.3% of Z's forecast obligation liability under the scheme.

4.4.3 Disciplined capital management

Management considers that optimising Z's core business and transitioning to a low carbon future are both achievable if executed with disciplined capital management.

There is a strong focus on deleveraging Z's balance sheet in order to improve the resilience of the company, as well as its ability to execute future growth initiatives and pay sustainable dividends to shareholders. Z is targeting a Net debt/EBITDAF ratio of 1.5x and proceeds from a 2020 capital raising and various asset sales are, in part, being used for debt reduction to achieve this goal.

Sale of non-controlling interest in retail properties

Z is undertaking a complex transaction to divest a 49% non-controlling interest in an entity established to own a portfolio of 52 Z retail sites. The entity will then lease all properties back to Z. This is referred to as the REIT transaction.

Z sought an independent valuation of the relevant assets in preparation for this transaction, which resulted in a revaluation uplift of $148 million across the asset classes of land, land improvements and buildings for truck stops and retail sites.

Management expects the potential transaction to complete during the second half of FY22 or early in FY23, and generate approximately $140 million for Z. The sale proceeds will be used to fund debt repayments and growth capital expenditure.

4.5 Share ownership

Z has 518,309,402 shares outstanding[12] and more than 17,000 registered shareholders. Table 4 shows the top 20 shareholders as at 19 January 2022, which together held 51.35% of the shares outstanding.

Table 4: Share register as at 19 January 2022

	Shareholder	Shares	Percentage
1	L1 Capital	43,859,320	8.46%
2	Accident Compensation Corporation	28,181,595	5.44%
3	UBS Securities	26,265,531	5.07%
4	Investors Mutual	19,167,370	3.70%
5	Goldman Sachs Asia	18,038,313	3.48%
6	Vanguard Group	14,929,339	2.88%
7	Alpine Associates Advisors	12,303,946	2.37%
8	BlackRock Investment Management	12,150,898	2.34%
9	State Street Global Advisors	11,603,595	2.24%
10	Smartshares	9,186,761	1.77%
11	Morgan Stanley	8,924,456	1.72%
12	Samson Rock Capital	8,081,241	1.56%
13	Cooper Investors	7,884,193	1.52%
14	Private Clients of Forsyth Barr	7,334,602	1.42%
15	Dimensional Fund Advisors	6,825,268	1.32%
16	Private Clients of FNZ Custodians	6,807,805	1.31%
17	Devon Funds Management	6,377,647	1.23%
18	Mr & Mrs Khalil Shahin	6,293,500	1.21%
19	Abu Dhabi Investment Authority (ADIA)	6,000,348	1.16%
20	Pictet Asset Management	5,923,384	1.14%
Top 20 shareholders		**266,139,112**	**51.35%**
Remaining shareholders		252,170,290	48.65%
Total shares outstanding		**518,309,402**	**100%**

Source: Link Market Services data, which looks through shares held by New Zealand Central Securities Depository as a bare trustee custodian

Table 5 shows the most recent substantial product holder (**SPH**) interests notified to NZX, as at 31 January 2022. The SPH holdings differ from those in Table 4 due to timing and differences between legal interests and interests that must be disclosed to the NZX pursuant to New Zealand legal requirements.

Table 5: Substantial product holders as at 3 February 2022

Entity	Date of notice	Shares	Percentage
L1 Capital Pty Ltd	5 July 2021	44,539,249	8.56%
UBS Group AG	18 November 2021	32,928,520	6.33%
Accident Compensation Corporation	9 November 2021	31,882,921	6.13%
Mitsubishi UFJ Financial Group, Inc.	19 January 2022	27,714,064	5.33%

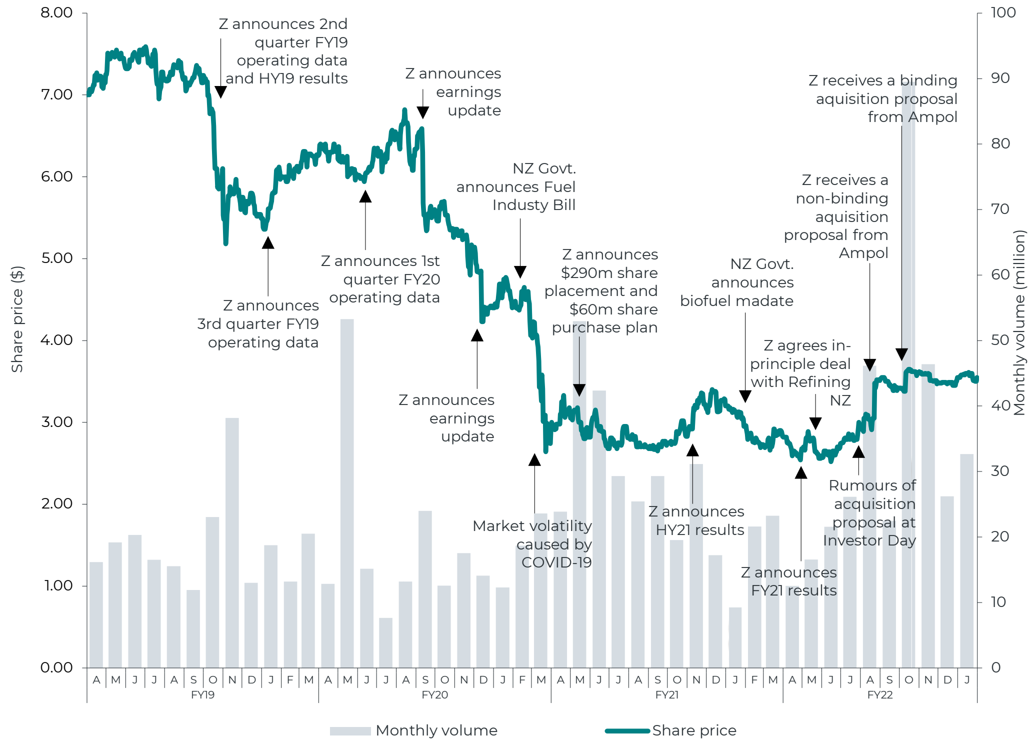
Source: SPH notices released as NZX announcements

[12] The number of shares on issue is 520,476,853. In this report, the term 'shares outstanding' refers to the shares on issue, excluding 1,968,326 shares that are held by Z (treasury stock) and a further 199,125 shares that will be transferred to Z prior to the implementation of the Scheme.

4.6 Share price performance

Figure 17 illustrates the prices and volumes of shares traded in Z since April 2018.

Figure 17: Share price and volume traded on NZX Main Board



Source: S&P Capital IQ and Calibre Partners analysis

Since the beginning of FY19, Z's share price has generally trended downwards due to numerous factors that include its recent financial performance, government policy changes targeting a reduction in carbon emissions, and COVID-19. Between the emergence of COVID-19 in March 2020 (and imposition of Alert Level 4 lockdown restrictions) and Ampol's non-binding indicative proposal in August 2021, Z's shares traded at prices between $2.52 and $3.40 per share.

On 23 August 2021, Z announced that a non-binding indicative proposal had been received from Ampol to acquire 100% of Z's shares. The share price increased from $3.05 to $3.48 as an immediate response to this announcement.

After a period of exclusive due diligence and negotiations, Z announced on 11 October 2021 that it had entered into the SIA with Ampol. Z's share price increased to $3.61 on the date this news was released.

Table 6: Share prices and volumes in the periods to 26 July 2021 (before the first press speculation in relation to corporate activity involving Z)

	Share price			Volume (million)	Proportion of issued capital
	Low	High	VWAP		
One month	2.66	2.86	2.78	22.0	4.2%
Three months	2.52	2.90	2.71	62.1	12.0%
Twelve months	2.52	3.42	2.85	253.5	48.9%

Source: S&P Capital IQ and Calibre Partners analysis

Approximately 253.5 million shares traded in the twelve months immediately prior to the first press speculation in relation to corporate activity involving Z, at prices between $2.52 and $3.42 per share. The proposed cash consideration of $3.76 per share[13] represents:

- A premium of 34.8% to the closing share price of $2.79 on 26 July 2021.
- A premium of 35.1% to the VWAP of $2.78 in the month ended 26 July 2021.
- A premium of 38.8% to the VWAP of $2.71 in the three months ended 26 July 2021.
- A premium of 31.8% to the VWAP of $2.85 in the twelve months ended 26 July 2021.

Table 7: Share prices and volumes in the periods to 8 October 2021 (before SIA announcement)

	Share price (NZ$)			Volume (million)	Proportion of issued capital
	Low	High	VWAP		
One month	3.32	3.53	3.44	23.7	4.6%
Three months	2.75	3.62	3.27	91.4	17.6%
Twelve months	2.52	3.62	3.02	271.6	52.4%

Source: S&P Capital IQ and Calibre Partners analysis

Approximately 271.6 million shares traded in the twelve months immediately prior to the SIA being announced, at prices between $2.52 and $3.62 per share. The proposed cash consideration of $3.76 per share[13] represents:

- A premium of 11.2% to the closing share price of $3.38 on 8 October 2021.
- A premium of 9.3% to the VWAP of $3.44 in the month ended 8 October 2021.
- A premium of 15.0% to the VWAP of $3.27 in the three months ended 8 October 2021.
- A premium of 24.4% to the VWAP of $3.02 in the twelve months ended 8 October 2021.

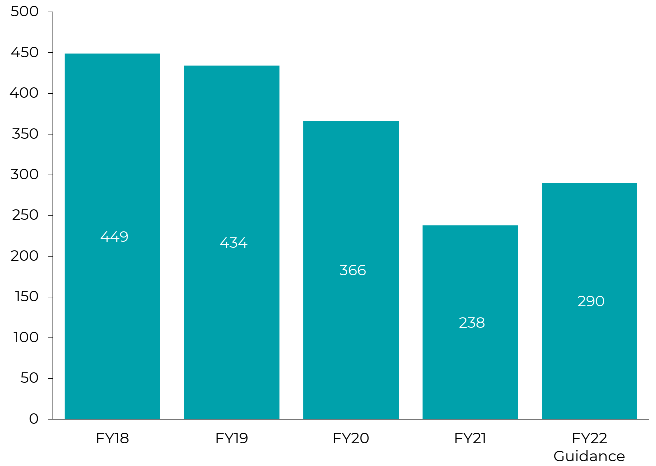
[13] The proposed consideration is measured as a cash offer of $3.76 per share and the FY22 interim dividend of $0.07 per share, resulting in overall value to Z shareholders of $3.83 per share.

5. Financial overview

5.1 Financial performance

Figure 18 shows the EBITDAF of Z for FY18–FY21 (actuals) and the midpoint of its FY22 earnings guidance. Z's EBITDAF is presented on a replacement cost basis throughout this Report.

Figure 18: EBITDAF ($ million)



Source: Z statutory accounts and forecast

Historical earnings

Z's financial performance has deteriorated in recent periods. EBITDAF declined from $449 million in FY18 to a low of $238 million in FY21.

