ASX Release

17 August 2020

Viva Energy Results: Half Year ended 30 June 2020 and intended capital management program

Viva Energy (the **Company**) today announced the Group's financial results for the Half Year ended 30 June 2020 (**1H2020**), which are in-line with prior guidance provided to the market in June 2020 with the exception of Refining.

Viva Energy today also confirmed its intention to return all the remaining proceeds from the divestment of its interest in Waypoint REIT (formerly Viva Energy REIT) to shareholders via a combination of: a capital return (subject to shareholder approval) and a special dividend in the amount of $530 million; the previously announced on-market buy-back program targeting initially up to $50 million of securities; and the balance of proceeds of $100 million to be distributed to shareholders in due course, in a form to be confirmed.

Key Financials:

	1H2020[2] $m	1H2019[2] $m	Variance
Sales Volumes	6,381 ML	7,126 ML	(10.5%)
Underlying Group EBITDA (RC)[1]			
Retail	*332.9*	*283.3*	*17.5%*
Commercial	*135.7*	*158.3*	*(14.3%)*
Supply, Corporate and Overheads	*(149.9)*	*(162.6)*	*(7.8%)*
Non-Refining	318.7	279.0	14.2%
Refining	(49.4)	18.4	($67.8m)
Total Underlying Group EBITDA (RC)	**269.3**	**297.4**	**(9.4%)**
Underlying NPAT (RC)	**34.3**	**50.9**	**(32.6%)**
Capital Expenditure	**52.4**	**69.9**	**(25.0%)**
Net Cash/(Debt)	**480.9**	**(137.4)**	**$618.3m**

Key Highlights:

- Despite significant impacts from COVID-19 the Group recorded a 1H2020 Underlying EBITDA (RC) in our non-Refining businesses of $318.7 million, up 14.2% on the same period last year.
- Fuel sales volumes were impacted by border closures and 'stay at home' restrictions, however diesel sales were in line with prior year as a result of continued economic activity and a comparably strong agricultural season.
- Retail fuel margins were significantly improved on the half year ended 30 June 2019 (**1H2019**), offsetting the impact of lower sales volumes in both retail and commercial sectors.

- Refining was impacted by weaker regional refining margins and production changes that were necessary to reduce excess production of gasoline and jet, recording losses of $49.4 million.
- The Company divested the entire shareholding of 35.5% in Waypoint REIT (formerly Viva Energy REIT) for $734.3 million generating net proceeds of $680 million.
- An interim dividend of 0.8 cents per share (cps) has been determined (fully franked), representing a payout ratio of 60% of Distributable NPAT (RC).

CEO commentary

Viva Energy CEO Scott Wyatt said: "The emergence of COVID-19 has had a significant impact on our business, customers and community. As always, our priority has been the health and safety of our people and ensuring that we continue to operate safely and reliably to serve our customers and the broader community. I am very pleased with the way our people have responded to this crisis and for the results that we have delivered during challenging times.

"The restrictions put in place by both State and Federal Governments to manage the containment of COVID-19 have naturally had a significant impact on demand for fuel, with total sales volumes down approximately 10.5% on 1H2019. During 1H2020, sales of jet fuel have fallen by as much as 75% as international and domestic borders were closed, and sales in our retail Alliance business declined to 40 million litres per week at the peak of stay at home restrictions implemented across the country. As restrictions began to ease during May and June, fuel sales have begun to improve, exiting the 1H2020 with average June fuel sales of 53 million litres per week. Diesel sales across both Retail and Commercial segments have been less affected throughout the period as a result of continued economic activity and a strong agricultural season.

"In the face of these significant sales impacts, it is very pleasing to note that our 1H2020 Non-Refining EBITDA (RC) increased by more than 14% over the prior period. This reflects an improvement in retail fuel margins, continued underlying improvement in the performance of the retail Alliance channel, and relatively strong performances in non-aviation commercial segments. The diversity of our retail and commercial business has provided resilience in extraordinary circumstances and we are well positioned to deliver further growth as restrictions continue to ease and the economy recovers.

