

**A glimpse of Greenstone.  
Our first year.**

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*Greenstone Energy progress report: 04/2010 – 03/2011*



This report covers the 12 months that we were Greenstone – an important formative year in which we have taken big steps towards our goal of being a world-class Kiwi company.

By the time you are reading this we will have just announced a new brand direction for our company.

This new brand is a direct result of the extensive customer research we carried out – we have listened, and are excited that next year will be the first year of Z Energy.

*Here's a glimpse of the journey within the year that was Greenstone.*

# First, we asked Kiwis *what matters* to them.

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Some Kiwis said 'fun', others said 'family' or 'lifestyle'. The following pages showcase some Kiwis with their own personal interpretations of 'what matters'...



A man and a woman are standing in a garden. The man is wearing a green patterned shirt and dark trousers. The woman is wearing a blue dress over a pink top and black tights. They are standing on a gravel path next to a white picket fence. Two small dogs, one white and one tan, are sitting on the path in front of them. In the background, there is a house with a white roof and some trees.

“We want to be able to *enjoy* our retirement!”

## Our shareholders

*With the Guardians of New Zealand Superannuation a 50% shareholder in Greenstone, we're a company that's all about contributing to New Zealand's long-term prosperity.*

Last year the Guardians and Infratil, our other shareholder, acquired the 'downstream' assets of a market-leading retail energy brand. This included the entire retail network and the refining, storage and distribution infrastructure formerly operated by Shell New Zealand. During this transition, Greenstone maintained safe operations and service, and started to transform the company through a clear vision and purpose.

Greenstone is not just an opportunity to invest in the future of energy in this country – the returns from Greenstone going into the New Zealand Superannuation Fund will help meet the costs of future superannuation for New Zealand.

Jane and Rodney Duncan in front of their own slice of Kiwi paradise. Although Jane and Rodney aren't retired yet, they want to have a good lifestyle when they do.



‘Tui’ (Jonathan Toohill), at Wainui Beach.  
When Tui’s not relaxing, he’d like a good standard  
of living with world-class services from all sectors –  
including the energy sector.



“Respect me –  
then I’ll support  
you 100%”

## What New Zealanders are looking for

*We wanted to get off on  
the right foot from the start,  
so we set about asking  
New Zealanders what  
they wanted from their  
new Kiwi company.*

We’ve learned there’s something really distinctive about being a Kiwi – and in the business world that translates into a desire from consumers for companies that reflect who we are and what we stand for. It’s all about valuing and respecting our people and our communities, about getting things done, and about doing the right thing. And it’s about striving for excellence and being the best we can be. Find out more information on page 22.





So'o Fue loves working fulltime at the call centre, where she talks to Kiwis all day. After work, what matters to So'o is being able to pound the pavements, as well as living somewhere accessible, clean and where it's easy to catch the train home afterwards!

“Returning jobs to *New Zealand* has mattered to me”

### Bringing the answers home

*We've made a lot of noise about being a Kiwi company, and a genuine effort to 'walk the talk' – and you can hear this when you call Telnet, our contact centre.*

Previously located in Manila, our contact centre is based in Auckland, creating 12 fulltime Kiwi jobs.

#### **Creating jobs in other ways**

As well as creating new jobs for Kiwis directly, we're also supporting other Kiwi businesses by appointing contracts for services to New Zealand companies wherever we can – find out more on page 26.



A man in a high-visibility vest stands in a lush green forest, surrounded by tall, thin trees. The scene is bathed in a soft, greenish light, creating a serene and natural atmosphere. The man is positioned in the lower right quadrant of the frame, looking towards the camera with a slight smile. The forest floor is covered in grass and fallen leaves, and the trees extend far into the background, creating a sense of depth and scale.

“You have to be  
reliable & responsible.  
Being Kiwi is a *bonus*”

## Gaining new business

*A major achievement for us this year was our successful tender to reclaim the Pan Pac business.*

### **Heading in the right direction**

An important part of servicing this client, one of New Zealand's biggest forestry companies, is recognising and responding to their diverse needs ranging from truckstops for the vehicle fleet to deliveries directly to their forest crews.

Neil Weber, Operations Manager at Pan Pac, believes having a service provider that delivers both reliable service and cost competitive pricing really matters.





“We’ve been shaken to shreds, but the *kiwi spirit* shone through”

**Responding to the quakes**

*The real test of a company can be how it manages the unexpected and the tragic. Greenstone responded to both the September 2010 and the February 2011 earthquakes in Christchurch that devastated the city.*

We had two clear and immediate priorities. The first was making sure our people in Christchurch were OK and taken care of. The second was getting our sites operational as quickly as possible for the people and organisations, including emergency services, who needed them.

This taken care of, our thoughts turned to what else we could do to help the people of Christchurch. Our response to both quakes has been innovative and genuinely local – guided at all times by the principle of doing what matters for people and the city. See page 46 to find out what we did.

Jeff Waghorn (with ‘Champ’) is operator of eight petrol stations in the Canterbury area. Jeff is one of the many unsung heroes that we’re proud to have on our team. After both earthquakes, Jeff was pivotal in enabling us to support staff and the wider community. When Jeff needs time out, his favourite place is the mouth of the Waimakariri River.



A woman with blonde hair, wearing a black cardigan over a white shirt and dark green pants, sits on a stone wall with her arm around a young boy. The boy is wearing a patterned green and blue sweater and dark green pants. They are both smiling. The background shows a scenic view of a lake, green hills, and a cloudy sky.

“A new brand that reflects who we are and *what matters*”

### What's in a brand?

*The Greenstone story – a New Zealand company buying a global energy brand – has made for an interesting brand story as we work to reflect our ‘New Zealandness’ and our values as a nation.*

This report will be printed just after we communicate publicly our decision on the future of our brand, and what it stands for – a decision we reached after listening to 17,000 Kiwi consumers and hearing what matters to them.

One thing is for certain: our brand will factor in four key areas to the best of our abilities: alignment with our values and our purpose; the wishes and needs of Kiwi customers; our intention to build a strong, world-class Kiwi company; and the opportunities to tell a compelling local story. These things matter to us. They also have to matter to our customers.

We want to make it easier for people to make buying decisions based on values as much as price, to see in our company a spirit that reflects them and the things that are important to them, and to feel that, in supporting us, they are actively helping to grow a distinct and substantial Kiwi company.

Jane Anthony, Marketing Manager at Greenstone Energy, with one of the people who matters most to her – her son Will. Jane is determined to develop a brand that stands for what matters to Kiwis.





Left, Marko believes we are “changing the rules for the better” where decisions are based on what will benefit New Zealand and New Zealanders.

“New Zealanders will respond positively to a business they see as one of their own and that understands what they’re all about.”

## Chair’s report: “Changing the rules for the better”

*Welcome to the first Greenstone Energy annual report. We believe that for the first time ever, a New Zealand-owned energy company is reporting to fellow Kiwis about what it has been doing during its first year of ownership. Such transparency is a sign of Greenstone’s clear intention to change the rules for the better in this country.*

Greenstone Energy’s two shareholders – the New Zealand Superannuation Fund and Infratil Limited – made the decision to buy the Shell retail network and the other ‘downstream’ assets because we saw significant opportunity for development. We recognised that by applying a Kiwi mindset we could change how New Zealanders see the market’s biggest fuel supplier. Importantly, we could also help secure the country’s energy supplies at a time when some of our overseas competitors were looking to reduce their investment in New Zealand. For the Board, it’s been exciting to oversee the dynamic shift in thinking that Mike Bennetts and his team have driven into the business over the last year.



Greenstone meets around a third of New Zealand’s total fuel demand.

### Building on what we bought

While for many customers little appears to have changed, behind the scenes the move to localise the Shell network as a world-class Kiwi company has generated exciting opportunities. At the same time, the fact that the transition from a multinational to a locally owned and operated business has taken place without too many hitches shows the prudence of having brought so much of the local Shell expertise over to the new entity. It’s a tribute to the experience and commitment of our management team, their teams and of course our strong retail and business networks that our business has, for the most part, continued seamlessly across the country. Where there have been issues – such as diesel shortages in the South Island – I’d like to apologise on behalf of Greenstone Energy to those who were affected. Sincere thanks for your understanding and patience.

### Increasing loyalty

In its time at the helm, Shell guided this company through many changes and initiatives. A key one was the decision in 1996 to be a foundation member of Loyalty New Zealand – the company behind the hugely successful Fly Buys brand. The new owners recognised from the outset that this programme was a significant asset. Not only does it provide Greenstone with opportunities to reward Kiwis in a range of ways, it also offers the means to better understand the buying patterns and demands of customers. Expanding the programme this year to include Air New Zealand is a fantastic example of Kiwi success stories joining forces to broaden their collective and individual appeal and thus gain greater loyalty.



### Events in Christchurch

Our hearts continue to go out to the people of Christchurch. The Board was quick to support the company’s efforts after the first quake in September, and following the second quake in February 2011, we pledged further and ongoing support for our staff, their families and for the city. On behalf of the Board, I want to once again acknowledge and thank our people for the extraordinary commitment and professionalism they have shown. As a local company, we are here for the long haul – for Christchurch and for our people. We will continue to work through the specifics of the further support we can provide for as long as it takes.

*Our support for Christchurch included 100,000 litres of jet fuel, for flights in and out of the city.*



### Room for growth

We are confident that Greenstone Energy will realise its goal to be a world-class Kiwi company by building on what it has bought, listening and responding to what our customers tell us and adding new ways of doing business that suit who we are and where we’re going.

The Board is pleased with progress. Already, we’re seeing our returns improve and our market share in both the commercial and retail markets climb. There’s room for steady growth in the future. Clearly, New Zealanders will respond positively to a business they see as one of their own and that understands what they’re all about.

Finally, to the many New Zealanders who chose to express their confidence in us through our retail bond issue and through their daily decisions around where they shop, our thanks. We are determined to make you proud.

Marko Bogoievski  
Chair,  
Greenstone Energy





Mike Bennetts believes New Zealand needs substantial companies to invest in resources and infrastructure.

“What you told us made us rethink the fundamentals of what our customers want.”



## Chief Executive’s report: “New Zealand needs substantial local companies”

*It’s my pleasure to give you an update on where we’ve got to at the end of our first year. We’re fortunate to have nearly 100 years of legacy through our Shell heritage. As new owners, we recognised the need to honour both the people who went before us and the business relationships and assets we took over on 1 April 2010.*

One of the great risks when ownership moves between parties is that both customers and safety can get lost in the countless changes that need to take place. So our primary focus in the first few months of local ownership was to ensure that momentum inside the business continued, that customers were looked after and that our operations ran safely and reliably. I take it as a sign of success that many people didn’t even realise that a change in ownership had taken place.

With confidence confirmed, we could then turn our minds to the challenges of creating a stand-alone Kiwi company, no longer a mixture of disparate teams operating as a branch office for a global organisation. This meant we had to disconnect from Shell Trading, and find a myriad of ways to plug into local communities.

That goes, I think, to the bigger point. We haven’t just taken over Shell – we are transforming Shell in New Zealand from the local arm of a global empire into a world-class Kiwi company with a workforce and purpose that we can truly call our own.

**“You deserve to know what we are doing.”**

### Keeping everyone in the loop

I have been asked a few times why we are publishing an annual report. After all, there are lots of reasons why we do not need to develop and distribute this document: there are no disclosure requirements to meet as we are not a public company; our competitors don’t do this; it costs time and money... and so on.