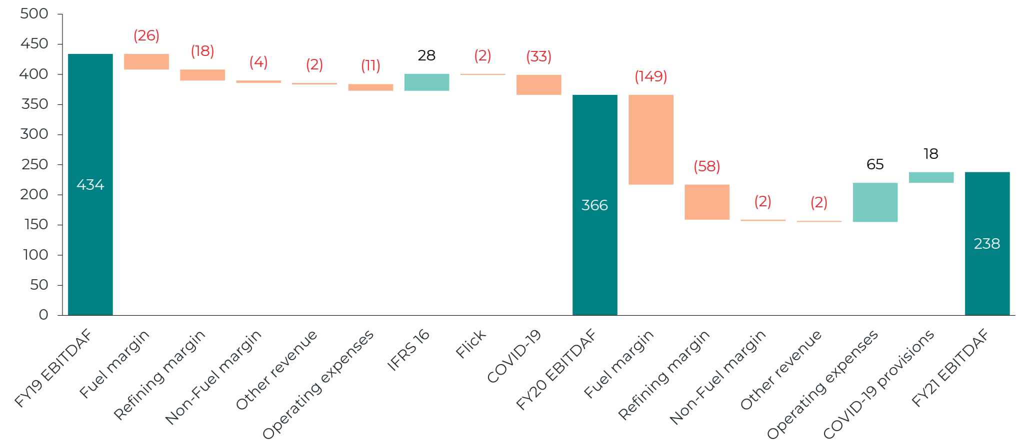
EBITDAF decreased to $366 million in FY20 for numerous reasons, which included a significant compression of retail fuel margins (decreased by $0.05 per litre over the first three quarters), a decline in fuel volumes from a loss of retail market share through the Caltex channel, and lower refining margins (a decrease of $17 million compared to FY19) and fee floor top-up payments in Q4. Z also incurred $33 million of additional costs and provisions in FY20 due to the emergence of COVID-19 at year end. The costs reflected expected impacts from customer credit losses, costs incurred from the cancellation of product/crude oil cargoes and additional selling commissions paid to retailers.

EBITDAF decreased further to $238 million in FY21 (a decrease of 35%), primarily due to the disruptions caused by COVID-19. Notably, COVID-19 lockdowns in New Zealand and global travel restrictions resulted in significantly lower fuel volumes (a decrease of 882 million litres compared to FY20) and compressed retail fuel margins. The further erosion of refining margins, caused by excess refining capacity in the Asia Pacific region and COVID-19 reduced demand, also contributed $58 million to the EBITDAF decrease in FY21.

On the upside, lower operating expenses partly offset the impacts of deteriorating fuel and refining margins in FY21. Z reduced annually recurring costs by $49 million and one-off costs by $14 million in that year (for example, through suspended marketing and lower fuel delivery costs). Furthermore, $18 million of COVID-19 provisions (recognised in FY20) were released in FY21 as associated risks decreased.

Figure 19 below summarises the changes to Z's reported EBITDAF between FY19 and FY21.

Figure 19: Summary of EBITDAF variances ($ million)



Source: Z presentations

FY22 guidance

To improve its financial performance, Z is focused on reducing costs (including delivering a further $21 million of structural cost savings in FY22), holding market share, monetising its scale and disciplined capital management.

Z is forecasting a turnaround in performance in FY22 and has issued EBITDAF guidance to the market, in a range of $270 million to $310 million. Management reaffirmed this guidance in November 2021, following the release of Z's interim result for 1H22.

The FY22 guidance is based on the following key assumptions:

- Under the New Zealand Government's revised traffic light system for managing COVID-19, that Auckland would move to 'Red' in early December 2021 and all of New Zealand is at 'Orange' from the end of January 2022.
- Brent crude oil trades within +/–10% of $115 per barrel.
- Refining production remains stable with GRM at approximately US$6 per barrel, which would result in fee floor top-up payments no longer being required.
- Fuel margins remain unchanged from FY21 levels.
- Forecasts do not include any impacts from the proposed transition of Marsden Point to an import-only terminal.

Z reported EBITDAF of $114 million for 1H22. The results reflected a solid recovery in earnings compared to the same period in the prior year, primarily due to higher refining volumes and improved refining margins, as well as growth in convenience retail sales. However, refining markets remained weak and 1H22 EBITDAF was negatively affected by renewed COVID-19 lockdowns throughout August and September 2021 (particularly in the Auckland and Waikato regions). If lockdowns were avoided in Q2 of FY22, Z estimates that 1H22 EBITDAF would have been approximately $140 million.

Z expects to recover from the impacts of recent lockdown restrictions and as at the date of this report continues to expect to deliver full year EBITDAF within its original guidance of $270 million to $310 million. Z has mitigated the downside risks of COVID-19 through various actions, including hedging its NZ ETS liabilities by holding more units than required to meet its obligations. In doing so, Z benefitted from an increase in the price of NZ ETS units from $37 per unit at 31 March 2021 to $64 per unit at 30 September 2021.

Z also expects that recent lockdowns will not compromise its delivery of key growth initiatives. Notably, it plans to complete the divestment of a non-controlling interest in its retail properties in the second half of FY22, with the sale proceeds used to fund debt repayments and growth capital expenditure.

Forecast earnings

At the Investor Day held on 28 July 2021, Z set out goals for growing its earnings over the next few years. By executing the key strategic initiatives described in Section 4.4, Z is targeting EBITDAF growth of between $85 million and $115 million per annum by the end of FY24. If the planned actions prove successful, annualised EBITDAF could be somewhere between $360 million and $400 million by FY24.

Table 8 summarises the planned actions that, in Z's view, could deliver the targeted uplift in EBITDAF. Z estimates that capital expenditure of $65 million to $75 million is required to deliver these outcomes.

Table 8: Key initiatives and EBITDAF growth

Workstream	Intention	Planned Actions	EBITDAF (FY21 to FY24)	Capex (FY22 to FY24)
Network optimisation	Transition the network for likely 2030 demand	• Approximately 5 new builds in highway locations. • Close approximately 10 sites in FY22/23. • Rebrand approximately 15 sites from Caltex to Z. • Upgrade some low-quality sites. • Renew (or not) 30% of all retail leases.	+$10m–$15m	$35m–$40m
Wholesale strategy	Monetise Z's infrastructure advantage	• Implement Terminal Gate Pricing. • Possibly exit all storage from National Inventory Agreement. • Compete for distributor contracts.	+$10m–$15m	Not required
Convenience retailing	Leverage existing assets and capabilities	• Grow sales in higher margin products. • Refresh approximately 50 stores. • Expand store capacity in approximately 5 sites.	+$20m–$30m	$30m–$35m
Import only supply chain	Transition to 100% imported products in Q1 of FY23	• Simplify internal structures and processes. • Establish new product procurement contacts during Q3 of FY22. • Consider further optimisation of international supply chain with another importer.	+$45m–$55m	Not required
			+$85m–$115m	$65m–$75m

Source: Z presentations

5.2 Financial position

Table 9 presents Z's financial position as at 31 March 2020, 31 March 2021 and 31 December 2021, based on its annual reports and unaudited management accounts.

Table 9: Historical financial position ($ million)

	Mar 20	Mar 21	Dec 21
Cash at bank	19	162	14
Inventories	565	570	741
Accounts receivable and prepayments	297	299	339
Derivative financial instruments	32	77	19
Other assets	28	1	1
Current assets	**941**	**1,109**	**1,114**
Property, plant and equipment	819	816	961
Right-of-use assets	282	280	285
Goodwill	158	158	158
Intangible assets	628	497	671
Investments	48	42	84
Derivative financial instruments	153	38	43
Other non-current assets	16	13	13
Non-current assets	**2,104**	**1,844**	**2,215**
Total assets	**3,045**	**2,953**	**3,329**
Accounts payable and accruals	748	605	720
Provisions	19	21	80
Borrowings	70	169	212
Derivative financial instruments	91	33	30
Lease liabilities	14	16	17
Other current liabilities	–	15	-
Current liabilities	**942**	**859**	**1,059**
Borrowings	1,032	601	608
Derivative financial instruments	26	25	5
Deferred tax liability	74	94	85
Provisions	74	72	72
Lease liabilities	285	283	290
Other non-current liabilities	10	8	6
Non-current liabilities	**1,501**	**1,083**	**1,066**
Total liabilities	**2,443**	**1,942**	**2,125**
Net assets	**602**	**1,011**	**1,204**
Share capital	430	767	767
Retained earnings	(17)	44	93
Reserves	187	202	348
Non-controlling interest	2	(2)	(4)
Total equity	**602**	**1,011**	**1,204**

Source: Z statutory accounts and management accounts

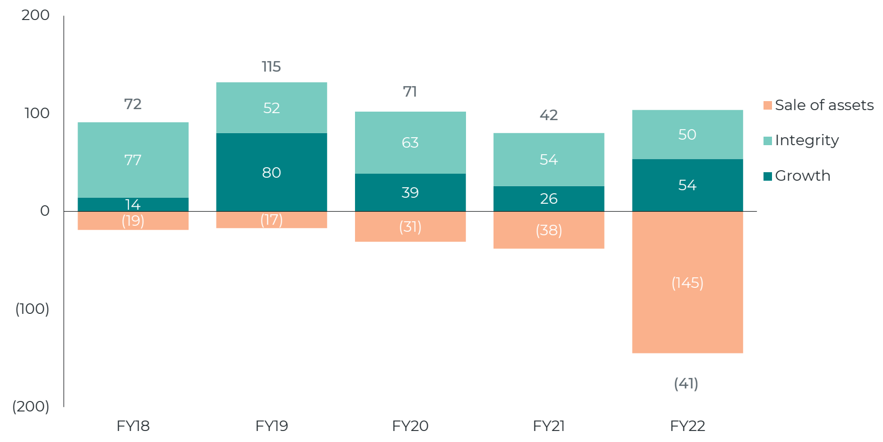
Key points to consider when reviewing Z's balance sheets include the following:

- Z had cash and cash equivalents of $14 million as at 31 December 2021.
- Inventories are measured at the lower of cost or net realisable value. The impact of COVID-19 led to a significant fall in commodity prices, resulting in a $53 million write down of the closing value of crude oil and refined fuels in March 2020. The inventory write down at 31 March 2021 was $3 million.
- Derivative financial instruments are used to manage financial risks associated with foreign exchange rates, interest rates, commodity and electricity prices. These financial instruments are measured at fair value and recognised as either assets or liabilities on Z's balance sheet. Movements in fair value of financial instruments are recorded either as gains or losses in the income statement or as changes to the reserve accounts in equity, depending on their nature.
- Property, plant and equipment (**PPE**) is the most significant asset category and it includes land and buildings, terminal infrastructure and plant and machinery owned by Z. PPE is measured at fair value based on periodic valuations, less accumulated depreciation and any impairment after the date of revaluation. An independent revaluation of all land and buildings (including terminal plants) is undertaken by an independent valuer every five years and limited-scope assessments are performed during the intervening years to make annual adjustments to carrying values. An independent valuation of Z's retail and truck stop land and buildings was obtained during 1H22, which resulted in a revaluation gain of $148 million. The remainder of Z's land and buildings will be revalued prior to 31 March 2022.
- Due to the introduction of NZ IFRS 16, Z changed how its lease obligations are accounted for in FY20. It now treats all leases as finance leases and recognises right-of-use assets and related lease liabilities on the balance sheet.
- Goodwill of $158 million related to Z's acquisition of the Chevron New Zealand fuels business (which operated the Caltex brand). Other intangible assets include contracts acquired and brands (most of which also relate to the Chevron acquisition), as well as NZ ETS units held and software licences.
- Investments recognises Z's ownership interests in Refining NZ and various associates and subsidiaries. Z's investment in Refining NZ is measured based on the company's NZX-listed share price.
- Z's borrowings include bank facilities, bonds and US Private Placement (**USPP**) notes secured against certain assets. At 31 December 2021, Z had secured bank facilities of $530 million and $212 million was drawn against these facilities. The USPP notes balance was $378 million at this date.
- The deferred tax liability reflects taxable temporary differences between the carrying amounts of assets and liabilities, and their corresponding tax cost base. It has been created by temporary differences related to PPE (including asset revaluations), intangible assets, finance leases and other items.
- Share capital increased by $347 million in FY21, as Z raised $290 million through a fully-underwritten institutional placement on 15 May 2020, and a further $57 million through a share purchase plan for existing shareholders on 5 June 2020.