"The refining business has been very challenging throughout 2020. Oil markets and refining margins have been impacted by several global events including the transition to low sulphur marine fuels, OPEC+ supply disagreements and reduced global demand for oil products as a result of COVID-19. These have all weighed on global refining margins with sector returns heavily impacted as a result and refineries around the world recording significant losses. In response to lower local demand, Geelong refinery moved to reduce production by shutting down the Residual Catalytic Cracking Unit (**RCCU**) in late April 2020 and bringing forward the planned major maintenance of this and other units. While we believe this has produced a superior outcome compared to a full shutdown over this period, Geelong refinery has nevertheless recorded losses of $49.4 million in 1H2020.

"We expect refining margins to remain uncertain and challenging as regional and local demand recovers over the remainder of 2020 and 2021. The Federal Government is undertaking a review of the refining sector and has initiated a request for information to consider the establishment of strategic oil reserves in Australia. Viva Energy is working closely with government, and believes that there is the potential to improve the long-term sustainability of the refining business, however we acknowledge that these operating losses are unsustainable and we are continually assessing both the short and long term viability of this part of our business. We are closely monitoring the situation and will continue to provide regular updates of refining performance.

"In response to this environment and general uncertainty, we have significantly reduced capital expenditure and taken steps to reduce operating and supply chain costs. The balance sheet remains robust, with a current Net Cash position of $480.9 million following the divestment of our stake in Viva Energy REIT earlier this year. Taking this into account, we have maintained a dividend for 1H2020 with a pay-out ratio of 60% of Distributable Net Profit After Tax and announced plans to continue the return of the Viva Energy REIT proceeds to shareholders.

"Looking forward, we continue to progress several key projects as part of our recently announced Geelong Energy Hub, with an Expressions of Interest process to establish an LNG regasification facility underway. We expect to be in a position to commit to FEED work before year-end and continue work on other opportunities associated with the Energy Hub."

Retail

The Underlying EBITDA (RC) for the Retail business in 1H2020 was $332.9 million, up 17.5% on the same period last year.

Following a successful period of rebuilding the Alliance in 2019, fuel sales volumes continued to improve during the quarter ended 30 March 2020 (**1Q2020**) recording an increase of 5.1% on the prior year at 62.4 million litres per week and peaking at around 70 million litres per week during the quarter.

Following the progressive implementation of 'stay at home' restrictions from late March 2020, fuel sales fell to approximately 40 million litres per week in April 2020. As these restrictions continue to be relaxed across most of the country, Alliance sales have steadily recovered month on month with June and July 2020 achieving an average of 53.5 and 53.3 million litres per week respectively. Diesel sales volumes have generally been less affected due to the continuation of commercial activity in sectors that continue to operate. We expect that further sales recovery will be dependent on the continued successful management of COVID-19 across the country, and particularly in Victoria which has been impacted by the introduction of stage 3 and 4 restrictions in early August 2020.

Retail fuel margins in the 1H2020 have improved significantly over the same period last year and together with cost management initiatives have more than offset the impacts of lower fuel demands. Premium petrol penetration has increased to 29% in 1H2020 likely reflecting consumer tendency to 'trade-up' at lower pump prices and the general strength of the Company's premium fuel brands.

The Liberty Convenience network has now reached 76 sites, and the Company has agreed to acquire the remaining 50% interest in Westside Petroleum. This transaction is expected to complete in August 2020.

Commercial

The Underlying EBITDA (RC) for the Commercial business in 1H2020 was $135.7 million, down 14.3% on the same period last year.

This decline in earnings is almost entirely due to lower sales to the aviation sector, with jet sales volumes down approximately 74% in the quarter ended 30 June 2020 (**2Q2020**) and approximately 46% across the 1H2020 compared with the same period last year. The Company has taken steps to reduce costs associated with servicing the aviation sector, while maintaining sufficient capacity to meet demand recovery once international and domestic border restrictions are relaxed. We are not expecting any significant recovery in this sector during 2020 but are well positioned to capture any earlier recovery.