While all these points are true, they are far outweighed by the responsibility we have as a local company to each of you. You deserve to know what we are doing with the capital our shareholders have invested in us and the funds our bondholders have lent us. You should know more about the great people inside our company and why they are committed to doing a great job, what we are doing to contribute to New Zealand’s economic prosperity, and what we have done well and not so well in our first year.

We’ve also asked a couple of well-known stakeholders to share their thoughts, unedited by us, because we think that’s the right thing to do. We want to hear and express a range of views about what matters in the downstream fuel business.

This industry has historically been quite opaque. What happens through a complex supply chain is relatively unknown by most New Zealanders beyond the service station experience. Nevertheless, at Greenstone we are committed to greater transparency about the current issues in our sector, our financial performance, how we impact local communities and what the big decisions are that lie ahead for us as a company.

That’s why we’ve also taken the opportunity of this report to talk openly about our concerns. One is that current returns in this industry are simply not strong enough to encourage or enable sustained investment, and that lack of investment will continue to erode supply security and customer choice.

What we do makes a big difference to both Kiwi consumers and businesses. Our sales volumes are evenly split between consumers at our service stations and all the businesses in this country that need liquid fuels – the airlines, contractors, farmers, fishing companies, ships, truckers, and general industry. So many Kiwis use our energy because people need to move. The energy to move powers our economy and our individual quality of life. And movement requires fuel.



### Greater expectations

What 17,000 New Zealanders told us through the major research programme that we undertook during 2010 made us rethink the fundamentals of what our customers want. For example, we learnt that you don’t like to be asked about specials at the counter. You told us offers are important. We also found out that performance-based fuels were not the big drivers for choice we thought they were.

#### Your feedback gave us valuable clarity around:

- where we need to go with our retail and commercial offers
- what being part of the local community really looks like
- how to contribute to the national debate on infrastructure
- as a supplier of fossil fuels, the importance of our role in supporting a sustainable energy future.

These are not things our company is well practised at, yet. We’ll give them our all but I’m sure we won’t get it right all the time. I was pleased to see from the research that people will go on a journey with a local energy company like ours, but ... and there is one ... we need to be straight up when we get things wrong.

So we are trying a bunch of things to open up dialogue, and find greater opportunities to listen, some of which are illustrated in this review. Our Facebook site, for example, is about hearing what our customers are saying, not just telling them our story. Our response to the Christchurch earthquake also shows that we want to do what matters for the local community, not just what is easiest for those in a corporate head office.



“The words ‘what matters’ have many perspectives – for our customers, our people, and others that we work with.”

## Defining our purpose

Across the company we have had conversations about why we are here and what we are here to do, where we are going, and how we will get it all done. In business speak these are usually known as Purpose, Strategy and Values. It's been incredibly exciting to have these sorts of conversations and to see how energised our people are when given the chance to generate a bigger future for a local company.

We have decided our Purpose – the reason why we are a team and work together here at Greenstone Energy. Very simply, Greenstone's purpose is the energy to do what matters. The “energy” takes two forms – the obvious physical attributes of our products, as well as the emotional energy that our people bring to work every day.

The words “what matters” have many perspectives – for our customers, our people, and others that we work with. They are meant to be inclusive and encourage focus because getting clear on what matters is vital in today's competitive market. They also help guide our people to stop doing what they've always done, or what is easy, and instead to get after the important stuff. And they've inspired us to step back from decisions that may have worked globally and to make decisions instead that are good for our customers, such as bringing our call centre back to New Zealand from the Philippines.

I have been really encouraged by how our people have engaged with the intent behind our Purpose. As Chief Executive, it is very satisfying to hear people discussing what matters for our internal way of working, to hear marketers challenging whether our programmes will really matter to our customers, and for the corporate team to be thinking about what matters to the broader stakeholder group and how we connect with them in a meaningful and productive manner.

## Matching listening with rethinking

In the past year, we've matched a lot of the listening done through our research projects with ample thinking about our future through our Strategy and Brand projects. The Shell brand has served us very well for almost 100 years and we've been getting plenty of feedback about what to do with the Brand in the future – I am not short of advice in this area!

We have given this a lot of thought and have an exciting story to tell. Rest assured that we will be telling a very different Kiwi story.

New Zealand needs substantial companies that are committed to this country, backed by Kiwis and that will make the investment in resources and infrastructure needed to ensure our company moves forward. Our strategy work has shown us there are plenty of opportunities to shape a better future for our company.

The downstream fuel sector is restructuring in front of our eyes and the mix of participants and assets that make up our industry will likely be quite different in a few years' time. The creation of Greenstone and the departure of Shell from the retail landscape is the most tangible example, but there will be more to come.

We are well placed to respond to, and in some cases catalyse, those changes. Our strategy provides us with a pathway to do this in a responsible manner. Improving our financial performance will serve as the foundation for much needed investment in our customer offers and infrastructure.

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*“The downstream oil sector is restructuring ... the mix of participants and assets will likely be quite different in a few years' time.”*



## A special tribute to our people in Christchurch

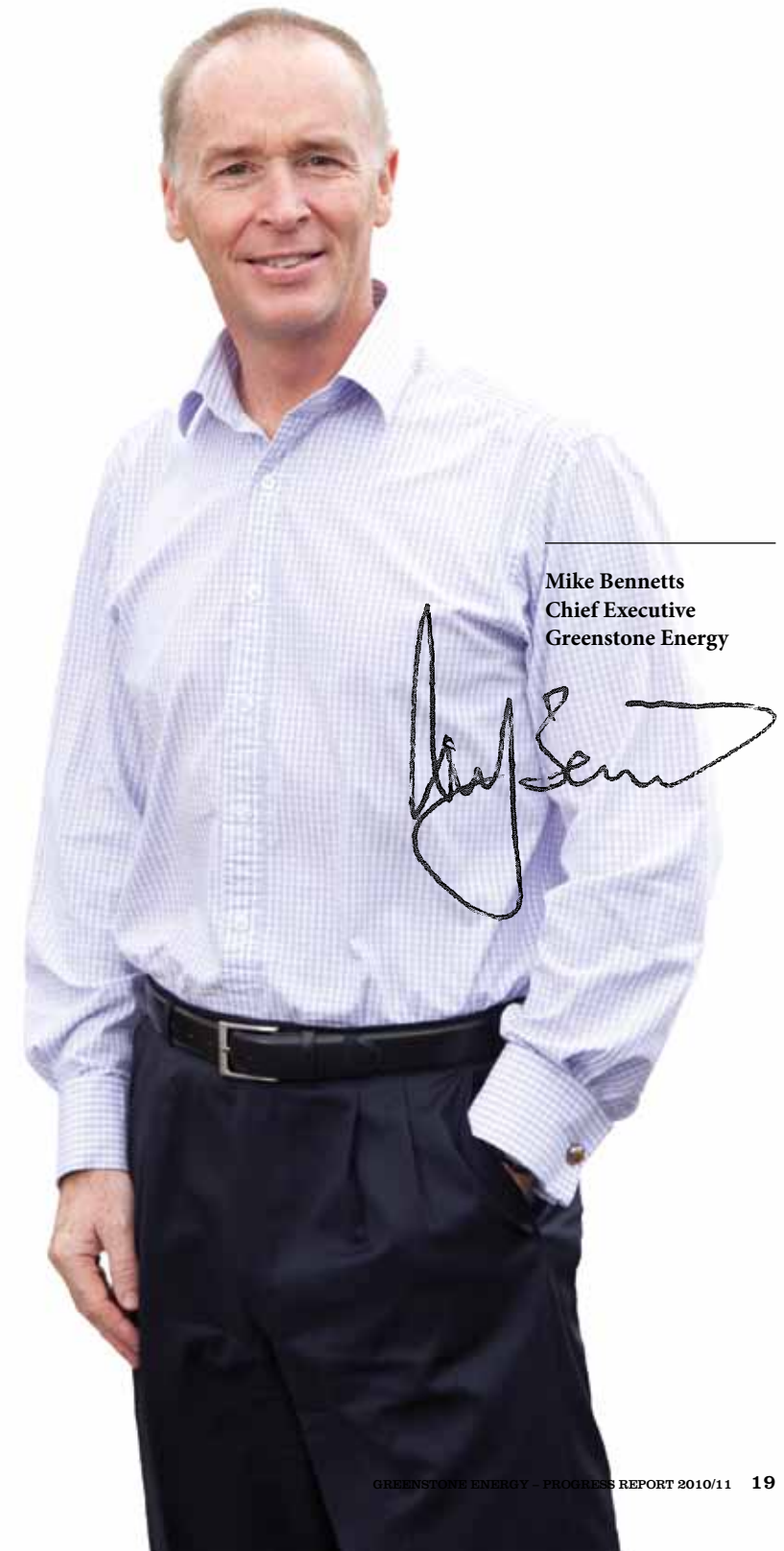
Events in Christchurch have disturbed every New Zealander to the core in recent months. I personally have spent time in Christchurch with our people after both events, and on both occasions, have been struck by two things: the massive sadness and devastation of what has occurred; and the amazing resilience, commitment and bravery of Cantabrians, including Greenstone's people.

We count ourselves hugely fortunate that every one of our people has been safely accounted for, but we also know that we have people working in our network right now who are trying to help people heal, have damaged or destroyed houses and/or whose children and partners are worried and traumatised. Somehow, they have been able to put all that to one side, and have continued to work and support others, including each other, despite numerous pressures and adversity. I can only say that you have my unstinting admiration, support and thanks.

## Thanks to all involved

Finally, thanks – to our local shareholders, the 3,500 retail investors who subscribed to our first corporate bond issue, our ever growing customer base and the people of Greenstone Energy, from our Board to those in head office to those in the frontline managing our 65 million customer interactions a year.

One year on, much has changed and much has stayed the same within our company. But as one of my bosses once said to me, the best is yet to come...



**Mike Bennetts**  
Chief Executive  
Greenstone Energy



## Guest commentary: “A powerful idea, a welcome addition”

*Greenstone is the largest company to be returned to New Zealand ownership and local management and decision-making for a very long time. For the last 20 years the large cash flow, “big” franchises in New Zealand have been going one way – from New Zealand owners to global.*

Greenstone is the first “major” in the banking, energy or media sector to come the other way. In that context Greenstone is, in my view, very significant, and will 10 years from now, be looked upon as a turning point.

People congregate around powerful ideas, and are proud of New Zealand success stories. Greenstone has the potential to be an idea around which this happens. Brands matter. They are a short, effective way of making choices. For a long time in New Zealand, most of our powerful brands have not been our own. Greenstone, with its name, its identity, and its actions can have a very positive impact on New Zealand’s sense of self.

Greenstone is not there yet, but has said loudly “we are going to give it a bloody good crack – back us.” I, for one, am into it.

Greenstone is also a very welcome addition to the New Zealand business landscape for a series of reasons that go well beyond pride. The following come to mind:

Why Greenstone is a very welcome addition to the New Zealand business landscape
1. Business leadership
2. Confidence
3. Local job creation and talent attraction
4. Identity
5. Providing great investment opportunities for Kiwis, and helping build a savings culture.

### 1. Business leadership

Two very long term New Zealand investors – Infratil and the New Zealand Superannuation Fund – have come together to invest in and operate a key business in New Zealand. This was a bold, brave move demonstrating leadership.

### 2. Confidence

Up until this announcement, it was widely assumed that Shell’s assets would be purchased by an off-shore company. The fact that New Zealand investors had the confidence to back themselves to buy a company back off a global owner and create shareholder value is an important leadership statement – we can outperform the ‘globals’. This is something that needs to be encouraged. Greenstone is the product of vision and leadership that I hope will set an example other Kiwi companies follow.