5.3 Capital expenditure

Figure 20 shows Z's net capital expenditure between FY18 (actual) and FY22 (forecast).

Figure 20: Net capital expenditure ($ million)



Source: Z presentations

Z's net capital expenditure comprises business-as-usual maintenance, spend on growth initiatives and divestments.

In recent historical years, Z has made significant investments in its IT and management systems to support growth and business improvements. This spend has been recognised as a mix of 'Integrity' and 'Growth' capital expenditure. Integrity spend recognises the need to replace important legacy IT systems, including Z's ERP system. Growth spend was particularly elevated in FY19 due to Z acquiring a 70% shareholding in Flick Energy during this period.

Z incurred capital expenditure of $43 million in 1H22, which included a further investment of $15 million in Drylandcarbon and spend on terminal and retail store upgrades. Management expects the planned divestment of a non-controlling interest in its retail properties, as associated with the REIT transaction, to complete during the second half of FY22 or early in FY23.[14] This transaction is expected to generate sale proceeds of approximately $140 million for Z, which should more than offset its capital expenditure for the FY22 year.

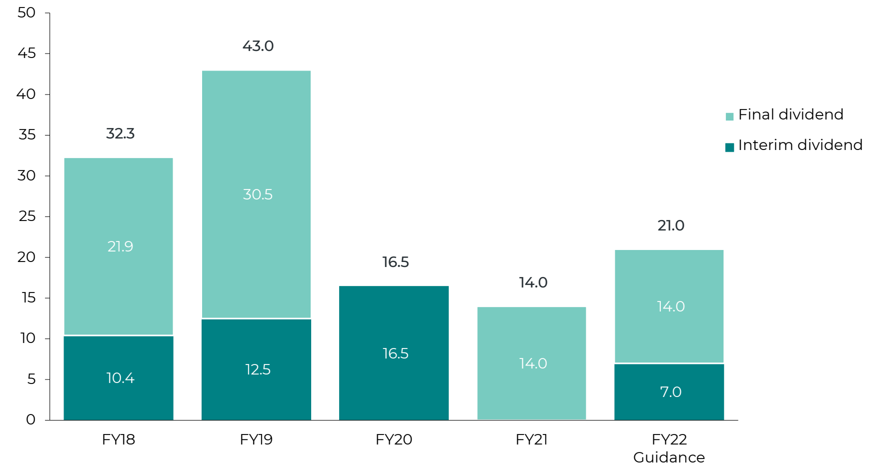
Beyond FY22, Z expects its annual capital expenditure will be relatively stable, but the nature of its spend will change to support its current strategy and the transition to a low carbon future. Z is also considering further asset sales, including possible divestments of its shareholding in Refining NZ and certain non-core wholesale businesses.

[14] For Figure 20 the REIT transaction proceeds have been included in FY22.

5.4 Dividends

Figure 21 shows Z's dividend payments between FY18 and FY21, and the midpoint of its FY22 dividend guidance.

Figure 21: Dividends (cents per share)



Source: Z statutory accounts and forecast

Z declared both interim and final dividends to its shareholders in FY18 and FY19.

Due to the impacts of COVID-19, Z suspended its final dividend for FY20 and, as part of a financing agreement with its banking partners and debt providers, agreed to pause dividend payments to shareholders until after the first half of FY22. However, Z successfully negotiated an early release from these provisions due to stronger than expected financial results and paid a final dividend of $0.14 per share in respect of FY21 earnings.

FY22 dividend guidance has been announced to shareholders, in a total range of $0.19 to $0.23 per share (midpoint of $0.21 per share). Z has declared and paid a fully-imputed interim dividend of $0.07 per share in respect of FY22.

6. Valuation

6.1 Valuation approach

Standard of value

We have estimated the 'fair market value' of Z. Fair market value is the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, both acting at arm's length.

Business interest being valued

Our valuation is based on the acquisition of the whole of Z and accordingly incorporates a premium for control.

All else being equal, a controlling interest in shares is typically more valuable than an interest without control. This is because a non-controlling interest has limited influence over important business decisions, such as declaring dividends and determining the investment strategy. Accordingly, the value we have assessed exceeds the level at which, under normal market conditions, we would generally expect shares in Z would trade on the share market.

Common valuation techniques

There are four valuation methodologies that are commonly used for valuing businesses:

1. Discounted cash flow (**DCF**) analysis
2. Capitalisation of earnings
3. Estimate of proceeds from an orderly realisation of assets
4. Industry rules of thumb.

Each of these methodologies is appropriate in different circumstances. A key factor in determining which methodology is appropriate is the actual practice commonly adopted by purchasers of the type of business involved. These valuation methodologies are explained in more detail at Appendix 3.

Valuation techniques to be employed

We have adopted the DCF and capitalisation of earnings methodologies to estimate the fair market value of Z on a standalone basis.

We consider the DCF approach is appropriate because:

- The DCF methodology is commonly used by participants in the fuel industry.
- The DCF methodology requires long-term financial forecasts. Z has prepared financial projections for the period FY22–FY40 (**the Forecasts**), which were finalised in February 2022 and represent Z's best estimate of its future financial performance.
- The DCF methodology is suited to valuing businesses where current earnings are not representative of expected future earnings. Z's short-term performance has been negatively affected by factors such as COVID-19 and using the DCF methodology allows for the expected recovery in Z's earnings to be accounted for. The DCF methodology also allows the variable nature of key value drivers such as future fuel volumes, fuel and non-fuel margins, asset transactions and NZ ETS unit prices to be specifically addressed.

We have considered the capitalisation of earnings methodology as a secondary valuation approach. This approach is also commonly used to value companies in the fuel industry and is relatively simple to apply.

Valuation date

We have adopted a valuation date of 31 March 2022, which is around the date when shareholders are expected to vote on the Scheme.

Our valuation is based on the most recently available balance sheet at the time we prepared this Report, as at 31 December 2021, and the Forecasts beyond 31 December 2021.

Our valuation was finalised on 4 February 2022. When preparing the valuation, we considered and factored in events that occurred up to this date. However, our valuation does not take into account unforeseen events that occur after 4 February 2022. Therefore, when deciding on whether to vote to approve or reject the Scheme, shareholders may want to also consider events that occur after 4 February 2022, such as movements in the share prices of other listed companies, and changes to interest rates.

6.2 Valuation summary

We estimate the value of Z's equity at between $3.54 and $4.07 per share, as summarised in Table 10. Our assessed value range compares to the cash consideration of $3.76 per share.

Table 10: Valuation assessment ($ million, except where specified otherwise)

	Low	High
Enterprise value	2,125	2,400
Surplus NZ ETS units	218	218
REIT transaction proceeds	140	140
Refining NZ shareholding	47	47
Non-core assets to be sold	26	26
Flick Energy shareholding	15	15
Net debt	(737)	(737)
Equity value	1,834	2,109
Shares outstanding (million)	518.3	518.3
Share value ($ per share)	3.54	4.07

We assess the enterprise value of Z at between $2,125 million and $2,400 million using the DCF methodology (refer Section 6.3). We have then crosschecked this enterprise value range using the capitalisation of earnings methodology (refer Section 6.4).

To convert the enterprise value into an equity value, we have added on the value of surplus assets and deducted the value of net debt.

We have recognised the following surplus assets when valuing Z:

- **Surplus NZ ETS units:** Z held 3.3 million NZ ETS units in excess of its obligation liability on 31 December 2021. These units have a value of $288 million (tax adjusted) at the current market price of around $76.50 per NZ ETS unit.
- **REIT transaction proceeds:** The sale of a 49% non-controlling interest in certain retail sites is assumed to complete in February 2022, returning an estimated $140 million of sale proceeds.
- **Refining NZ shareholding:** Z holds 47,999,980 shares in Refining NZ. Its investment is valued at approximately $47 million based on the current market price of $0.97 per Refining NZ share.
- **Non-core assets to be sold:** Z considers its Mini-Tankers, General Aviation and Lubricants businesses to be non-core assets that do not provide a platform for future growth. It plans to divest these assets in the near future and has estimated combined sale proceeds of approximately $26 million. We adopt this amount in our valuation of Z.
- **Flick Energy operations:** Z owns a 70% interest in Flick Energy. The business currently incurring financial losses and is not expected to be profitable until FY25. We estimate the value of Flick Energy at $15 million based on DCF analysis, crosschecked against its 31 March 2021 book value.[15]

[15] The DCF value is $15 million, which is based on Flick Energy earning $6 million EBIT per annum by FY26, a discount rate of around 12.5%, and a 2% terminal growth rate. The book value of Flick Energy is $15 million.

We have deducted $737 million net debt based on Z's balance sheet as at 31 December 2021, and expected movements between 31 December 2021 and 31 March 2022. This amount comprises:

- Amounts taken from Z's 31 December 2021 balance sheet, being: $820.0 million borrowings (excluding lease liabilities), less $14.2 million cash at bank, and less $19.0 million derivative financial instruments (tax adjusted).
- A reduction to the net debt amount of $49.7 million to allow for the expected positive operating cashflows between 31 December 2021 and 31 March 2022 (which are not captured within enterprise value).

Our valuation is for 100% of Z and therefore includes a premium for control. The value exceeds the price at which, based on current market conditions, we would expect Z's shares to trade in the absence of a takeover offer or transaction similar in nature to the Scheme.

Our valuation assessment is set out in greater detail at Sections 6.3 and 6.4.

6.3 Discounted cash flow (DCF)

6.3.1 Principal assumptions and valuation parameters

The principal 'base case' assumptions we have used to value Z are as follows:

Forecast cash flows: The DCF valuation is based on the Forecasts, which were finalised by Z in February 2022. The principal assumptions that underpin the Forecasts include:

- In the second half of FY22, Z expects to recover from the impacts of recent lockdown restrictions and deliver a full-year EBITDAF of around $270 million in FY22; at the bottom end of existing guidance.
- Fuel volumes are forecast to peak at 3,944 million litres in FY26 and continuously decline thereafter, at an average rate of 3% per annum. The projected volumes reflect Z's current forecasts on fuel demand.
- It is assumed that Marsden Point successfully transitions to an import-only terminal from 1 April 2022 and EBITDAF recovers in FY23 (being the first year following the transition) to levels experienced in FY20 (being the last year the was largely unaffected by COVID-19).
- EBITDAF is then expected to follow the trend in underlying fuel volumes. It is forecast to peak at approximately $400 million in FY26 and FY27 before declining at 3% per annum, on average, for the remainder of the forecast period. The projected uplift in EBITDAF over the next few years assumes that Z successfully executes the planned actions summarised in Table 8.
- In FY23, movements in net working capital are anticipated to include a $166 million release of crude oil inventory as the refinery transitions to an import-only terminal. Z plans to use the additional cash to further reduce its outstanding debt.
- Annual capital expenditure is forecast to be higher than usual between FY22 and FY24 (approximately $100 million on average), to support Z's various near-term strategic initiatives. Proceeds from asset sales will be partly used to fund growth capital expenditure. Capital expenditure is then forecast to average $78 million per year between FY25 and FY30, before reducing as the scale of Z's operations decreases.
- The Forecasts we use to determine enterprise value exclude cashflows associated with the surplus assets.

Discount rate: We have estimated Z's post-tax, nominal weighted average cost of capital (**WACC**). Our WACC assessments are detailed at Appendix 4. We have applied different discount rates to each year's cash flows, based on their timing. Our approach is equivalent to applying a single discount rate of 8.0%.

Terminal value assumptions: To estimating the terminal value, we have considered both the future value of Z's operating business and the future value of its underlying assets. Given the persistent decline in volumes in the longer-term forecast, we consider that the assets under Z's ownership (particularly land) could be more valuable than Z's current operating business at some date in the future. We have therefore estimated Z's terminal value as follows:

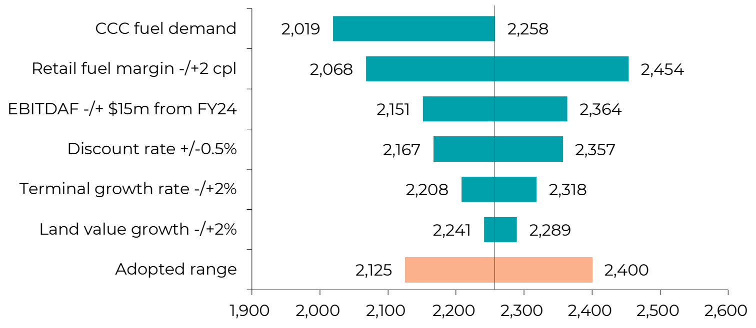
- Using the Gordon Growth Model, we have assumed that, beyond FY40, Z's unlevered free cash flows decline at 3% per annum in perpetuity.
- We have assumed that the market value of land owned by Z increases by 4.5% per annum throughout the forecast period and in perpetuity. This estimate allows for inflation, population growth, productivity growth (all of which should impact the value of land), as well as a small risk premium. We continue to depreciate the other PPE on Z's balance sheet beyond FY40.
- We have compared the future enterprise value calculated using the Gordon Growth Model against the value implied by Z's balance sheet. To derive Z's terminal value, we adopt the unlevered free cash flows up until the date when the balance sheet value (including increasing land value) represents a higher value for the company than implied by the Gordon Growth Model. This represents the point in

time when Z's operating business is worth less than its underlying assets. This is estimated to occur at the end of FY38 under the 'base case' assumptions.

6.3.2 DCF assessment

We have assessed a value range of $2,125 million and $2,400 million for Z after considering a range of sensitivities, as illustrated in Figure 22 and described below.

Figure 22: DCF valuation – sensitivity analysis ($ million)



Source: Calibre Partners analysis

Applying the DCF approach, we estimate the enterprise value of Z at $2,258 million using the 'base case' assumptions. The valuation sensitivities are determined using the base case assumptions, with the following adjustments (keeping all else equal):

- **Retail fuel margin –/+ 2 cpl:** Z's future earnings are sensitive to changes in the gross margin achieved by its Fuel segment. We have considered the impacts of fuel margins being 2 cpl lower or higher in each forecast year. The enterprise value of Z is relatively sensitive to the margin it earns on retail fuel.
- **Discount rate +/– 0.5%:** Our discount rate approach is equivalent to applying a single discount rate of 8.0%. We have considered the impacts of applying a single discount rate that is higher or lower by 50 basis points.
- **Land value growth –/+ 2%:** Our terminal value estimate is affected by the market value of land under Z's ownership. We have considered the impacts of reducing the average rate of land value growth to 2.5% per year and increasing it to 6.5% per year. The enterprise value we assess for Z is relatively unaffected by the growth assumption for land values.
- **Terminal growth rate –/+ 2%:** The terminal value is also influenced by the terminal growth rate adopted in the Gordon Growth Model. We have considered the impacts of changing the terminal growth rate to negative 5% and to negative 1%.
- **EBITDAF –/+$15 million:** Z has announced that it is targeting EBITDAF growth of between $85 million and $115 million per annum from the strategic initiatives summarised in Table 8. The base case forecast includes approximately $100 million of the annualised EBITDAF. We have considered the impact of a change in annualised EBITDAF that increases to $15 million by FY24 and continues thereafter. We consider this is an important consideration for shareholders due to the uncertainty of achieving the strategic initiatives.
- **Climate Change Commission fuel demand:** As shown in Figure 11, the Climate Change Commission anticipates that demand for fossil fuels will decline at a faster rate than is assumed in Z's current expectation. We have run the Climate Change Commission's Demonstration Path forecast as another downside sensitivity. We understand from Z that it considers this scenario highly unlikely. Nevertheless, we consider this scenario is useful to consider possibly downside impact on value from fuel demand being below Z's current expectations.

6.4 Capitalisation of earnings

We have used the capitalisation of earnings approach to crosscheck the enterprise value we assess using the DCF approach.

Table 12: Capitalisation of earnings crosscheck ($ million, except where specified otherwise)

	Low implied multiple	High implied multiple
Enterprise value assessed using DCF approach (adjusted)[16]	2,265	2,540
FY22 Guidance EBITDAF	310	270
Implied EBITDAF multiple	7.3x	9.4x
Average FY19–FY21 EBITDAF	346	346
Implied EBITDAF multiple	6.5x	7.3x

Our assessment of an adjusted enterprise value at between $2,265 million and $2,540 million:

- Implies an earnings multiple of between 7.3x to 9.4x EBITDAF, based on its FY22 Guidance of between $270 million and $310 million EBITDAF.
- Implies an earnings multiple of between 6.5x to 7.3x EBITDAF, based on the average EBITDAF Z earned each year between FY19 and FY21.

We have benchmarked these implied earnings multiples against other precedent transaction multiples, which are described in greater detail below, and consider them reasonable.

[16] For Table 12, we have adjusted the enterprise value to include the $140 million in expected proceeds from the REIT transaction. We have made this adjustment for consistency, because the EBTIDAF figures used for comparison were before taking into account the REIT transaction.

6.4.1 Earnings multiple

Earnings multiples are generally derived by benchmarking the entity being valued against the sale and purchase of shares in comparable companies. Transaction evidence is typically sourced from:

- Earnings multiples based on the current share prices of comparable listed companies.
- Earnings multiples based on recent transactions of comparable companies.

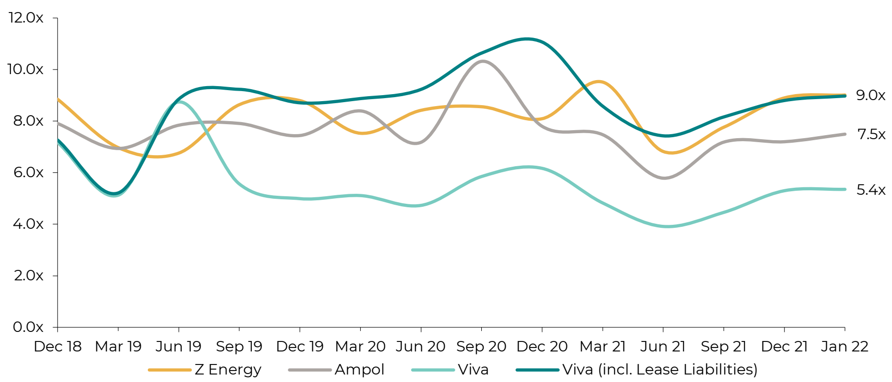
Comparable listed companies

We set out at Appendix 5 a selection of broadly comparable listed companies, and their implied earnings multiples. These companies have median earnings multiples of around 7.2x FY21 EBITDA, and 6.3x FY22 EBITDA.

The companies shown in Appendix 5 are generally larger than Z. Many also have part of their operations that are not directly comparable to Z. The two that we consider most comparable are Viva Energy Group and Ampol, due to their operations being closer geographically (for example, Australia versus USA), having a broadly similar size (although still larger), and having similar operations.

Figure 23 shows the observed historical forward trading multiples of Z Energy, Ampol, Viva. Viva is shown with and without its lease liabilities impacting its earnings multiple because of the significant proportion of its lease liabilities relative to its value (particularly when compared to Z).

Figure 23: Observed historical trading multiples (EV/EBITDA)



Source: S&P Capital IQ

The period shown in Figure 23 has been impacted by uncertainty associated with COVID, which has affected the companies' share prices and forecast earnings.

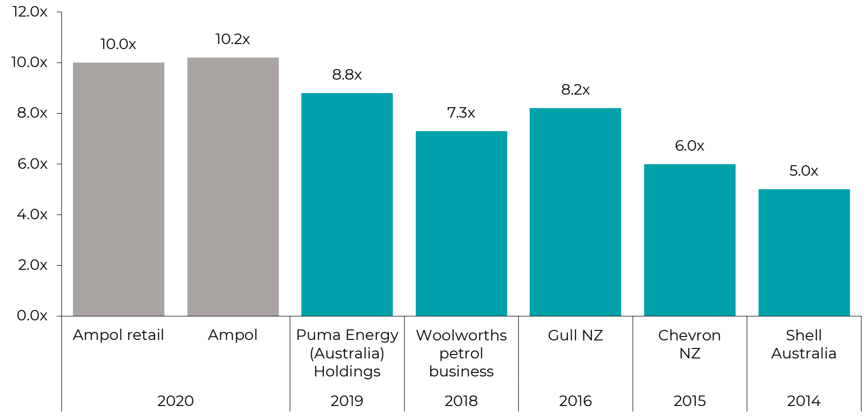
When considering listed earnings multiples, it is important to consider that:

- Typically, assuming business earnings are increasing, forward earnings multiples are lower than historical earnings multiples.
- The comparable trading multiples are based on prices assessed for small minority parcels of shares. Therefore, these earnings multiples typically exclude a control premium that would typically apply to a 100% shareholding.
- Both Ampol and Z have been subject to speculation of a potential transaction – Ampol around late 2019, and Z in the second half of 2021. Therefore, parts of the lines for these companies may include a control premium.

Comparable transactions

In addition to comparing Z to listed companies, we have benchmarked Z against transactions for fuel companies that involved a change of control. The Australasian companies are summarised in Figure 24 and further details are set out in Appendix 6, which also includes some international transactions.