### 3. Local job creation and talent attraction

Having Mike on board as CEO is fantastic. Greenstone has created an opportunity to attract a talented Kiwi back to where he always wanted to work. In this sense, ownership matters. It keeps the great jobs and the talent local, and the spin-off effects on the economy and the community are enormous.

### 4. Identity

Companies like Greenstone are important symbolically, representing who we are and what is possible. They can create a sense of pride and loyalty. People support local brands. When 42 Below was Kiwi owned, it was proudly displayed front and centre in all the coolest bars and restaurants. Today, in the same bars, it is nowhere. The brand has lost its “feel”. In the oil industry, the brands have all “felt” the same – large multinationals a long way distant from the pulse of New Zealand. I know that for the first time ever, I take note of which gas station is which and I keep my dollars local by filling up at a Greenstone station, knowing that this is contributing to the success of a company who has local interests at its heart.

### 5. Providing great investment opportunities for Kiwis, and helping build a savings culture

NZX was thrilled to be able to assist, in some small way, with Greenstone’s capital strategy. An incredibly well received retail bond issue listed on the NZX Debt market literally flew out the doors – showing again how Kiwis are prepared to back great Kiwi companies and well managed companies when given the opportunity to do so.

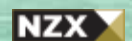
“Greenstone has said ‘we are going to give it a bloody good crack – back us.’ I, for one, am into it.”

Greenstone and its NZX offering assists in continuing the long journey to creating an ‘ownership’ and savings culture in New Zealand, both at a company level and personal level. It’s a priority that Kiwi Saver – and I hope partial floats of SOEs – will also help to install. I hope that the NZX markets again get a chance to assist Greenstone with capital raising and value creation in the New Zealand economy.

More than that, I hope to see Greenstone grow to become a loved brand, and turn the industry on its head, in much the same way some of the great game changers of the corporate world have done with new owners taking a fresh approach to old industries.

My vote is to go with something new – something identifiably Kiwi at its core. Something that suggests a unique way of doing things and that, like the current name Greenstone, will be here for the long term.

Mark Weldon  
CEO, NZX







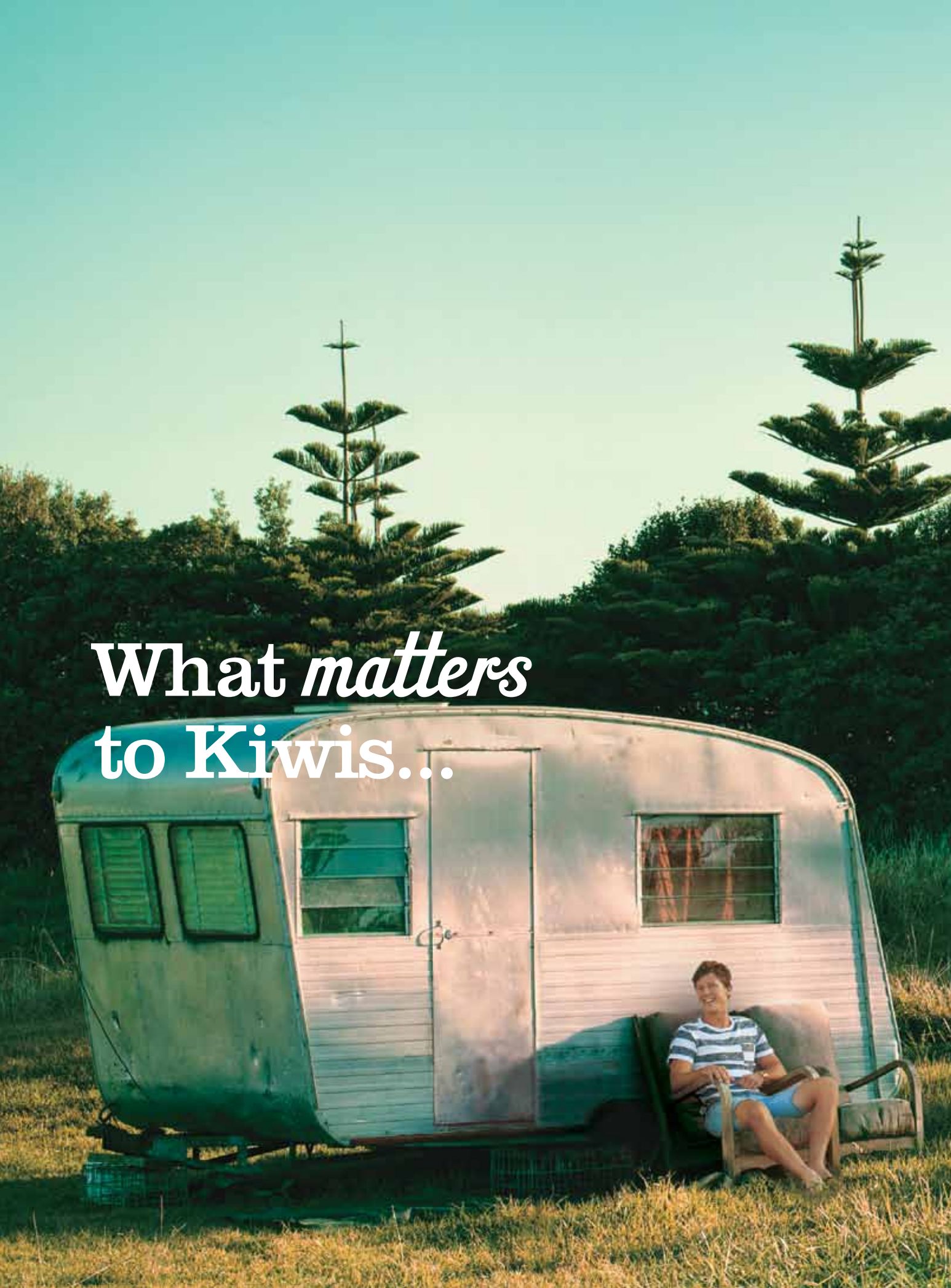
What *matters*  
to Kiwis...



...*matters* to us

Here, Lindis Jones our GM Corporate is catching and releasing a brown trout in the Ahuriri River. We think we have 'caught' a great business - now we need to develop it so it may release many benefits to New Zealanders in the future.





# What matters to Kiwis...

## Our changing sense of who we are

*No two ways about it, New Zealanders are changing; in fact, the very way we think about ourselves is changing. Our cultural identity of the easy-going, agriculturally creative, underdog Kiwi has evolved.*

We still prize humility, community spirit, loyalty and kinship, but we have developed a pride and a confidence in our place in the world; an ambition to succeed and an interest in celebrating those who do well either here or overseas. Figuratively speaking, we've left 'she'll be right' behind.

We're very clear about what we, as a nation, want from our businesses. We want companies to call New Zealand home – either literally or spiritually – and to be involved, to stand by New Zealanders and to act first and fast to correct anything that goes wrong. Customers have higher expectations of a company like Greenstone in terms of doing what's right. Because we live and belong here, they expect us to sort out problems quickly, without fuss and without needing to be asked.

*We listened and we heard you – loud and clear.*



### Ground-breaking new research

These are just some of the findings from one of the largest pieces of research of its kind undertaken in recent years into the attitudes of New Zealand consumers. Over the course of nine months, we have asked 2,500 Kiwis from all walks of life and from right across the country for their thoughts and opinions on what matters to them, what's important to the country and what counts as Kiwi these days.

Our research captured the opinions of another 14,000 New Zealanders through a range of survey techniques.

What emerged incredibly strongly was a refreshed sense of our national identity – a way of thinking about ourselves that we've dubbed 'new Kiwi'. The tall poppy syndrome is fading. Instead, we're proud of, and thirsty for, achievements that are truly world class, that discover new things and forge new paths. Our new national role models are organisations that have taken their business to the world and that compete squarely and on equal terms with all-comers.

### New Kiwi

Quality matters. Our research shows New Zealanders will embrace and invest in 'new Kiwi' companies that reflect our national aspirations for excellence. But without that excellence, Kiwi ownership isn't enough to earn loyalty – we must deliver both.

Other themes are around being inclusive, celebrating diversity and always being straight up. New Zealanders want that sense of community, but we also have a highly competitive streak that quickly shows its hand.

### What New Zealanders expect

In terms of our own business, we gained some valuable insights about how customers would expect a world-class 'new Kiwi' company to behave: be as quick as you can; recognise that fuel is not a destination for everyone, it's an interruption; make timely and appealing offers that add to people's sense of value; and above all else, listen.

Thanks to all those who took the time to take part.

## Greenstone's shareholders

### The Guardians of New Zealand Superannuation

The Guardians' goal is to invest to secure the long-term prosperity of New Zealanders by partially funding the costs of future superannuation and so reducing New Zealanders' future tax burden. Currently the New Zealand Superannuation Fund is worth around NZ\$18 billion.

### Infratil

Publicly listed Infratil Limited is a core investor in New Zealand's infrastructure and utilities with an 85% Kiwi shareholder base. Infratil's core strengths are in the areas of energy, infrastructure, risk management, supply chains, transport, retail and property.

### Together

Infratil and the Guardians share a common commitment to seeing this country succeed over the longer term. At a time when the New Zealand fuel industry generally has retrenched, with large-scale service station closures, reduced investment in infrastructure and declining service levels, these two organisations are bucking the trend. They've made the decision and the investment to grow Greenstone based on the precept that New Zealand must determine its own future and that the future for this company will be rather different from how it used to be. They have literally given us the opportunity to change the future of energy in New Zealand.



...matters to us.



## Highlights

### *The journey begins*

- 1 The journey begins – Greenstone Energy takes over the Shell network on 1 April 2010.
- 2 One of the largest consumer research programmes of its kind in New Zealand reveals what New Zealanders want from their retail service stations.
- 3 We start landing Kiwi-owned shipments of crude oil, paid for with real Kiwi money.
- 4 We create 40 New Zealand jobs by bringing previously outsourced roles home. We're also working with more New Zealand companies than ever before.
- 5 Our successful retail bond issue closes oversubscribed at \$147 million.
- 6 The Fly Buys programme launches the new Airpoints Fly Buys card.
- 7 The Fish for Prizes promotion is a huge success with nearly 2 million entries over nine weeks.
- 8 We committed to an eight point community investment programme to help people in Christchurch following the September 2010 and February 2011 earthquakes.
- 9 Greenstone subsidiary, Mini Tankers, signs a deal to supply biofuels for Air New Zealand's terminal services at Auckland Airport.
- 10 Through a range of fundraising initiatives, we contribute over \$170,000 to Cure Kids.
- 11 Some 5,000 New Zealanders 'like' us on Facebook, and talk to us through this medium.
- 12 Greenstone Energy joins the Zero Harm Workplaces initiative.
- 13 Environmental incidents end the year at a record low. After selling 2.5 billion litres of fuel to commercial and residential customers, there was a total of ten small spills. All were successfully cleaned up with no lasting environmental impact.
- 14 Greenstone brings the call centre back to New Zealand from Manila creating 12 fulltime jobs.

“It's been a great journey so far...”

## Our assets

### *Greenstone Energy currently has:*

- A 17.1% stake in the New Zealand Refining Company and pipeline which links the Marsden Point Refinery to the country's largest and most important fuel terminal at Wiri in Auckland.
- A share in the pipeline that links the Wiri terminal in Auckland with Auckland International Airport.
- A share in New Zealand's coastal fuel shipping network, port and other regional fuel infrastructure including bulk storage terminals. This includes the recent Lyttelton terminal redevelopment. Costing \$25 million, it has three tanks, each capable of holding 8–10 million litres of fuel.
- 219 Shell-branded service stations.
- 94 truckstops.
- A marine re-fuelling business.
- Operations at Christchurch and Auckland airports.
- The rights to use the Shell retail brand for several years, if we choose to.
- A 25% share in Loyalty New Zealand (Fly Buys).
- A secure supply of Shell crude products.





# Local matters

Talking with local people matters to our customers... so it matters to us.

Left, Soò Fue has one of the 12 fulltime jobs created when we brought our call centre home.

## Taking a stake in our business

### Getting to grips with our risks

*With a dependence on a low-margin, high-volume pricing structure, one of Greenstone's key risks is currency and commodity price fluctuation. We also needed to quantify and manage the new risks created by the Government's Emissions Trading Scheme.*

Richard Norris joined us from Transpower soon after we purchased the Shell business to not only help us identify the company's key risks, but to align them as directly as possible with specific aspects of the business. He points to the great progress in our first year – risks are now identified and contained, and coverage runs end to end across Greenstone's many systems.

"We've moved quickly, but carefully," he says. And probably none too soon, given continued unrest in the Middle East, a volatile currency, the fact that we are landing our own fuel shipments here and petrol is now well through the \$2 per litre barrier. "The key point is to control as much as we can so that Greenstone has the greatest level of say over what customers are paying for their fuel."

### Changing our bank debt arrangements

When the business was purchased, our debt was held by one banking syndicate with a single maturity date. Diversifying the portfolio seemed the most prudent option, but the global financial crisis meant other banking options were limited.

In September 2010, in conjunction with ANZ and First NZ Capital, Greenstone went to the market with a retail bond issue with the aim of securing \$100 million of funds from domestic investors to repay bank debt and increase funding flexibility.

We closed oversubscribed at \$147 million – an extraordinary response given this was the first bond issue since the beginning of the crisis by an unrated issuer that was neither quasi-government nor a top 15 listed company.

As Chief Executive Mike Bennetts observed, "Investors know us. They come into our stations every day, and I'm certain that familiarity helped give them the confidence to want to participate. Even more than that, this was about Kiwi investors opting to take a direct stake in our business."

"Because of their willingness to support us, the strength of our Kiwi ownership has been reinforced, our funding lines have been restructured to provide greater flexibility and we are uniquely positioned to grow Greenstone into a world-class company."



**"This was about Kiwi investors opting to take a direct stake in our business."**

*Mike Bennetts,  
Chief Executive*

## Bringing the answers home

*Over the last year we've worked hard to create local jobs while improving our service standards.*

Telnet now answers the phone on our behalf, and our decision to bring our call centre back here from Manila has created 12 fulltime Kiwi jobs. In all, we've created 40 jobs by bringing home roles in treasury management, marketing, asset management and credit functions that were all previously undertaken somewhere else in the world.



We're also working with more New Zealand companies than ever before. New Zealand company Integral Axon, New Zealand's largest privately owned ICT services company, is now our IT service desk and desktop support provider. Gen-i provide our IT support, while City Care, who take care of our facilities, beat off international competition to secure their role with us.

And we have partnered with innovative New Zealand company Fusion Transactive to upgrade and replace all our point-of-sale systems nationwide. Rollout started in July 2010 with upgrades at all our truckstops co-located at service stations, followed by the six stand-alone truckstops in Alexandra, Balclutha, Methven, Taumarunui, Waitara and Sylvia Park.



# The fuel journey

*Fuel products are the lifeblood of our business, so when we separated from Shell we made sure our international supply chain was strong and robust.*

## Getting it right

We know that to achieve our goal of being a world-class Kiwi company, we need to nail the basics. The basics for us are getting fuel to our customers when they need it.

A couple of times during our first year our expanding market share outstripped our planning – to be blunt, meeting expectations along with the rise in demand caught us on the hop.

One of the things you told us was that when things go wrong, as Kiwis we should act quickly to put them right – and we've done just that, increasing our stock levels to meet demand.

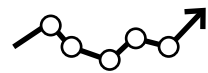
### Crude oil is extracted

Crude oil is extracted from beneath the earth's surface via oil wells from all over the world. Most of the oil we source is from the Middle/Far East.



### Sold on open commodities market

Shell Trading purchases barrelled crude oil on the open commodities market.



### Purchased by Greenstone Energy

Greenstone Energy forecasts\* how much our customers will need and purchases this amount of oil from Shell Trading.



\*Approx. 6 months before customers buy it.

### Arrives in New Zealand

A ship delivers\* the crude oil to the Marsden Point Refinery near Whangarei (or the already-refined product to terminals around the country).



\*Approx. 3 months before customers buy it.

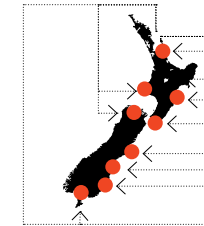
### It's refined

The New Zealand Refining Company, in which Greenstone Energy has a 17% share, refines the crude oil into diesel, petrol (mogas), fuel oil, jet fuel and bitumen.



### Distributed

The refined products\* are either piped to Auckland's Wiri terminal, or shipped and pumped into storage tanks at various terminals via Coastal Oil Logistics Limited, jointly owned by the 4 major oil companies.



\* New Zealanders get through over 50 million barrels of refined oil a year.

### Delivered

Trucks deliver fuel to our 219 service stations and our 94 truckstops. Business customers receive fuel via truck or barge. Aviation fuel is piped directly from Wiri to Auckland International Airport.



### Retail outlets

Customers can purchase and pick up product from stations\* or truckstops to use in everything from their lawn mower in Kaitaia, to their Kenworth in Invercargill.



\* Around 48% of our products go to customers visiting our forecourts.







## Landed here by us for us

On 27 June 2010, we landed the first Kiwi-owned shipment of 80,000 tonnes (US\$53 million) of crude oil at the Marsden Point Refinery.

As Greenstone's General Manager of Supply and Distribution, Rob Freeman, said: "For the first time in a very long time, a New Zealand-owned company has paid for and imported a shipment of oil to produce the transport fuels that keep our country moving."

It was also our first full cycle: purchasing and paying for the oil, importing it, having it turned into transport fuels, and then selling it as more than 100 million litres of diesel, petrol, jet fuel and fuel oil.

We're on target to be making around 17 of these shipments per year.

## The New Zealand Refining Company

Like the international oil companies, Greenstone has an ownership stake in the publicly listed New Zealand Refining Company.

The Marsden Point Refinery is, by global standards, relatively small, but also very modern and efficient. It needs to be: New Zealand has among the world's most stringent and demanding fuel specifications, producing some of the world's cleanest and highest quality fuels. It can refine a wide range of crude oil grades, including heavy, high sulphur crude from the Middle East and light, low sulphur crude from Asia.

Each company has a processing agreement whereby production capacity is allocated based on market share for each product – good news for Greenstone as market leader in most of our product lines.

In addition to the products refined at Marsden Point, about a third of our products are imported directly as already-refined or finished fuels which are distributed directly to terminals throughout the country to supplement refinery production.

Below, the Marsden Point Refinery, situated near Whangarei, Northland.

## The problems with low margins

Low margins are generally not talked about openly by any industry, and particularly this one – but it's an issue that needs to be tackled.

Until the mid-1980s, the fuel retailing industry was regulated and margins of 50 to 60 cents per litre were guaranteed (around \$1.25 per litre in today's terms). After deregulation in 1988, margins were at 30 cents per litre, and linked directly to investment in individual sites. Since then, we have seen a price war that has effectively lead to an 'importer margin' of around 15–17 cents per litre, which has remained static over the last decade.

And let's not forget that all operating costs – wages, overheads, transport, product storage, electricity costs – must be paid out of that margin, and these operating costs are not static – rather they have continued to grow. For example, between 2004 and 2008, the average operating costs for a retail site increased by 40%, while storage and handling costs increased by more than 40% between 2005 and 2010.

World-class fuel specifications – beyond those for much of Asia Pacific – also contribute to a higher base fuel cost in New Zealand.

The upshot is a post-tax margin, or net profit, of between two and three cents per litre, including the convenience store retail margins. By contrast, more than \$1 of the pump price currently goes to the Government in taxes and levies.

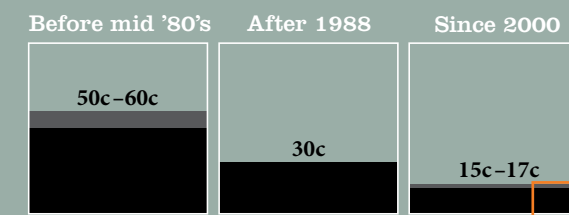
So how has the industry made a return? Good question. Costs have been cut to the point where exiting New Zealand is a very real option for some companies – that's why more than 2,000 service stations have closed, and more and more sites are un-staffed.

### Long-term security?

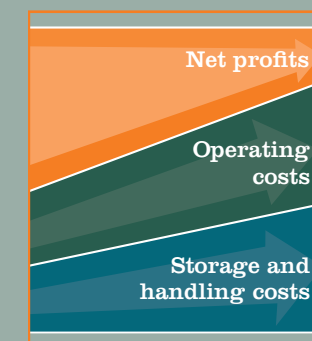
While consumers may think flat margins are a good thing, there are long-term term implications for communities, security of fuel supplies and the broader New Zealand economy.

"This really matters to the New Zealand economy."

History of margins (approximate cents per litre)



### What's happened within the margin over the last few years?



Net profit, (what's left over) has reduced over recent years due to the increasing costs below. Net profit is currently 2–3c per litre.

Operating costs include wages, overheads, transport, product storage and electricity. These costs have increased (between 2004 and 2008, they grew by 40% on average).

Storage/handling costs have increased (between 2005 and 2010, they grew over 40%).

New Zealand is a difficult market. We are isolated from global supply chains and have stringent fuel specifications – especially compared with Asia – and relatively low volume potential by global standards. Fair margins are needed to ensure profitability and success in the industry, to enable investment in the network and in our offers to customers, and to deliver commercially acceptable returns to shareholders that recognise their investment risk.

Our view is that margins must rise in order to assure security longer term. A rise of just a few cents per litre in terms of net profit will make a real difference to ensuring a sustainable, safe and reliable fuel supply for New Zealand, and choice for consumers.



## Guest commentary: A motorist's view

*Greenstone Energy invited Mark Stockdale from The New Zealand Automobile Association Incorporated to share his thoughts.*

### About AA

The New Zealand Automobile Association represents the interests of 1.3 million members who collectively pay over \$2 billion in taxes each year through fuel excise and other levies. The AA's advocacy and policy work mainly focuses on protecting the freedom of choice and rights of motorists, keeping the cost of motoring fair and reasonable, and enhancing the safety of all road users.

### Fuel prices

When it comes to the cost of motoring, fuel is a key component and price is our members' main concern. The AA actively monitors fuel price components and margins and is regarded as an independent authoritative voice. We help motorists understand how fuel prices are set but also believe there is an opportunity for the industry to better inform the public and improve transparency. Few motorists realise, for example, that nearly half the current petrol price is tax.

### Fuel efficiency

In an era of rising oil prices, consumers will increasingly factor fuel price into vehicle purchase and use decisions. Fuel efficient cars like hybrids and common-rail diesels will become more popular. And while the majority of New Zealanders cannot afford to upgrade to these vehicles, they can still reduce costs by conserving fuel.

In 2010, the AA ran a series of tests that demonstrated that motorists could reduce their fuel consumption by 30% or more by adopting simple fuel-saving practices. Oil companies also have a role to play in helping customers manage fuel costs. The AA would like to see, for example, service stations actively encouraging customers to regularly top up their tyre pressure when they're filling up which can help reduce fuel consumption.