Figure 24: Comparable transaction multiples – Australasia



Source: S&P Capital IQ, company reports and Calibre Partners analysis

The following points are relevant when considering the above transaction multiples:

- The two transactions shaded grey in Figure 24 were not completed.
  - The Ampol retail transaction, at 10.0x EBITDA, was cancelled on 2 March 2020 because the board considered the offer did not represent compelling value for shareholders. This was before COVID-19 lockdowns restrictions (which had a material impact on travel) became effective.
  - The Ampol transaction, at 10.2x EBITDA, was cancelled by the proposed acquirer on 19 April 2020 due to the high level of economic uncertainty caused by the COVID-19 pandemic.
- The successfully completed transactions had implied EBITDA multiples in a range of approximately 5.0x to 8.8x, with a median of 7.3x.
- The more recent transactions have tended to occur at higher earnings multiples. However, all transactions were announced before COVID-19.
- The three oldest transactions (Gull NZ, Chevron NZ and Shell Australia) occurred before the introduction of IFRS 16.

6.5 Potential synergies

In various market announcements, representatives from Ampol have emphasised that an acquisition of Z is a logical growth opportunity for their company. Ampol considers that the combined entity will be a Trans-Tasman leader in transport fuels and convenience retail, with the benefits of greater scale and other synergies supporting strong returns and earnings growth for its shareholders.

Ampol is also of the view that the Scheme would bring considerable benefits to New Zealand. Its managing director, Matt Halliday, has said that the additional scale created by the transaction, when combined with Ampol's established trading and shipping capabilities, regional supply chain and broader fuels infrastructure, will bolster New Zealand's fuel security when the local market transitions to an import-only model.

The value of any potential synergies to Ampol is extremely difficult to assess with any accuracy. Accordingly, we have not attempted to quantify them in our valuation assessment.

7. Merits of the Scheme

The Code requires the independent adviser to form an opinion as to the merits of the proposed transaction and, in doing so, to take into consideration issues wider than just a valuation.

The term 'merits' has no definition in either the Code or in any statute dealing with securities or commercial law in New Zealand. Although the Code does not prescribe a meaning of the term 'merits', the Panel has interpreted the word to include both positives and negatives in respect of a transaction. We have adopted that approach in preparing this Report.

7.1 Z's recent performance

Z's financial performance has deteriorated in recent periods. EBITDAF declined from $449 million in FY18 to a low of $238 million in FY21, mainly due to a significant compression of fuel and refining margins and the impacts of COVID-19. On the upside, lower operating expenses partly offset the impacts of deteriorating fuel and refining margins in FY21. Z reduced annually recurring costs by $49 million and one-off costs by $14 million in that year, and $18 million of COVID-19 provisions (recognised in FY20) were released in FY21 as associated risks decreased.

Z is forecasting a turnaround in performance in FY22 and has issued EBITDAF guidance to the market, in a range of $270 million to $310 million. Management reaffirmed this guidance in November 2021, following the release of Z's interim result for the first half of FY22 (**H122**).

Z reported EBITDAF of $114 million for H122. The results reflected a solid recovery in earnings compared to the same period in the prior year, primarily due to higher refining volumes and improved refining margins, as well as growth in convenience retail sales. However, refining markets remained weak and H122 was negatively affected by COVID-19 lockdowns throughout August and September 2021 (particularly in the Auckland and Waikato regions). If those lockdowns were avoided in Q2 of FY22, Z estimates that its EBITDAF would have been approximately $140 million in H122.

Z expects to recover from the impacts of recent lockdown restrictions in the second half of FY22 (**2H22**) and deliver a full-year EBITDAF at the bottom end of existing guidance. Z has mitigated the downside risks of COVID-19 through various actions, including hedging its NZ ETS liabilities by holding more units than required to meet its obligations. Z also expects that recent lockdowns will not compromise its delivery of key growth initiatives. Notably, it plans to complete the divestment of a non-controlling interest in its retail properties in 2H22, with the sale proceeds used to fund debt repayments and growth capital expenditure.

At the Investor Day held on 28 July 2021, Z set out goals for growing its earnings over the next few years. It is targeting EBITDAF growth of between $85 million and $115 million per annum by the end of FY24. If successful, EBITDAF could reach around $360 million to $400 million. Z estimates that capital expenditure of $65 million to $75 million is required to deliver these outcomes.

Z's share price has generally trended downwards since the beginning of FY19. Between the emergence of COVID-19 in March 2020 (and imposition of Alert Level 4 lockdown restrictions) and Ampol's non-binding indicative proposal in August 2021, Z's shares traded at prices between $2.52 and $3.40 per share.

On 23 August 2021, Z announced that a non-binding indicative proposal had been received from Ampol to acquire 100% of Z's shares. The share price increased from $3.05 to $3.48 in response to the announcement. After a period of exclusive due diligence and negotiations, Z announced on 11 October 2021 that it had entered into the SIA with Ampol. The share price increased to $3.61 on the date this news was released.

7.2 Standalone valuation of Z

We estimate the value of Z at between $3.54 and $4.07 per share, with a midpoint of $3.80 per share.

Our assessment is for 100% of Z and therefore includes a premium for control. The value exceeds the price at which, based on current market conditions, we would expect Z's shares to trade in the absence of a takeover offer or transaction similar in nature to the Scheme.

Our assessment was finalised on 4 February 2022 and assumes a valuation date of 31 March 2022. It incorporates known events and forecast earnings to 31 March 2022 but does not capture unexpected events after 4 February 2022.

We have adopted our valuation range after considering the DCF and capitalisation of earnings methodologies.

Our valuation of Z is set out in greater detail at Section 6 of this Report.

7.3 Proposed consideration

The proposed cash price is $3.76 per share, which is within our assessed value range and near the midpoint.

The proposed cash price of $3.76 (which includes a does not include the 1H FY22 dividend of $0.07 per share which has already been paid or any implementation date adjustment payment up to $0.10 per Scheme Share) represents:

- A premium of 34.8% to the closing share price of $2.79 on 26 July 2021, which was the last trading day before the first press speculation in relation to corporate activity involving Z.
- A premium of 11.2% to the closing share price of $3.38 on 8 October 2021, which was the last trading day before the SIA was announced to the market.

If the Scheme has not been implemented by 31 March 2022, the cash consideration will be increased by a rate of $0.00055 per share for each day that implementation is delayed beyond 31 March 2022. This adjustment to the proposed consideration is capped at an additional $0.10 per share.

7.4 Voting on the Scheme

For the Scheme to proceed, it is necessary that both of two voting thresholds are met, being:

1. At least 75% of the votes cast in each interest class must be voted in favour of the Scheme.[17]
2. More than 50% of the Z shares on issue and entitled to vote must be voted in favour of the Scheme.

We are not aware of any significant Z shareholders committing or formally announcing their intentions to vote for or against the Scheme. Z's shares are widely held by institutional and retail investors. Therefore, acceptance by one or two key shareholders would not make it certain that the Scheme will be approved.

Z's Board of Directors unanimously recommends that shareholders vote in favour of the Scheme, in the absence of a superior proposal. The Directors intend to vote all shares held or controlled by them in favour of the Scheme.

7.5 Alternatives to the Scheme

Z shareholders could choose to vote against the Scheme, either on the basis that they prefer to remain shareholders of Z or in the expectation that they might realise superior value through an alternative transaction in the future.

If shareholders do not approve the Scheme, Z would remain a listed company with its shares quoted on the NZX Main Board and the ASX. In the absence of any other factors, there is a real prospect that Z's share

[17] At the date of this Report, it is expected that all shareholders will comprise one interest class.

price may recede from current levels, due to a potential reversal of any positive effect caused by the announcement of the SIA.

The long-term consequences of a decision to reject the Scheme are less clear. It is possible that Z shareholders may be able to realise greater value through an alternative transaction in the future. However, it would be presumptive to assume that one will eventuate.

The proposal from Ampol followed earlier unsolicited, confidential and non-binding indicative proposals in the form of letters or verbal communications to Z, at prices of $3.35, $3.50 and $3.60 per share. Z's Board of Directors considered that the earlier proposals did not represent sufficient value to justify the exclusivity or confirmatory due diligence access that was requested. Following its $3.78 per share proposal on 23 August 2021, Ampol was granted a six-week period of exclusivity to undertake due diligence, further develop its proposal and negotiate transaction documentation with Z. This ultimately led to Z and Ampol entering into the SIA on 10 October 2021.

No competing proposal has emerged since Z's announcement, on 23 August 2021, that it had received the non-binding indicative proposal from Ampol. However, there is nothing to prevent another party from announcing its interest in acquiring Z at some time before a special meeting of shareholders is held to vote on the Scheme. An alternative acquirer could also purchase a blocking interest in Z on market, potentially at prices above the proposed consideration of the Scheme. In the absence of such a counter-offer, Z shareholders could have some confidence that there are no superior alternative transactions involving a currently unknown third party, in the near term at least.

If the Scheme is successful, shareholders that wish to maintain an exposure to Z's assets, or the wider fuel industry, would be able to invest the proceeds into the shares of Ampol or other listed companies in the sector.

7.6 Likelihood of an increase to the proposed consideration

Unless a superior alternative proposal is forthcoming, we consider it unlikely that Ampol will increase the proposed consideration being offered. In the absence of a superior proposal, Z's Board of Directors unanimously recommends that shareholders vote in favour of the Scheme and the proposed consideration sits within our assessed valuation range and near the midpoint.

Ampol may increase the proposed consideration if it thought the Scheme were otherwise likely to be rejected, although there is no assurance that this would happen. As the shareholder vote approaches, there will be more certainty as to whether a competing proposal is likely to emerge.

Again, we note that the cash consideration will be increased by a rate of $0.00055 per share for each day that implementation of the Scheme is delayed beyond 31 March 2022. This adjustment to the proposed consideration is capped at an additional $0.10 per share.

Appendix 1: Sources of information

Documents relied upon

Key information sources we have used and relied on, without independent verification, in preparing this Report include the following:

- Z annual reports
- Z investor presentations
- Z management accounts
- Z financial models
- Z current forecast for future fuel demand
- Z fuel demand model
- Refining NZ Independent Appraisal Report
- Z share register as at 19 January 2022 (Link Market Services)
- Ministry for the Environment
- Climate Change Commission
- Bloomberg
- S&P Capital IQ
- Reserve Bank of New Zealand
- New Zealand Treasury
- Broker reports
- NZX announcements
- Other publicly available information.

We have also had discussions with Z's management team in relation to the nature of its business operations and the known risks and opportunities for Z in the foreseeable future.

Reliance upon information

In forming our opinion, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to us by Z and its advisers. We have no reason to believe any material facts have been withheld.

We have evaluated that information through analysis, enquiry and examination for the purposes of forming our opinion, but we have not verified the accuracy or completeness of any such information. We have not carried out any form of due diligence or audit on the accounting or other records of Z. We do not warrant that our enquiries would reveal any matter that an audit, due diligence review or extensive examination might disclose.

Appendix 2: Qualifications and declarations

Qualifications

Calibre Partners is an independent New Zealand Chartered Accounting practice. The firm has established its reputation nationally through the provision of professional financial consultancy services with a corporate advisory and insolvency emphasis, and because we have no audit or tax divisions, we avoid potential conflicts of interest that may otherwise arise. This allows Calibre Partners to regularly act as an independent adviser and prepare independent reports.

The persons responsible for preparing and issuing this Report are Grant Graham (BCom, CA) and Shaun Hayward (BCom, BProp, CFA). All have significant experience in providing corporate finance advice on mergers, acquisitions and divestments, advising on the value of shares and undertaking financial investigations.