### Exploring alternatives

Customers will also be looking to alternative fuels to reduce their costs and carbon footprint, and while oil companies in New Zealand are not presently obliged to supply biofuels, they do have a responsibility to explore renewable and alternative fuels to improve security of supply and reduce motorists' fuel costs and emissions. Biofuels can also offer a point of difference for retailers, and, as they become economically viable against higher mineral-fuel prices, they may offer a cheaper option.

### The challenge ahead

The challenge for oil companies will be to manage static or falling demand resulting from higher fuel prices. The price spike in 2008 saw a drop in petrol sales, while the subsequent recession affected diesel demand from the commercial transport sector. With service station income linked to sales volumes, this will influence the level of competition, retail price structure, and availability of outlets in the future.

For our size, New Zealand is a competitive market well served by four national oil companies and a smaller independent chain in the North Island. But the retail market is going through change, potentially reducing choice and competition and bringing more regional price variation. Oil companies are reviewing their investments in New Zealand and their network pricing structures. There has been a decline in the number of smaller privately-owned suburban and provincial sites, an increase in large sites with cafes and retail space covering a wider geographic area, and the introduction of pumps at supermarkets.

In these conditions, motorists will be looking to Greenstone to keep prices as low as possible just as Shell previously did, and build on its status as a locally-owned retailer to develop further points of difference in the marketplace.

Mark Stockdale,  
Motoring Policy  
Team Leader,  
The New Zealand  
Automobile Association  
Incorporated



## A successful transition

*It was critical to us, both for the integrity of the purchase itself and to protect shareholders from risk, particularly in the first year of ownership, that we achieved a smooth transition from Shell to Greenstone Energy.*

Our dedicated transition team used a world-class methodology, approach and tools to successfully transform us into a strong Kiwi company within budget, ahead of time and with a higher level of ongoing operational savings than expected.

As a result, we were able to mitigate significant risks in our people and capability gaps, safety and crisis management, IT infrastructure, business continuity and disaster recovery. New priority capabilities and functions were also established, including payroll services, marketing, asset management, IT and treasury. In total we created 40 new roles in New Zealand that had previously been offshore. Other key deliverables included an Enterprise Risk Management framework, the Business Transformation Office and a comprehensive Investment framework.

We also enhanced our third party relationships, leading to a number of Kiwi partners joining us on the Greenstone journey: Gilbarco and City Care Limited for our fuel and non-fuel maintenance; Gen-i, Integral Axon and Fusion 5 for our information technology needs; Telnets for our customer call centre; Fusion Transactive and ECL for our major site systems replacement.

And all this was achieved with minimal disruption to the business, even as we dealt with other issues such as the GST change and the Retail Bond issue.

A key reason things went so well was the regular communications, undertaken face to face, through newsletters and subsequently via our new Intranet, that ensured stakeholders inside and beyond Greenstone understood what we were looking to achieve and why.

We now have a robust framework in place for programme and project management, investment decision-making, roles and skills that will serve us well into the future.

*Sheena Thomas, Communications Advisor, came to the company during the middle of a major transition project – from a multinational to a stand-alone Kiwi company.*







# Customers *matter*

We're proud to be a New Zealand company and to be looking after New Zealanders, at work and on the road.

## Business case study

*Pan Pac is one of the country's biggest forestry companies, based in Napier. Our relationship with them goes back more than 20 years, but 10 years ago, they made the move to another supplier. Now they're back.*

They are back after a tender process just over a year ago, and a key reason for that, says Mark Watson, Greenstone's Area Manager, Commercial Fuels, Central North Island, is Greenstone's commitment to building a strong relationship and our willingness to invest.

With such a huge operation, Pan Pac needs three different types of fuelling: a truckstop for their fleet; mini tanker services for their smaller tanks and for their machines; and fuels that need to be delivered directly to the forestry crews. All up, that's more than 10 million litres of fuel annually, delivered half to the forestry crews and half to Pan Pac themselves.

"Anytime you have crews sitting in the forest unable to work because there's no fuel, you have huge frustration and revenue loss," explains Mark. "Our Northfuels team, which deals with the forest crews, makes weekly deliveries to every crew to ensure there's no downtime."

As part of our investment in the Pan Pac business, Greenstone has also built a new truckstop with an 80,000 litre diesel tank, which has its fuel delivered by Greenstone contractor Hooker Pacific.

One of the things that makes life easier for the customer is that all three delivery arrangements – to the truckstop, to the tanks and machines, and to the crews – take place under a single invoicing system that promises consistent pricing and less paperwork.



Right, as part of our investment in the Pan Pac business, Greenstone has built a truckstop on a new site with an 80,000 litre diesel tank.

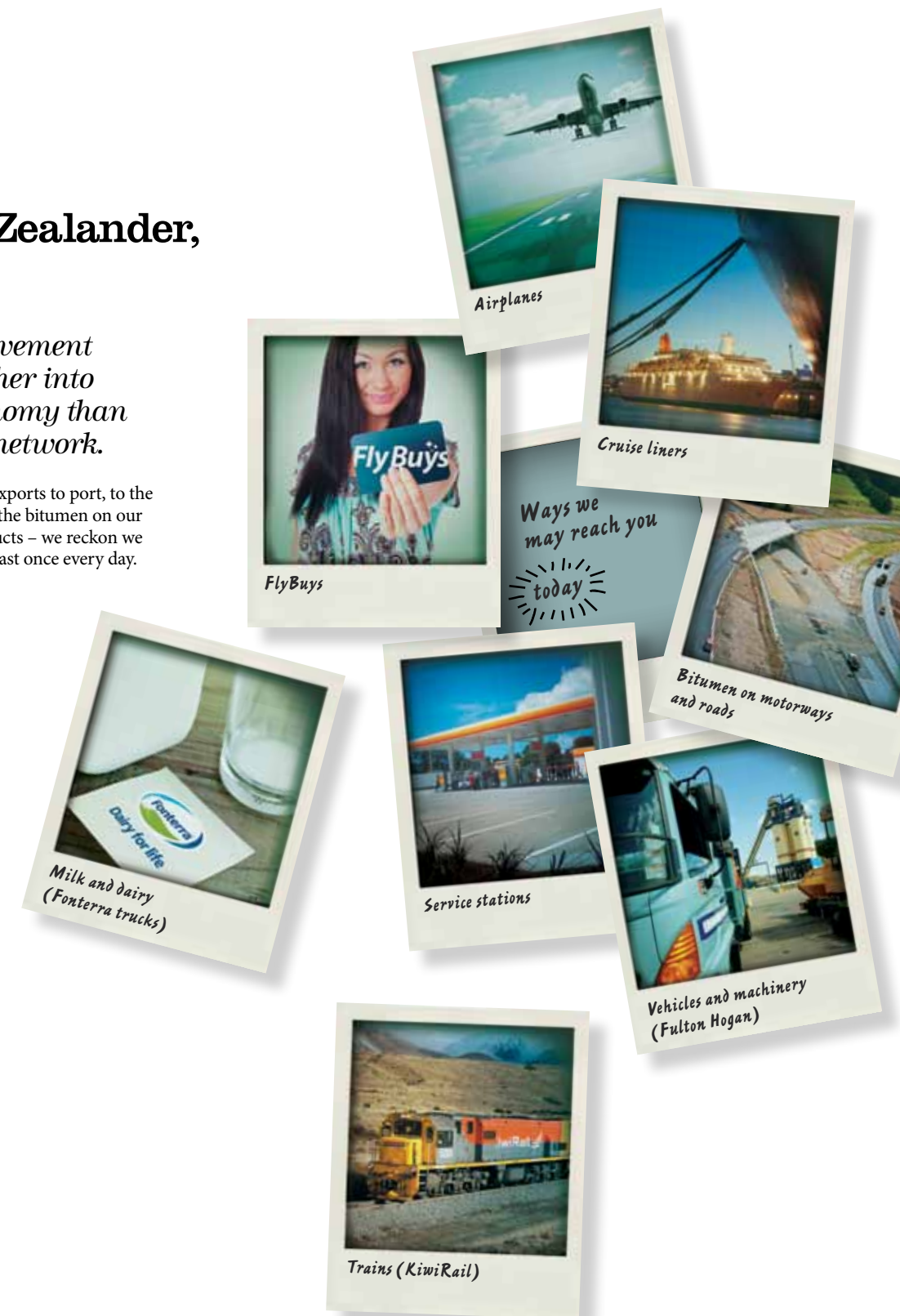
Left, Neil Weber, from Pan Pac is chuffed to be able to work with a New Zealand-owned supplier.

## Every New Zealander, every day.

*Greenstone's involvement reaches much further into this country's economy than its service station network.*

From the trucks that bring our exports to port, to the fuel for the ships in those ports, the bitumen on our roads and even household products – we reckon we touch every New Zealander at least once every day.

"...we reckon we touch every New Zealander at least once every day."





“Retail in today’s economic climate is challenging.”

## Station to station: our retail network

*Our 219 service stations nationwide are by far the most visible part of what we do and the most common way New Zealanders interact with us.*

We have a 30% retail market share – the largest in the country. Many of our sites are in prime locations with growing traffic volumes – over 80% of our sites pump more than the industry average of 3.2 million litres of fuel per year. Twenty-one have pumped greater than 8.0 million litres this past year, and our newly opened Bethlehem site, just north of Tauranga, is on track to pump nearly 10 million litres of fuel!

We’ve also opened a new site at Lakeside on Auckland’s North Shore, another at Waiuku, and one more at Waiouru is on the verge of opening.

### The most successful loyalty programme in the world

Our involvement in Fly Buys is one of the reasons for our market leadership – we are the only fuels retailer in the Fly Buys programme and own 25% of Loyalty



New Zealand, which in turn owns Fly Buys. Fly Buys is the most successful (by household penetration per capita) loyalty programme in the world with more than 2.2 million active accounts (75% of all New Zealand households). On average, each day, a Fly Buys card is swiped more than 300,000 times.

Every retailer would love to have more conversations with customers about the things that matter to them, but most would struggle to do this as effectively as we can through Fly Buys. This year, for example, we emailed over one million customers with targeted offers, for occasions ranging from anniversary weekends to special retail offers and promotions.

In November 2010, Fly Buys partnered with Air New Zealand to launch the new Airpoints Fly Buys card. Importantly, the card brings new motivation opportunities to the overall Fly Buys customer base, which has historically tended to be more oriented towards women and households.

We also offer our customers opportunities to gain discounts on their fuel through supermarket chain Progressive Enterprises. Today, more than half of all our retail fuel transactions involve the use of a Fly Buys loyalty card and/or a supermarket discount voucher. Perhaps that’s not so surprising. In tougher times, consumers look to their brands to deliver value.

### Fishing for customers

We ran some extraordinarily successful promotions this year designed to boost loyalty and get more people to our outlets. Of these, the runaway success was Fish for Prizes, a promotion we ran through October and November 2010.

Normally, if you get 5% of people entering a competition, you’re happy. Fish for Prizes was up over 25%, an amazing 2 million entries – an entry for half of New Zealand’s total population.

We think one of the reasons for our success is that fishing really resonates with New Zealanders. As a Kiwi company, we get to make decisions here about what people like us want, rather than having them made for us overseas.



## New Zealand favourites

Around 30% of all our retail transactions are products in our convenience stores. Another 15% are a combination of store products and fuel. Here’s the top foods and beverages you are most likely to buy from us.