Disclaimers

This Report should not be used or relied upon for any purpose other than as an expression of Calibre Partners' opinion as to merits of the proposed transaction. Calibre Partners expressly disclaims any liability to any Z securityholder that relies, or purports to rely, on this Report for any other purpose and to any other party who relies, or purports to rely, on the Report for any purpose.

This Report has been prepared by Calibre Partners with care and diligence, and the statements and opinions given by Calibre Partners in this Report are given in good faith and in the belief, on reasonable grounds, that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Calibre Partners or any of its officers or employees for errors or omissions however arising (including as a result of negligence) in the preparation of the Report, provided that this shall not absolve Calibre Partners from liability arising from an opinion expressed recklessly or in bad faith.

Indemnity

Z has agreed that, to the extent permitted by law, it will indemnify Calibre Partners and its partners, employees and officers in respect of any liability suffered or incurred as a result of, or in connection with, the preparation of the Report. This indemnity does not apply in respect of any negligence, misconduct or breach of law. Z has also agreed to indemnify Calibre Partners and its partners, employees and officers for time incurred and any costs in relation to any inquiry or proceeding initiated by any person, except where Calibre Partners or its partners, employees and officers are guilty of negligence, misconduct or breach of law, in which case Calibre Partners shall reimburse such costs.

Independence

Calibre Partners and the persons responsible for the preparation of this Report do not have at the date of this Report, and have not had, any shareholding in, or other relationship, or conflict of interest with Z that could affect their ability to provide an unbiased opinion in relation to this transaction. Calibre Partners will receive a fee for the preparation of this Report. This fee is not contingent on the success or implementation of the proposed transaction or any transaction complementary to it.
Calibre Partners and the persons responsible for the preparation of this Report have no direct or indirect pecuniary interest or other interest in this transaction. We note for completeness that a draft of this Report was provided to Z and its advisers, solely for the purpose of verifying the factual matters contained in this Report. While minor changes were made to the drafting, no material alteration to any part of the substance of this Report, including the methodology or conclusions, were made as a result of issuing the draft.

Consent

Calibre Partners consents to the issuing of the Report, in the form and context in which it is included, in the information to be sent to Z's shareholders. Neither the whole nor any part of the Report, nor any reference thereto, may be included in any other document without the prior written consent of Calibre Partners as to the form and context in which it appears.

Appendix 3: Valuation methodologies

There are four methodologies commonly used for valuing businesses:

1. Discounted cash flow (DCF) analysis
2. Capitalisation of earnings
3. Estimate of proceeds from an orderly realisation of assets
4. Industry rules of thumb.

Each of these valuation methodologies is appropriate in different circumstances. A key factor in determining which methodology is appropriate is the actual practice commonly adopted by purchasers of the type of business involved.

Discounted cash flow

It is a fundamental principle that the value of an asset or business is represented by its expected future cash flows, discounted to present value at a rate that reflects the risks inherent in those cash flows. This approach, referred to as the DCF methodology, is particularly suited to situations where a business is in a growth phase or requires significant additional investment to achieve its projected earnings.

The DCF methodology requires considerable judgement in estimating future cash flows and the valuer generally places significant reliance on medium to long-term projections prepared by management. The DCF valuation methodology can also be very sensitive to changes in underlying assumptions. Notwithstanding these limitations, DCF valuations are appropriate where current earnings are not representative of reasonable expectations of future earnings.

Capitalisation of earnings

The capitalisation of earnings methodology requires an assessment of the maintainable earnings of the business and the selection of an appropriate capitalisation rate, or earnings multiple. This methodology is most appropriate where there is a long history of relatively stable returns and capital expenditure requirements are neither large nor irregular. In practice, it is often difficult to obtain accurate forecasts of future cash flows and therefore the capitalisation of earnings methodology is often used as a surrogate for the DCF methodology.

Realisation of assets

The realisation of assets approach is based on an estimate of the proceeds from an orderly sale of assets. This methodology is more commonly applied to businesses that are not going concerns. The valuation result reflects liquidation values and typically attributes no value to any goodwill associated with ongoing trading.

Industry rules of thumb

In some industries, businesses are valued using well established ‘rules of thumb’. Generally, these rules of thumb are used as a cross-check for other valuation methodologies.

Appendix 4: Discount rates

We have determined the discount rates that we apply to Z based on an assessment of its post-tax, nominal weighted average cost of capital (WACC).

We have applied different discount rates to each year’s cash flows, based on their timing.

It is a commonly accepted practice to determine WACC using the following formula:

$$WACC = R_d(1 - T_c)\frac{D}{D+E} + R_e\frac{E}{D+E}$$

Where:

E = the market value of equity capital

D = the market value of debt capital

R_d = the required rate of return on debt capital (cost of debt)

R_e = the required rate of return on equity capital (cost of equity)

T_c = the statutory corporate tax rate

Leverage

When estimating Z’s cost of capital, we have assumed a gearing ratio of 20% for the consolidated group. This is a bit lower than Z’s current leverage (net debt to enterprise value), but is equivalent to the median leverage for the comparable listed companies shown in Table A4.1.

Furthermore, management is focused on deleveraging Z’s balance sheet in order to improve the resilience of the company, as well as its ability to execute future growth initiatives and pay sustainable dividends to shareholders.

For completeness, an assessment of WACC is generally not significantly affected by leverage.

Cost of debt

For our discount rate calculations, we have assumed a margin of between 100 and 150 basis points over the risk-free rates adopted.

During the period 1H22, interest rates paid on Z’s bank debt facilities ranged between 1.5% and 2.1%. In broad terms, these interest rates reflected a credit margin of around 100–150 basis points over the prevailing risk-free rates at the time.

Furthermore, the current yields to maturity on Z’s ‘ZEL050’ and ‘ZEL060’ corporate bonds (which trade on the NZX Debt Market) are approximately 100 basis points above the comparable risk-free rates that we have adopted in our valuation.

In selecting a margin of 100–150 basis points, we also considered the leverage we have assumed for Z, at 20% net debt to enterprise value.

Capital Asset Pricing Model

The Capital Asset Pricing Model (**CAPM**) is typically used to determine a cost of equity.

It is common practice in New Zealand to use a version of CAPM that has been modified to recognise the New Zealand tax regime and its favourable tax treatment of equity returns. The specification most commonly adopted is the Simplified Brennan-Lally CAPM. This model is applicable to post-corporate tax, but pre-investor tax cash flows. It uses the following formula:

$$R_e = R_f(1 - Ti) + \beta_e[R_m - R_f(1 - Ti)] + SCRP$$

Where:

T_i = investors' effective tax rate on interest, dividends and capital gains

R_f = the risk-free rate of return

β_e = the equity beta for the entity being valued

R_m = the expected return on the market portfolio

SCRP = Specific company risk premium

The terms [Rm – Rf (1 – Ti)] are generally grouped into a single tax-adjusted market risk premium (**TAMRP**).

Investors' effective tax rate (T_i)

We have adopted an effective investors' tax rate on interest, dividends and capital gains of 28%. This is the rate commonly used by valuers in New Zealand.

Risk-free rate (R_f)

Z has provided us with cash-flow projections to 31 March 2040.

We have assessed and applied different discount rates to the cash flows that occur in each year of the Forecasts, based on the timing of those cash flows. To do this, we have determined a different discount rate for each of the next 18 years and have also considered value beyond the 18-year forecast period.

The key difference between the discount rates we have determined for each period is the risk-free rate adopted. We have adopted risk-free interest rates specified by the New Zealand Treasury for use by government entities for certain accounting valuation purposes.[18] These risk-free interest rates were measured as at 31 December 2021 and were determined with reference to the overnight cash rate, Treasury bills, government bond yields and long-term expectations.

We have adjusted the risk-free interest rates to allow for the change in New Zealand Government bond yields between 31 December 2021 and 2 February 2022 (bond yields increased during this time).

The spot risk-free rates that we have adopted are summarised in Table A4.2 below.

Equity beta (β_e)

An equity beta is a measure of an investment's volatility. The beta of the market portfolio is 1.0. A beta above 1.0 indicates that an investment is more volatile than the market and has higher systematic (market-related) risk. A beta below 1.0 indicates that an investment has a lower level of systematic risk. An equity beta factors in the leveraging effect of debt in a company's capital structure.

To determine an asset beta for Z, we have considered the asset betas of Z itself and of comparable listed companies in the fuel industry. Table A4.1 summarises our analysis.

[18] https://treasury.govt.nz/information-and-services/state-sector-leadership/guidance/reporting-financial/discount-rates/discount-rates-and-cpi-assumptions-accounting-valuation-purposes

Table A4.1: Asset betas

Company	Country	Leverage 2-year median	Asset beta 2-year-weekly	Asset beta 5-year-monthly
Z Energy	New Zealand	31%	0.63	0.87
Viva Energy Group	Australia	n/a	1.10	1.46
Ampol	Australia	10%	1.16	1.19
Woodside Petroleum	Australia	12%	1.43	1.40
Petron Corporation	Philippines	84%	0.12	0.14
TravelCenters of America	USA	13%	0.66	0.73
Arko Corp.	USA	4%	0.11	0.08
Murphy USA	USA	20%	0.33	0.53
Parkland Corporation	Canada	36%	0.81	0.97
Casey's General Stores	USA	15%	0.54	0.53
Valero Energy	USA	27%	1.23	1.61
Phillips 66	USA	28%	0.88	1.21
Marathon Petroleum	USA	47%	0.80	1.02
Chevron	USA	15%	1.12	1.06
Exxon Mobil	USA	20%	0.89	1.06
Empire Company	Canada	6%	0.36	0.23
Alimentation Couche-Tard	Canada	9%	0.56	0.77
BP	UK	32%	0.78	0.46
Royal Dutch Shell	Netherlands	24%	0.94	0.68
Median		**20%**	**0.80**	**0.87**
Average		**24%**	**0.76**	**0.84**

Source: S&P Capital IQ, company announcements and financial statements, and Calibre Partners analysis

We estimate an asset beta in the range of 0.75–0.85 for Z. This is based on the above analysis, which shows that 0.75–0.85 is broadly consistent with the averages calculated for the set of comparable companies and with the asset betas observed for Z itself.

For the purpose of valuing Z, we have adopted the midpoint of our beta range.

Tax-adjusted market risk premium (TAMRP)

A TAMRP is the excess expected return on the market portfolio of risky equity assets (share market returns) over the return on risk-free assets (government bond returns), with an adjustment for tax considerations. We have determined an appropriate TAMRP is in the range of 7.0%–7.5% after considering:

- Valuation professionals typically use a TAMRP between 7.0% and 8.0% when valuing New Zealand companies. The midpoint of 7.5% is the most widely adopted TAMRP when valuing New Zealand companies today.
- The New Zealand Treasury's guidance on discount rates suggests a market risk premium of around 7.0% is appropriate.

Specific company risk premium (SCRP)

We have not included an extra risk premium in our assessed discount rates.

Discount rates adopted

The discount rates we have adopted in our DCF valuation are summarised in Table A4.2.