Some top sellers (units) – by category	
Beverages	V bottle (350ml)
Food	Mrs Mac’s steak & cheese (200g)
Perishables	Rivermill white toast (600g)
Ice-cream	Tip Top choc bar
Confectionery	Wrigleys PK orange gum
Chips	Copper Kettle sea salt (40g)





A Mini-Tanker delivers fuel directly to a commuter ferry via a hose, at Queens Wharf in Wellington.



## Bringing fuel to machines, not machines to fuel

*Mini-Tankers, a franchised diesel distribution business, is a 100% owned subsidiary of Greenstone, offering direct machinery refuelling.*

On-site refuelling means less downtime and increased productivity, as well as reduced fuel consumption, and environmental and health and safety risks.

Loads ranging from very small amounts to full truckloads of 7,000 litres go to customers where it's impractical to store fuel on site, such as roading and forestry operations, and those who like the flexibility and benefits a smaller truck operator provides.

Mini-Tankers also have a supply deal with Biodiesel New Zealand to distribute B20 – a mix of 80% mineral and 20% biodiesel – for customers in Auckland and Christchurch.

At Auckland International Airport, Mini-Tankers supply Air New Zealand with B20 for equipment like baggage tugs, generators, forklifts and airbridges. No diesel is stored on site – Mini-Tankers deliver the fuel, made from sustainably farmed, used canola cooking oil, into their gear at the airport every day of the year.

“This business is all about flexibility,” explains Chris Jarvis of Mini-Tankers. “For some companies that’s about how they access the fuel they need, for others it’s about getting access to fuels, like biodiesel, that enhance their brands and fit with their values.”

## Taking care of business

*For our retail customers, price, service, fun and rewards are real incentives. For our commercial customers, it’s all about what and when – reliability and responsibility. The common theme though is clear: make the customer the absolute focus of what we do every day.*

### The key to our economy

Fuel is such an important part of the economy that securing supply is a necessity. Given how far we are from our supply lines, if the other oil companies were to leave and couldn't be replaced, the country would literally grind to a halt.

The strength of a New Zealand-owned company is that our commitment is to this economy, not a globalised agenda. We have a direct interest in ensuring that the country's supply lines work efficiently – whether it's getting visitors here, moving milk from farms to factories or supermarkets, transporting logs to ships or building strong roading systems. As David Robinson, our General Manager Commercial, likes to say: “if it rolls, we have a role”.

### A complex and highly valuable business

Our commercial business accounts for 1.4 billion litres every year out of the total 2.4 billion litres we sell. Even though it operates on big volumes, and adds economies of scale, the significant working capital and debtors ledger means that the commercial business must improve returns to pull its weight.

Getting it right is about having an eye across the entire economy. Even within each sector of our commercial business, there are segments that operate and think in very different ways. Take aviation for instance – airfields and jets have very different needs. So do fishing fleets and cruise ships in the marine business.

### Investing in trucking infrastructure

Inevitably, changing demands and continuing pressures on costs and time-to-market require constant innovation. One third of our commercial business involves trucking, and this year we've worked hard and invested boldly to maintain, and in some cases rebuild, our commercial infrastructure.

We replaced and re-tanked our truckstops in Palmerston North, Invercargill and Northland. We also installed fuelling facilities for key clients including Pan Pac, Regal Haulage, Christchurch International Airport and Stevensons. And we worked with Fusion Transactive to introduce a new card system for our trucking clients to make transactions easier and faster.

### Working for all participants

Not all the major players are participating to the same extent. By exiting parts of the economy they may see as low on returns, others have essentially handed over cost and responsibility for the full servicing of industries critical to the New Zealand economy to those that choose to remain.

We're committing to New Zealand and to doing all we can to raise productivity in the industry and the economy. Part of this commitment is being straight up about the need for fuel margins to begin to enable investment in the country's energy infrastructure.

*“If it rolls, we have a role.”*



“One third of our non-retail business involves trucking.”



#### Across the economy

Commercial

Bulk fuels

Truckstops

Mini-Tankers



#### Aviation

International flights, including a major contract with Air New Zealand

Helicopters

Flight schools



#### Marine

Container ships

Cruise ships

Fishing fleets

Ferries



#### Bitumen

Roading companies



#### Chemical

Only sulphination plant in New Zealand

Manufacture surfactants and detergents

Industrial solvents and polyols



What makes an organisation effective? We think it's a clear purpose and values, rewards for people's achievements, and a working environment that's as safe as it can be.



# People matter

## An inspiring place to work

*At the end of our first year, Greenstone has around 240 employees, and around 2,500 people work on the forecourts of our service stations.*

The vast majority of staff who were with Shell before the changeover have either stayed with Greenstone or transferred internationally, meaning our company comes into this business with all that knowledge and experience.

Of the 20 strong Greenstone leadership team, half are Shell veterans, and the rest have come from elsewhere. They bring a diversity of thoughts and experiences in sectors ranging from telecommunications and banking to infrastructure and other forms of energy; from consumer-facing and corporate backgrounds; and from big and small companies.

### Extraordinary leaders make a huge difference

Leadership is a big focus for us because of the influence of leaders on culture. We have built a tailored leadership framework from scratch to reflect who we are and where we are going, and to play to our strengths. It is built around two philosophies: extraordinary leadership produces extraordinary results; and every single person can be a leader. It also takes place across three levels: senior leaders; people leaders; and leading self. In other words, you don't have to be a manager of people to display leadership.

Such a far-reaching realignment of work practices and priorities takes time and frequent consultation to ensure people are informed and comfortable with progress. We've got through a lot in our first year, but there is of course plenty more to do!

**“We've got through a lot in our first year, but there is of course plenty more to do!”**

Left, Jonathan Hill, Corporate Communications Manager, with Rata, at one of his favourite areas along Wellington's rugged southern coast.

### A deep sense of purpose

Our organisational development over the past year has centred on developing new people practices that better suit the direction and strategy of our new company, and our priorities and objectives as a business and an employer.

Culture underpins every organisation, and this past year we have all worked on defining Greenstone's purpose and values – a much greater level of engagement for employees who came across from Shell where these organisational pillars were globally set.

We've focused on making the values we work to reflective of what's important to us collectively, to our direction and to the changes we are making internally. We are shifting the emphasis from processes, frameworks and policies to a culture where our ways of working are influenced by the values we work with, offering greater freedom to achieve strong outcomes.

Values are also a powerful way to unite the wider organisation, including our retail site staff, and those people who represent us but don't necessarily work for us – for example, our contact centre staff.

### Aligning safety to culture

In our industry, safety must be the number one priority across everything we do.

To mitigate the risks that arose out of leaving behind Shell's standards and global performance network, we took the opportunity to rethink our plans. We were committed to learning from the legacy policies that had worked well, initiating new ways of working that align directly with what we believe and targeting local risks. We have a dedicated local team with a health and safety manager. We have also moved from a compliance-based Health and Safety (HSSE) regime to one centred on our culture, establishing a tangible link between our purpose as an organisation and the health and safety of our people.

The goal is to encourage people to do the right thing not because they have rules, but because the behaviour itself feels right. It's great to be able to report that this year saw no drop in health and safety performance. This next year, with our safety culture installed and maturing, we will move forward to focus on the health and wellbeing of our people.

## Greenstone and sustainability

*Greenstone sells non-renewable fuels, which is not a great starting point for a conversation around sustainability.*

But Greenstone is, above all, an energy company and is committed to making a contribution to a more sustainable planet. A real contribution; not greenwash.

Sustainability matters to our customers and it matters to our own people. Over the last year we consulted with a wide range of experts to develop an approach to sustainability. We are at the start of a journey and we commit to reporting back to you on our progress yearly.

For us, sustainability has three components – financial; communities and people; and environmental.

This report goes into some depth in terms of our financial sustainability and how we operate in and contribute to local communities. We will provide more detail on our community engagement in subsequent reports. Our financial results are reported six-monthly via the New Zealand Stock Exchange and are available on our website.

Here, we want to highlight a starting point snapshot of some key measurements in the area of our health and safety and environmental performance. These numbers provide a benchmark we will report against and build upon on an ongoing basis.

Key indicators	
Lost time injuries	4
Spills	10 – no lasting environmental impact
Average age of underground tanks (800 across retail network)	15 years



# Greenstone's governance

## Our Board

*Greenstone's Board of Directors draws on a wide range of experience in infrastructure, energy, retail and corporate governance to provide guidance for setting long-term strategy and overseeing our performance.*

### Alan Dunn – Director

Alan brings substantial retail management and leadership experience to the Board having been CEO and Chairman of McDonald's New Zealand from 1993 to 2004. Subsequently he became Chicago based VP Operations, then Regional VP Nordics and Managing Director Sweden, retiring from McDonald's in 2007 after 30 years. Alan now manages his own business, Trumpeter Consulting, which specialises in business leadership and development. He is also a Director of New Zealand Post, Burger Fuel Worldwide, along with a number of private companies.



Marko – Chairman



Alan – Director



Paul – Director

### Marko Bogoevski – Chairman

Marko is CEO of both Morrison & Co and Infratil. He joined Morrison & Co in 2008 from Telecom New Zealand where he was Chief Financial Officer, responsible for corporate finance, M&A and group strategy. He is a Director of Infratil, Infratil Energy Australia, Victoria Electricity, TrustPower and Auckland International Airport. Marko previously worked for a number of years in New York after earning his MBA from Harvard.

### Paul Fowler – Director

Paul recently retired as the founding CEO of Nyrstar NV, the world's largest producer of zinc metal. Prior to this he was COO of Zinifex Ltd, an Australian zinc and lead mining and smelting company. Paul has also been CEO of Fletcher Challenge Forests and Carter Holt Harvey Forests. Prior to joining Fletcher Challenge in 1996, Paul spent 15 years with BP in a variety of executive roles including crude oil trading, strategic planning, refining and retail marketing. During his career Paul has lived and worked in the USA, UK, Australia and New Zealand. He holds dual citizenship in New Zealand and the USA. Paul has previously served on the boards of New Zealand Refining Company Ltd and Evergreen Forests Ltd.

### Peter Griffiths – Director

Peter recently retired from BP New Zealand Ltd after a successful 21 year career. His previous roles included General Manager BP Papua New Guinea; Commercial Manager for BP New Zealand's Fuel and LPG interests; and Terminal Operations Manager. For the last 10 years he was Managing Director of BP New Zealand Ltd and also Chairman of BP South West Pacific Ltd. Peter has previously served on the boards of New Zealand Refining Company Ltd, Liquigas Ltd and Bitumix Ltd. He is currently a Director of Wanganui Gas Ltd, New Zealand Oil and Gas Ltd, and New Zealand Diving and Salvage Ltd.



Peter – Director



Lib – Director

### Lib Petagna – Director

Lib Petagna is an Executive Director and COO of Morrison & Co. Lib has extensive transactional experience across multiple sectors and has led a number of acquisitions and divestments in the airport, energy and transport sectors in Australasia and Europe. He has led Morrison & Co's entry into wholesale funds management and the agriculture sector. He is also the Chairman of New Zealand Bus, New Zealand's largest public transport operator and a Director of HRL Morrison & Co, Infratil Property and Fisher Funds Management.



## Signing up for zero harm

In July 2010, around 75 New Zealand business leaders, including leaders from other members of the Infratil family and our own Chief Executive Mike Bennetts, signed up for the Business Leaders' Health and Safety Forum's vision of 'Zero Harm Workplaces'. This was launched by the Prime Minister in Auckland.

The Forum is focused on improving safety leadership and on delivering zero harm workplaces in New Zealand. This is entirely consistent with Greenstone's own commitment to best practice health and safety.