Table A4.2: Discount rates

Cash flow year	Spot risk-free rates adopted	Equity beta (midpoint)	TAMRP (midpoint)	SCRP	WACC (midpoint)
Year 1	1.74%	1.00	7.25%	–	7.25%
Year 2	2.13%	1.00	7.25%	–	7.53%
Year 3	2.23%	1.00	7.25%	–	7.60%
Year 4	2.34%	1.00	7.25%	–	7.67%
Year 5	2.44%	1.00	7.25%	–	7.75%
Year 10	2.59%	1.00	7.25%	–	7.86%
Year 15	2.77%	1.00	7.25%	–	7.99%
Year 20	2.94%	1.00	7.25%	–	8.11%
Year 25	3.04%	1.00	7.25%	–	8.18%
Year 30	3.12%	1.00	7.25%	–	8.24%
Year 35	3.19%	1.00	7.25%	–	8.29%
Year 40	3.27%	1.00	7.25%	–	8.35%
Year 45	3.37%	1.00	7.25%	–	8.42%
Year 50	3.46%	1.00	7.25%	–	8.48%
Year 55	3.53%	1.00	7.25%	–	8.54%
Year 60	3.60%	1.00	7.25%	–	8.58%
Year 65	3.65%	1.00	7.25%	–	8.62%
Year 70	3.70%	1.00	7.25%	–	8.66%
Year 75	3.74%	1.00	7.25%	–	8.68%
Year 80+	3.77%	1.00	7.25%	–	8.71%

Source: New Zealand Treasury and Calibre Partners analysis

Our discount rate approach is equivalent to applying a single WACC of 8.0%.

Appendix 5: Comparable listed companies

Table A5.1 presents EBITDA[19] multiples for publicly-listed companies operating in the fuel industry in Australia and further abroad. Descriptions of the comparable companies follow the table.

Table A5.1: Comparable listed companies

Company	Country	Enterprise value (NZD million)	FY21 EBITDA multiple	FY22 EBITDA multiple
Australia				
Viva Energy Group	Australia	3,459	7.1x	5.4x
Ampol	Australia	8,354	8.2x	6.8x
Woodside Petroleum	Australia	30,512	5.0x	4.3x
Australia Median			**7.1x**	**5.4x**
International				
Petron Corporation	Philippines	5,706	8.7x	7.2x
TravelCenters of America	USA	798	2.8x	2.8x
Arko Corp.	USA	2,277	6.3x	6.2x
Murphy USA	USA	8,860	8.0x	9.5x
Parkland Corporation	USA	10,357	7.3x	6.2x
Casey's General Stores	USA	11,715	11.7x	10.6x
Valero Energy	USA	65,937	11.5x	6.8x
Phillips 66	USA	75,576	10.5x	7.7x
Marathon Petroleum	USA	94,455	9.0x	7.2x
Chevron	USA	415,623	7.0x	6.3x
Exxon Mobil	USA	564,880	7.6x	6.4x
Empire Company	Canada	13,088	5.4x	5.0x
Alimentation Couche-Tard	Canada	50,884	9.0x	8.9x
BP	UK	215,414	4.4x	3.8x
Royal Dutch Shell	Netherlands	353,577	4.0x	3.6x
International Median			**7.6x**	**6.4x**
Overall Median			**7.4x**	**6.3x**

Source: S&P Capital IQ, company announcements and financial statements, and Calibre Partners analysis

Viva Energy Group

Viva Energy Group operates as an energy company in Australia, Singapore and Papua New Guinea, through three business segments. The Retail, Fuels and Marketing segment supplies and markets fuel products through a network of approximately 1,300 retail service stations, and also supplies products to other retail operators and wholesalers as well as commercial customers. The Refining segment owns and operates a refinery in Geelong, Victoria. The Supply, Corporate and Overheads segment owns and manages an integrated supply chain of terminals, storage tanks, depots, pipelines, and distribution assets in Australia. Viva Energy was incorporated in 2018 and is based in Docklands, Australia.

[19] EBITDA means earnings before interest, tax, depreciation, amortisation.

Ampol

Ampol Limited engages in purchasing, refining and distributing petroleum products in Australia, New Zealand, Singapore and the United States, through its convenience retail and fuels & infrastructure business units. The company was formerly known as Caltex Australia Limited and changed its name to Ampol in May 2020. Ampol was founded in 1936 and its head office is in Sydney, Australia.

Woodside Petroleum

Woodside Petroleum was founded in 1954 and is headquartered in Perth, Australia. The company engages in the exploration, evaluation, development, production, marketing and sale of hydrocarbons in Oceania, Asia, Canada, Africa and elsewhere. It produces liquefied natural gas, pipeline natural gas, condensate, liquefied petroleum gas, and crude oil.

Petron Corporation

Petron Corporation operates as an oil refining, distribution, marketing and retailing company in the Philippines. It refines, distils and manufactures various petroleum products, and also operates approximately 2,000 service stations, LPG dealerships and lube outlets. The company was founded in 1933 and is headquartered in Mandaluyong, the Philippines.

TravelCenters of America

TravelCenters of America operates travel centres and standalone restaurants in the United States and Canada. Its travel centres offer a wide range of products and services, including diesel fuel and gasoline, diesel exhaust fluid, truck repair and maintenance, and roadside services. The company was founded in 1972 and is based in Westlake, Ohio.

Arko Corp.

Arko Corp. operates convenience stores in the United States, through three business segments. The Retail segment engages in the sale of fuel and merchandise to retail consumers. The Wholesale segment supplies fuel to third-party dealers and consignment agents. The GPM Petroleum segment supplies fuel to sub-wholesalers and bulk purchasers. Arko Corp. has approximately 2,950 locations and is headquartered in Richmond, Virginia.

Murphy USA

Murphy USA engages in the marketing of retail fuel products and convenience merchandise. It operates approximately 1,500 retail gasoline stores, principally in the Southeast, Southwest and Midwest of the United States. The company was founded in 1996 and is headquartered in El Dorado, Arkansas.

Parkland Corporation

Parkland Corporation operates as a marketer, distributor and refiner of fuel and petroleum products in Canada, the United States and elsewhere. The company operates a network of retail service stations and convenience stores, and supplies various fuel products to commercial customers. It also manufactures, sells and distributes transportation fuels, crude oil and liquid petroleum gases. Parkland Corporation was founded in 1977 and is headquartered in Calgary, Canada.

Casey's General Stores

Casey's General Stores, together with its subsidiaries, operates approximately 2,240 convenience stores in the United States. Its stores offer a wide range of products and also sell gasoline and diesel fuels. The company was founded in 1959 and is headquartered in Ankeny, Iowa.

Valero Energy

Valero Energy Corporation manufactures, markets and sells transportation fuels and petrochemical products in the United States, Canada, the United Kingdom, Ireland, and elsewhere. The company owns 15 petroleum refineries with a combined throughput capacity of approximately 3.2 million barrels per day. It sells its refined products through wholesale rack and bulk markets, and through approximately 7,000 outlets under the Valero, Beacon, Diamond Shamrock, Shamrock, Ultramar, and Texaco brands.

Phillips 66

Phillips 66 operates as an energy manufacturing and logistics company, which operates through its Midstream, Chemicals, Refining, and Marketing and Specialties (M&S) segments. Notably, the M&S segment purchases for resale and markets refined petroleum products consisting of gasolines, distillates and aviation fuels, primarily in the United States and Europe. It also manufactures and markets specialty products, such as base oils and lubricants. Phillips 66 was founded in 1875 and is headquartered in Houston, Texas.

Marathon Petroleum

Marathon Petroleum Corporation, together with its subsidiaries, engages in refining, marketing, retailing and transporting petroleum products, primarily in the United States. The Refining & Marketing segment refines crude oil and other feedstocks at its refineries, and purchases refined fuels and ethanol for resale. Its refined products include transportation fuels, such as reformulated and blend-grade gasolines, heavy fuel oil and asphalt.

Chevron

Chevron Corporation engages in integrated energy, chemicals and petroleum operations worldwide. The company has both Upstream and Downstream business segments. The Downstream segment engages in the refining, transportation and marketing of petroleum products. It also manufactures and markets commodity petrochemicals and fuel and lubricant additives, as well as alkylate and plastics for industrial uses.

Exxon Mobil

Exxon Mobil Corporation operates through its Upstream, Downstream, and Chemical business segments. The company explores for, and produces, crude oil and natural gas in the United States and internationally. It is also involved in the manufacture, trade, transport and sale of crude oil, natural gas, petroleum products, petrochemicals and other specialty products. Exxon Mobil was founded in 1870 and is based in Irving, Texas.

Empire Company

Empire Company engages in the food retail and related real estate businesses in Canada. The company owns, affiliates and franchises approximately 1,500 retail stores under various retail banners and approximately 350 retail fuel locations. It also operates grocery e-commerce stores and holds significant interests in other real estate investments and developments. Empire Company was founded in 1907 and is headquartered in Stellarton, Canada.

Alimentation Couche-Tard

Alimentation Couche-Tard operates and licenses more than 12,300 convenience stores across North America, Europe, Asia and further abroad. Its stores offer a wide range of products, including transportation and aviation fuels, as well as energy for stationary engines. The company was founded in 1980 and is headquartered in Laval, Canada.

BP

BP is a global energy business with vertically-integrated and well-diversified operations. The company operates through its Gas & Low Carbon Energy, Oil Production & Operations, Customers & Products, and Rosneft business segments. BP was founded in 1909 and is headquartered in London, England.

Royal Dutch Shell

Royal Dutch Shell operates as an energy and petrochemical company worldwide. The company operates vertically-integrated and well-diversified operations through its Integrated Gas, Upstream, Oil Products, and Chemicals business segments. Royal Dutch Shell was founded in 1907 and is headquartered in The Hague, the Netherlands.

Appendix 6: Comparable transactions

Table A6.1 summarises transactions of businesses operating in the fuel industry in Australasia and further abroad. Descriptions of the transactions follow the table.

Table A6.1: Comparable transactions

Date	Target	Acquirer	Country	% Acquired	Implied EV (NZD million)	Implied EBITDA multiple
Australasia						
Feb 20	Ampol (retail)	EG Group	Australia	Unsuccessful	4,080	10.0x
Feb 20	Ampol	Alimentation Couche-Tard	Australia	Unsuccessful	9,329	10.2x
Dec 19	Puma Energy (Australia)	Chevron	Australia	100%	1,280	8.8x
Nov 18	Woolworths (petrol)	EG Group	Australia	100%	1,852	7.3x
Dec 16	Gull New Zealand	Ampol	New Zealand	100%	340	8.2x
Jun 15	Chevron NZ (Caltex)	Z Energy	New Zealand	100%	785	6.0x
Feb 14	Shell Australia	Vitol	Australia	100%	3,020	5.0x
Australasia Median						8.2x
International						
Dec 20	Applegreen	Consortium	Ireland & UK	100%	3,087	9.5x
Feb 18	MRH	Motor Fuel Group	UK	100%	2,300	11.2x
Feb 18	Kroger (convenience)	EG Group	USA	100%	2,980	11.0x
Apr 17	Chevron Canada	Parkland Corporation	Canada	100%	1,750	6.3x
Aug 16	CST Brands	Alimentation Couche-Tard	USA	100%	7,683	12.5x
Aug 16	CST Brands (Canada)	Parkland Corporation	Canada	majority	1,033	7.3x
Sep 14	Aloha Petroleum	Sunoco LP	USA	100%	335	8.7x
Sep 14	Pioneer Energy	Parkland Corporation	Canada	100%	450	6.9x
International Median						9.1x
Overall Median						8.7x

Source: S&P Capital IQ, company announcements and financial statements, and Calibre Partners analysis

Ampol (retail)

While an proposal to acquire all of Ampol was ongoing (refer below), EG Group proposed to acquire all of the shares of Caltex Australia (now Ampol's retail business) via a scheme of arrangement. In effect, the proposal was for EG Group to acquire the convenience retail business for AU$3.9 billion consideration.