Alongside membership to the Forum, and reviewing our health and safety programme, we've been working closely with regulators to establish more meaningful relationships and to ensure we have all the practices in place to do the right thing by everyone associated with our business.





## Greenstone's management

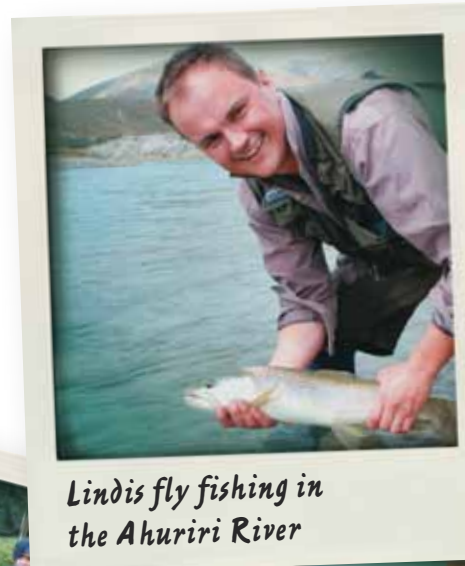
The Greenstone Energy senior management team reports to the Board on overall performance and is responsible for the day-to-day running of the company's national operations.



Mike catching snapper at Omaha Beach



David horse riding at Operiki



Lindis fly fishing in the Ahuriri River



Huma at Bluff



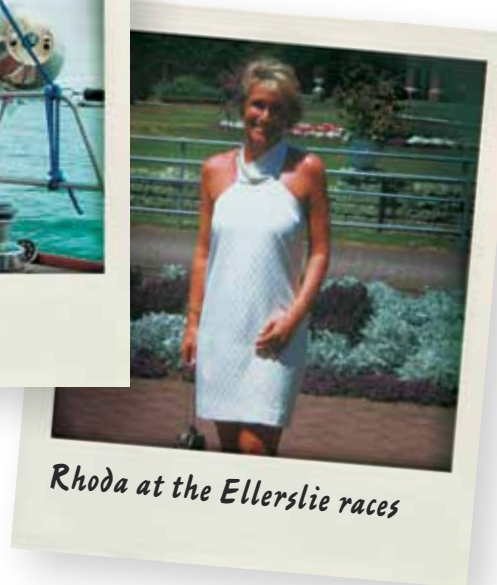
Rob at Coronet Peak



Mark E. visiting Queenstown



Mark F. sailing on the Hauraki Gulf



Rhoda at the Ellerslie races

### Mike Bennetts – Chief Executive

Mike became Chief Executive of Greenstone Energy after 25 years with BP in a variety of downstream roles in New Zealand, China, South Africa, the UK and Singapore. His last role was as CEO of BP's Eastern Hemisphere supply and trading business.

### David Robinson – GM Commercial

David joined Shell in 1994, with a variety of commercial management roles in New Zealand, Australia and the UK. He is a Director of Greenstone subsidiary Mini Fuels and Oils Limited. David is responsible for all business-to-business activities, including Aviation, Marine, Bitumen, Chemicals, Bulk and Shell Card Fuel.

### Lindis Jones – GM Corporate

Lindis joined Greenstone from ANZ National Bank where he was the Head of Property. Prior to that, he was with Shell for 13 years, primarily in retail operations and strategy in Europe, Asia and New Zealand. Lindis is responsible for Strategy, Corporate Communications and Regulatory Affairs.

### Huma Faruqui – GM Capability and Organisational Development

Before moving here from the UK in late 2003, Huma worked in HR roles for Deutsche Bank, Cater Allen/Abbey National Bank and Deloitte. In New Zealand she has held HR leadership roles with Vero Insurance and, most recently, Telecom.

### Rob Freeman – GM Supply and Distribution

Before moving to New Zealand, Rob held senior management roles in Shell Australia in commercial marketing, services, distribution and logistics. He is a Director of Wiri Oil Services Ltd and New Zealand Oil Services Ltd. Rob is responsible for the fuel supply distribution chain, from sourcing in international markets to domestic distribution and supply.

### Mark Edghill – Chief Financial Officer

Mark has worked in finance and business development roles with Coopers & Lybrand in the UK and Sydney, and James Hardie in Sydney, Manila, and Amsterdam. In 2001 he moved to Crown Castle as Director Finance and Company Secretary, before spending time as a Director for a Brisbane-based aid industry start-up.

### Mark Forsyth – GM Retail

Mark held management positions with Shell in New Zealand, the UK and Ireland. He oversees Greenstone's 219 service stations and 94 truckstops, as well as marketing, brand and asset management. Mark is a Director of Loyalty New Zealand Ltd.

### Rhoda Holmes – GM Transition and Operations

Rhoda worked for Infratil in the lead-up to the purchase of Greenstone, building the new organisation's transition and operations plan. Rhoda has over 25 years' experience in the Information Technology and Telecommunications industry in the UK, Australia and New Zealand. Rhoda has been responsible for managing the transition workstream in disconnecting from the Shell Global business and setting Greenstone up as an independent stand-alone company.



# Communities matter

New Zealand communities are our communities. We stand by our people. We stand by what they do. And when New Zealanders are in trouble we'll be there, right alongside the next person, doing our bit to make sure things are as good as they can be.



Left, Jeff Waghorn, operator of the Kaiapoi station said he was "thrilled to be able to help".

The second quake in February was a huge blow to everyone. There was so much hope that Christchurch was once again finding its feet and on the road to recovery. After that tragic event, we pledged to continue to invest in our Christchurch operations and to support the rebuilding of Christchurch. We also quickly reassured our own people that their jobs were all safe.

Within a week, we had 16 retail sites and all six of our truckstops up and running, and we were continuing to re-open retail sites. Only three sites were so badly damaged that they were closed for an extended period of time. Throughout those traumatic days, our Mini-Tankers continued to work extended hours refuelling machines and generators for the recovery operations.

As the only energy company with terminal facilities remaining in Timaru, Greenstone's terminal proved an essential lifeline for the city. Trucking fuel from Timaru instead of from Dunedin saved days of delays and meant strong enough fuel supplies across Christchurch and our sites to see us through a period of unprecedented panic buying.

Once again, it took a massive effort by all our teams across the country, but we managed to keep a steady supply of fuel coming through to the people of Christchurch under the most testing of circumstances.

Following the February quake we:

- Committed to keeping our operations and all jobs in the city.
- Actively supported our people on the ground on an ongoing basis.
- Provided free fuel to emergency services, emergency generators and earth-moving equipment.
- Donated 100,000 litres of jet fuel to Air New Zealand to enable humanitarian flights in and out of the city.
- Froze the price of fuel for more than three weeks in the city despite sharply rising oil and fuel prices.



North Shore – Foundation for Youth Development



Waipuna Hospice received over \$4,000

## Supporting good work

Late last year, when we asked Bay of Plenty locals to vote for their favourite charity, we got a huge response.

We said we'd donate one cent per litre from all the fuel sold at our new Bethlehem site during its opening month to five local charities.

Waipuna Hospice received the greatest number of votes and over \$4,000 of the \$7,200 raised.

Charity	% of votes
Waipuna Hospice	56%
Volunteer Fire Service Omokoroa	18%
Homes of Hope	12%
Bethlehem Foundation	8%
Lions of Bethlehem/Te Puna	5%

In a similar initiative for the opening of Shell Lakeside on the North Shore at the end of October, four local North Shore charities benefited:

Charity	% of votes
North Shore Hospice	56%
North Shore Hospital	20%
Foundation for Youth Development	15%
Parent Port Inc Takapuna	6%

## Responding to the Christchurch quakes

When the big shake hit Christchurch in the early hours of 4 September 2010, most of our operations came through largely unscathed and we were back in business within days thanks to a huge effort by site staff, retailers, territory managers and engineers.

By keeping our sites running, we helped families to check on one another, emergency services to operate, and people to move about and assist with the clean-up effort.

At the end of September we gathered together a group of site staff, retailers, commercial customers, suppliers and Greenstone staff to talk about how we could help their communities. Here is what they came up with:

- We contributed towards psychological support for members of the community.
- We contributed to the rebuilding costs of the Kaiapoi Rugby League Clubrooms, which doubles as an after-school childcare centre.
- We set up a School Principals' Fund and contributed a total of \$10,000 to four local schools.
- We helped fund a transport provider for children whose schools had been closed to get them to their temporary school location.
- In conjunction with our maintenance partners City Care, we helped fund the rebuilding of the Halswell Primary School playground.
- We made a \$10,000 donation to the Kaiapoi Volunteer Fire Brigade
- We helped people who were part of the Kaiapoi Volunteer Fire Brigade who had been affected.
- We donated \$10,000 worth of our people's time to reconstruction and community projects in the city and suburbs.



Halswell School received a donation of \$10,000 to help rebuild the kids' playground.





## A face on facebook

*Social media offer Greenstone simple and direct ways to listen to our customers and to the community – and a striking point of difference from our competitors.*

At present, nearly 6,000 New Zealanders 'like' us on Facebook. There, we share stories, tell people about promotions and ask questions about what's going on for them on our Wall. But mainly, we listen.

In turn, people feed back to us their experiences, tell us what they have heard about the company and send in photos. They tell us what they like and what they don't like – about our company or life in general. It's also a great opportunity for customers and even staff to ask questions, and for the answers to be shared with everyone.

As a proudly New Zealand company, Facebook strikes us as a really simple way to talk things over. That can't be a bad thing.

[www.facebook.com/ZenergyNZ](http://www.facebook.com/ZenergyNZ)

**“You can still talk about those decisions with the people affected by them with respect.”**

## Dealing with tough stuff

*Sometimes, tough decisions need to be made – but even then there is still an opportunity to salvage something from the situation.*

When our Waikouaiti service station was extensively damaged by an accident, there was really no option but to close the site, which was already suffering from declining sales.

Both the Palmerston and Waikouaiti sites had been small, low-volume sites that simply couldn't cut it in today's competitive, low margin market. Greenstone had just completed a \$215,000 investment on a fit-out, including new pumps and a shop upgrade, of the Palmerston station to ensure its long-term viability. So, with Waikouaiti out of action, we extended operating hours at Palmerston, and most of the Waikouaiti staff transferred there.

We understood only too well that local people were upset that the Waikouaiti site had been closed, but there was no economically viable way to revamp both sites. In the words of Greenstone Energy's General Manager Retail Mark Forsyth, it was either one site upgraded or both sites shut.

Business requires tough decisions sometimes, but as Mark says, you can still talk about those decisions with the people affected by them with respect. People won't always like or agree with what you've done, but they will remember that you took the time to listen to what they had to say.

*Below, how the Waikouaiti service station was damaged.*



*Above, Our Miramar retailers generously donated an extra 5c per unit sold directly to Cure Kids.*

## Sticking our nose in

*This year we partnered with Cure Kids to bring back Red Nose Day, an inspiring event funding research into life threatening diseases affecting New Zealand children and their families.*

Since its formation, Cure Kids has funded over \$25 million of research to help save thousands of lives and improve the quality of many more.

It didn't take much to get our retail staff right into the spirit of the cause and they set about selling badges, car noses and Cadbury Jaffas with a passion. The overall goal was to raise \$1 million, with 100% of the purchase price of Red Nose merchandise going directly to Cure Kids. Our efforts in store and other fundraising events contributed over \$170,000 of the total raised.

*Above, our Christchurch staff getting into the Red Nose Day spirit!*



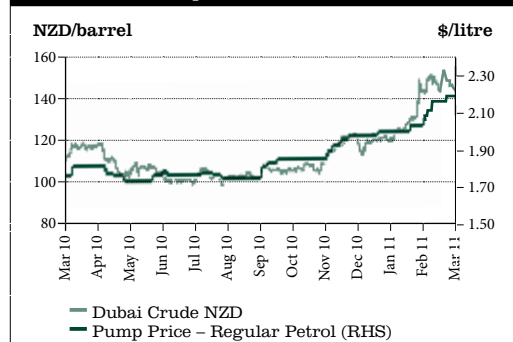


# Results *matter*

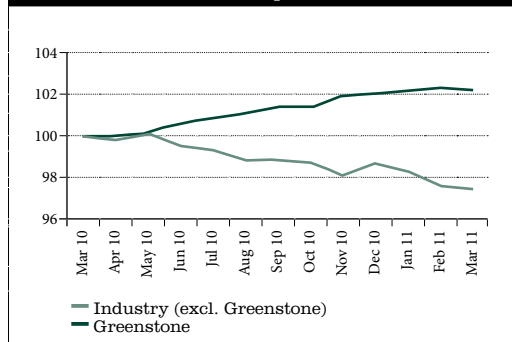
We're committed to providing our shareholders and investors with an appropriate return on their investment. At the same time, by securing our company, we protect New Zealand jobs and strengthen the role we can play in this country's future.

## Financials:

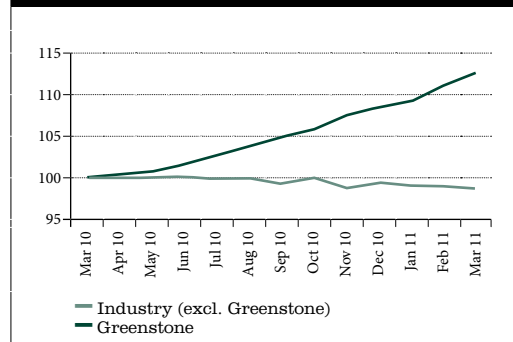
1. Crude and Pump Prices



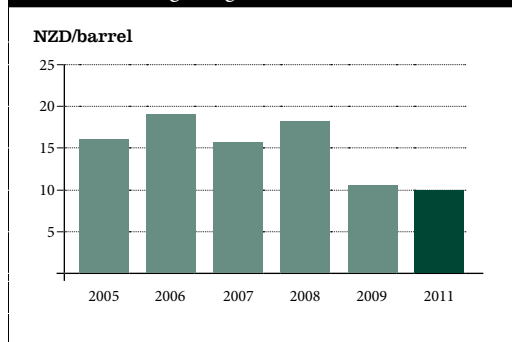
2. Indexed Annual Motor Spirit Sales



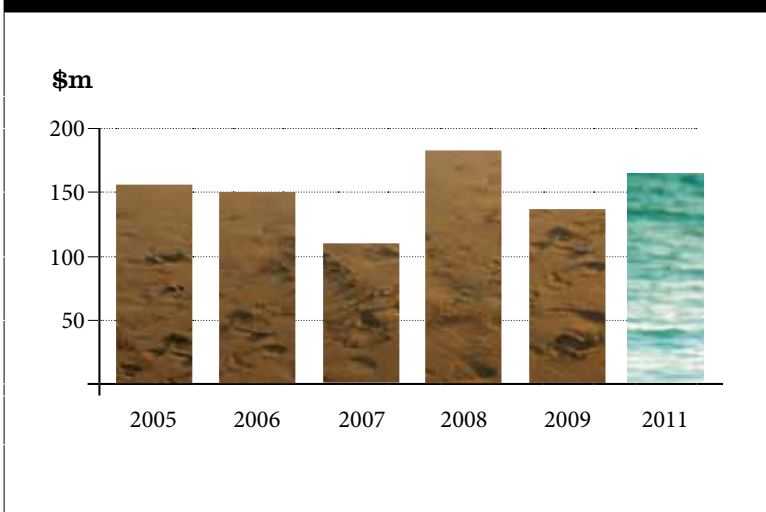
3. Indexed Annual Diesel Sales



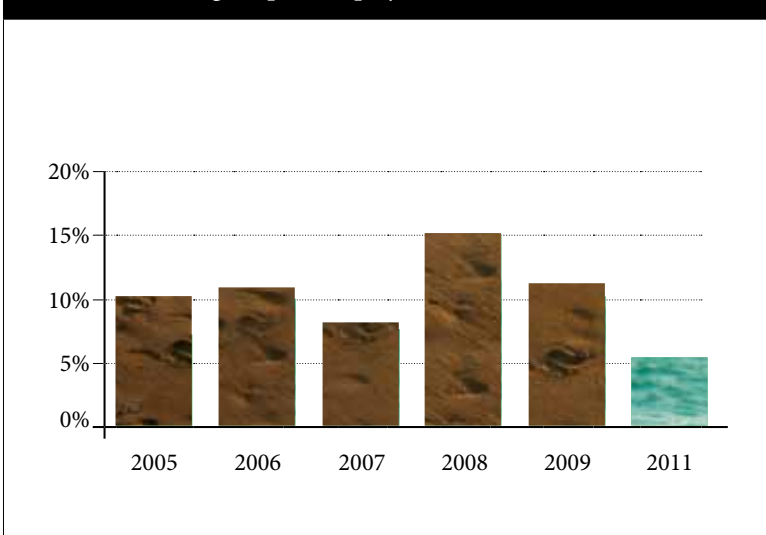
4. Gross Refining Margin



5. Earnings Before Interest, Taxation, Depreciation, Amortisation and Financial Instruments (EBITDAF)



6. Return on Average Capital Employed (ROACE)



- Crude prices have risen rapidly since mid-February as a result of uncertainty in the Middle East, combined with a weakening New Zealand dollar following the February Christchurch earthquake. Pump prices have lagged these crude price increases.
- Annualised petrol sales volumes have increased since Greenstone bought the retail network from Shell, despite a small decline in total industry sales.
- Greenstone has won significant new commercial contracts from our competitors during our first year of operation.

Charts 4, 5 and 6 show performance figures for Shell (New Zealand) for their last full five years of operation, from the year ending 31 December 2005 to the year ending 31 December 2009. Figures for 2011 are Greenstone's figures for our first full year of operation ending 31 March 2011.

- The Gross Refining Margin (GRM) is the difference in value between the products produced by a refinery and the value of the crude oil used to produce them. The GRM is affected by international crude and product prices.
- Current Cost earnings (EBITDAF) have improved despite volatile oil prices and the February Christchurch earthquake. Current Cost EBITDAF is an industry-accepted measure of operating profitability. EBITDAF is calculated by taking net income and adding back interest, taxes, depreciation, amortisation, and financial derivative expenses.

'Current Cost' is calculated on the basis that as fuel is sold, a roughly similar amount will be purchased. This differs from 'Historic Cost', which uses the cost of fuel sold on a first-in, first-out basis.

As Greenstone constantly sells fuel and buys product to replenish our inventory, Current Cost earnings are a more relevant measure of the company's performance.

- ROACE is the rate of return on capital employed in the business (the long-term funds supplied or invested by the creditors and owners of the company). Capital employed can be defined as the total of non-current liabilities and owner's equity. An investor can compare this return to alternate investments with similar risk profiles. 2011 ROACE is impacted by fair valuation of assets as required by accounting standards, and by Greenstone's higher cost of debt capital.

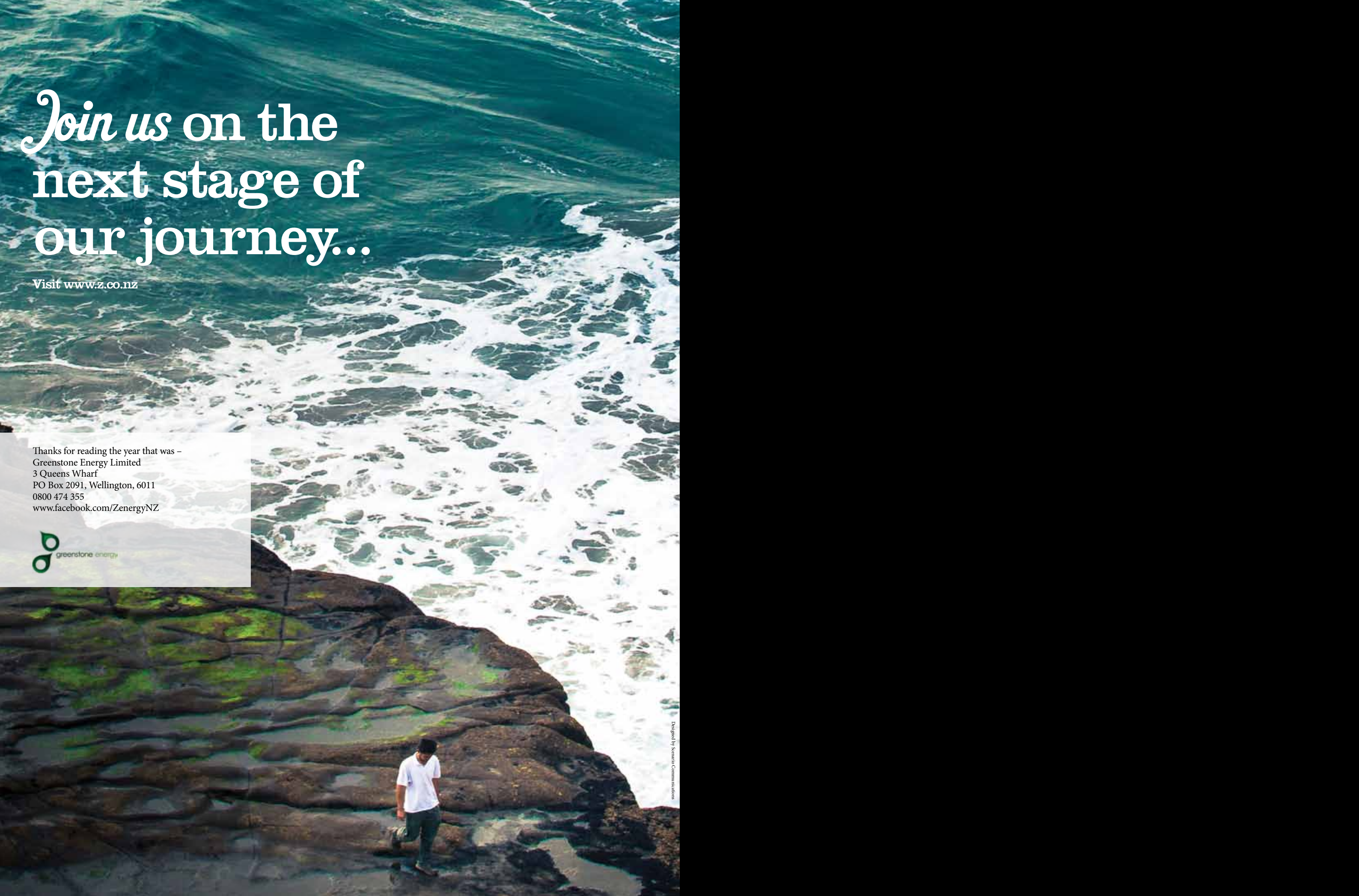
### Bank covenants

Greenstone continues to trade comfortably within all bank covenants, designed to satisfy our bankers that we are generating sufficient cash to cover our interest (fixed) costs, that we have sufficient liquidity to fund our working capital requirements, and that our debt is within acceptably managed levels.

### Report for bondholders

A more detailed financial report for Greenstone's bondholders will be produced in June. This will be sent to bondholders as well as posted on the NZX website.





# Join us on the next stage of our journey...

Visit [www.z.co.nz](http://www.z.co.nz)

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