The Board of Caltex Australia concluded that the proposal undervalued the business and did not represent compelling value for shareholders. The transaction was cancelled by the board on 2 March 2020, prior to COVID-19 lockdown restrictions coming into effect in Australia.

Ampol

Following prior proposals, Alimentation Couche-Tard made a proposal to acquire Ampol for AU$8.8 billion on February 2020. Alimentation Couche-Tard terminated the transaction on 19 April 2020 due to the high level of economic uncertainty caused by the COVID-19 pandemic.

Puma Energy (Australia)

On 18 December 2019, Chevron entered into an agreement to acquire 100% of the shares in Puma Energy's Australian business for approximately AU$425 million. The transaction completed on 30 June 2020.

Puma Energy (Australia) engages in the storage, cartage, wholesale distribution and retail sale of fuel products in Australia.

Woolworths (petrol stations)

On 9 November 2018, EG Group announced that it had entered into a binding agreement to acquire 540 fuel convenience sites from Woolworths Group, for AU$1.725 billion.

EG Group completed the acquisition of the petrol stations on 1 April 2019.

Gull New Zealand

On 22 December 2016, Caltex Australia (now Ampol) entered into an agreement to acquire Gull New Zealand for $340 million. The transaction was funded through a combination of existing and new bank debt arrangements, and completed on 3 July 2017.

Gull is a supplier of fuels through its networks of 111 service stations in New Zealand. It also supplies biofuel and makes commercial sales of diesel to marine and other customers.

Chevron NZ (Caltex)

On 1 June 2015, Z entered into an agreement to acquire the Chevron New Zealand fuels business for approximately $785 million in cash. The New Zealand Commerce Commission approved the transaction subject to Z divesting 19 of its petrol stations, and the deal completed on 31 May 2016.

Chevron operated approximately 140 Caltex service stations and 70 truck stops around New Zealand.

Shell Australia

On 21 February 2014, Shell announced a binding agreement to sell its downstream businesses in Australia (excluding Aviation) to Vitol, for a total transaction value of approximately AU$2.9 billion.

The sale included Shell's Geelong refinery and 870-site retail business, as well as its bulk fuels, bitumen, chemicals and part of its lubricants businesses in Australia. It also included a brand license arrangement and an exclusive distributor arrangement in Australia for Shell Lubricants.

Applegreen

In December 2020, Applegreen announced that it would be taken private by a consortium led by its founders and Blackstone Infrastructure Partners. The transaction valued the company's equity at approximately €718 million and completed on 10 March 2021.

Applegreen operates as a roadside retailer that sells fuels, food and other groceries under its Bakewell and Applegreen brands, as well as other partnered international brands in Ireland and the UK.

MRH

In February 2018, Motor Fuel Group announced the acquisition of MRH, the UK's largest petrol station and convenience retail operator, in a transaction valued at approximately £1.2billion. The combined business operates more than 900 sites that manage third-party fuel, convenience and foodservice brands. These include fuel brands BP, Esso, Jet, Murco, Shell and Texaco, and retail brands Budgens, Costa Coffee, Greggs, Spar, Hursts and Subway.

Motor Fuel Group completed the acquisition of MRH on 9 November 2018.

Kroger (convenience stores)

On 5 February 2018, EG Group entered into an agreement to acquire the convenience store business of The Kroger Co. for US$2.2 billion. The transaction completed on 20 April 2018.

Kroger operates a combination food and drug stores, multi-department stores, marketplace stores and price impact warehouses.

Chevron Canada

On 18 April 2017, Parkland Corporation entered into an agreement to acquire Chevron Canada for CAD$1.6 billion. The transaction completed on 1 October 2017.

Chevron Canada operates as an oil and gas company focused on finding, developing, producing, refining, exploring and selling crude oil and natural gas.

CST Brands

On 21 August 2016, Alimentation Couche-Tard entered into an agreement to acquire the shares and share options of CST Brands for approximately US$3.7 billion. The transaction completed on 28 June 2017.

CST Brands operates as an independent retailer of fuels and convenience merchandise items in the United States and Canada.

CST Brands (Canada)

On 22 August 2016, Parkland Corporation signed an agreement to acquire the Canadian business of CST Brands, including hundreds of petrol stations in Quebec and Atlantic Canada, for CAD$985 million. The transaction completed on 28 June 2017.

Aloha Petroleum

On 25 September 2014, Sunoco LP signed an agreement to acquire Aloha Petroleum for US$240 million in cash. The consideration was subject to certain post-transaction adjustments but the deal completed on 16 December 2014.

Aloha Petroleum operates a network of petrol stations and convenience stores in Hawaii. It offers gasoline, diesel, diesel exhaust fluids, lubricants and biodiesel.

Pioneer Energy

On 17 September 2014, Parkland Corporation entered into an agreement to acquire the assets of Pioneer Energy for approximately CAD$380 million. The consideration included CAD$259 million in cash and 5.8 million Parkland shares. The transaction completed on 25 June 2015.

Pioneer Energy operates a network of petrol/convenience retail stores in Canada. Its stores offer fuel and automotive products, car washes, ATM bank machines, snack foods, and other convenience items.

Appendix 7: Glossary of key terms

Term	Definition
$ or NZD	New Zealand Dollars
1H22	Six months ended 30 September 2021
2H22	Six months ended 31 March 2022
Ampol	Ampol Limited
ASX	Australian Securities Exchange
CAPM	Capital Asset Pricing Model
Code	New Zealand Takeovers Code
Companies Act	Companies Act 1993
cpl	Cents per litre
DCF	Discounted cash flow
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBITDAF	Earnings before interest, tax, depreciation, amortisation and fair value movements
EVs	Electric vehicles
Forecasts	Long-term financial forecasts to 31 March 2040
FY	Financial year ended 31 March
GDP	Gross domestic product
GRM	Gross refining margin
High Court	The High Court of New Zealand
IFRS	International Financial Reporting Standard
KPIs	Key performance indicators
MBIE	Ministry of Business, Innovation and Employment
NZ ETS	New Zealand Emissions Trading Scheme
NZX	New Zealand Stock Exchange or NZX Limited
OIO	Overseas Investment Office
Panel	New Zealand Takeovers Panel
PPE	Property, plant and equipment
RAP	Refinery to Auckland Pipeline
Refining NZ	The New Zealand Refining Company Limited
Report	Independent Adviser's Report, in relation to the proposed scheme of arrangement
SAF	Sustainable aviation fuel
Scheme	Proposed scheme of arrangement between Z Energy Limited and Ampol Limited
Shareholding Customers	Shareholders who are also customers of Refining NZ, being Z, Mobil and BP
SIA	Scheme Implementation Agreement to effect the sale of all shares in Z Energy Limited
SPH	Substantial product holder
TAMRP	Tax-adjusted market risk premium
TKM	Tonne kilometres
USPP	US Private Placement
VKT	Vehicle kilometres travelled
VWAP	Volume-weighted average price
WACC	Weighted average cost of capital
WAP	Wiri to Auckland Pipeline
Z	Z Energy Limited
Z APP	Z mobile phone application
Zero Carbon Act	Climate Change Response (Zero Carbon) Amendment Act 2019

Annexure D: Buy-Back of Forfeited LTI Plan Shares

This document is provided to all Shareholders in accordance with the requirements set out in section 62 of the Companies Act.

Prior to implementation of the Scheme, Z Energy proposes to make an offer to Z Energy LTI Trustee Limited (the *Trustee*) to buy back 199,125 shares (the *Forfeited Plan Shares*) which the Trustee is holding in Z Energy (the *Buyback Offer*).

As further explained in Section 6.19 of the Scheme Booklet, the Trustee is a wholly-owned subsidiary of Z Energy and is the trustee of Z Energy's historic Restricted Share Long Term Incentive Plan that no longer has any participants. It holds Z Energy Shares that were forfeited under that employee share scheme. As the historic Restricted Share Long Term Incentive Plan no longer has any participants, none of the Directors of Z Energy has any relevant interest in any of the Forfeited Plan Shares.

The terms of the Buyback, which will be made under section 60(1)(b)(ii) of the Companies Act (and in accordance with clause 23.2 of Z Energy's constitution), are as follows:

- Z Energy has entered into a Restricted Share Long Term Incentive Plan Put and Call Option Deed (the *Deed*) with the Trustee. Under the Deed, Z Energy can exercise a call option to require the Trustee to sell forfeited plan shares to Z Energy from time to time. Z Energy proposes to exercise that call option in relation to the Forfeited Plan Shares;
- the Forfeited Plan Shares will be acquired by Z Energy and immediately cancelled;
- the total consideration for the acquisition of the Shares will be the release and waiver by Z Energy of the outstanding loan balance associated with those Forfeited Plan Shares, owed by the Trustee to Z Energy; and
- the Buyback Offer will be made at least 10 working days after this disclosure document has been sent to all Shareholders and prior to the Scheme Record Date (being not more than 12 months after this disclosure document has been sent to all Shareholders).

Board resolutions

To initiate the proposed Buyback Offer the Board of Z Energy resolved on 16 February 2022:

1 To make the Buyback Offer at least 10 working days after a disclosure document has been sent to all Shareholders in accordance with section 62 of the Companies Act and prior to the Scheme Record Date.

2 That the acquisition of the Forfeited Plan Shares under the Buyback Offer is in the best interests of Z Energy and of benefit to the remaining Shareholders.

3 That the terms of the Buyback Offer and the consideration offered for the Forfeited Plan Shares are fair and reasonable to both Z Energy and the remaining Shareholders.

4 That it is not aware of any information that will not be disclosed to Shareholders:

4.1 which is material to an assessment of the value of the Forfeited Plan Shares; and

4.2 as a result of which the terms of the Buyback Offer and consideration offered for the Forfeited Plan Shares are unfair to the Trustee;

5 That immediately on acquisition of the Forfeited Plan Shares, those shares are to be cancelled.

6 That the Board is satisfied that Z Energy will, immediately after acquiring the Forfeited Plan Shares, satisfy the solvency test applied under section 52 of the Act.

The grounds for the directors' conclusions under the resolutions in paragraphs 2 to 4 above (inclusive) are:

1 There is no underlying beneficiary in respect of the Forfeited Plan Shares. The Trustee holds Z Energy Shares that were forfeited under a historic Z Energy employee share scheme.

2 The Buyback Offer will result in the cancellation of the Forfeited Plan Shares prior to the implementation of the Scheme in accordance with Z Energy's obligations under the Scheme Implementation Agreement.

3 The consideration for the Forfeited Plan Shares is the release and waiver by Z Energy of the outstanding loan balance associated with such Forfeited Plan Shares in accordance with the terms of the Deed. There will be no cash impact for Z Energy as a result of the Buyback Offer.

Notes:

Notes:

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