All other commercial sectors have continued to perform well, including Marine which was relatively unaffected by the curtailment of the cruise sector which occurred towards the end of the 2019/20 season. In anticipation of a very limited season in 2020/21, the Company has taken steps to reduce barge and other supply costs which support this business so that the impact to earnings in 2020/21 are minimised.

Overall, the diversity of the Company's Commercial business has materially mitigated significant impacts from volume loss in Aviation. The Company has worked closely with its customers and successfully managed its credit exposure, with no significant bad debts recorded.

Refining

The Underlying EBITDA (RC) for the Refining business in 1H2020 was $(49.4) million, down from $18.4 million for the same period last year. The actual GRM[3] for 1H2020 was US$2.9/Barrel (**BBL**), with refining intake of 18.4MBBLs (**million barrels**), compared with 1H2019 GRM of US$5.1/BBL and intake of 21.4MBBLs. GRM for July 2020 was US$2.0/BBL, with refining intake of 2.6MBBLs.

Refining margins for 1H2020 were initially impacted by the global transition to low sulphur marine fuels which increased crude premiums, and then by significant decline in global demand for oil products as a result of the response to COVID-19. Geelong Refinery reduced intake rates on key units, and subsequently shutdown the Residual Catalytic Cracking Unit (RCCU) in order to manage lower gasoline and jet demand. With the Refinery now operating in a hydro-skimming mode, refining intake has been reduced to approximately 2.5MBBL per month.

Maintenance on the RCCU is progressing well, and we expect that the refinery will be ready to return to full production by late October 2020. Restart will be dependent on recovery of local demand which has been impacted by level 3 and 4 restrictions in place in Victoria, and the refining margin environment expected at that time. The Company is continually monitoring the situation and adapting plans to minimise operating losses during this period.

Supply, Corporate & Overheads

The Underlying EBITDA (RC) for Supply, Corporate and Overheads in 1H2020 was $(149.9) million, 7.8% lower than for the same period last year.

The result is reflective of a number of cost reduction measures implemented to mitigate COVID-19 impacts to the business, including reduced supply chain costs and lower discretionary and corporate spend. One off items in 1H2019 are largely related to the extension of the Alliance agreement and other one-off consultancy costs, and several non-recurring one-off benefits.

Capital management

In February 2020, Viva Energy sold its non-core 35.5% interest in Waypoint REIT (formerly Viva Energy REIT), generating $680 million in after-tax proceeds. Since the divestment, the Company has considered the most appropriate manner to return funds to shareholders. During this period, the COVID-19 pandemic has greatly impacted the Australian economy, and the Company determined in March 2020 to delay commencement of the proposed capital management initiative to consider the effects of the pandemic.

The Company has had the opportunity to understand the scope of impacts, and the existing and potential impacts on the business. Whilst particular divisions of the Company have been impacted, the Company retains a strong balance sheet, and the proceeds from the divestment remain surplus to normal ongoing capital requirements of the business. Accordingly, the Company has determined that distributing proceeds to shareholders remains in their best interest, and the most efficient mechanism is through a capital reduction and special dividend, in conjunction with the existing on-market buy-back.

The Company proposes to return approximately $530 million, at $0.2740 per share to shareholders in October 2020. The return will comprise a capital return of approximately $415.1 million, at $0.2146 per share (subject to shareholder approval) and an unfranked special dividend of approximately $114.9 million, at $0.0594 per share determined by the Board. The existing on-market buy-back programme, targeting initially up to $50 million, is expected to continue following the implementation of the capital return and special dividend.

The Company intends to return the balance of the after-tax proceeds, totalling approximately $100 million, to shareholders under a final component of this capital management initiative. The Company will advise shareholders when the optimal timing and method to distribute those proceeds has been determined.

An equal and proportionate share consolidation of 0.84 shares for every one share currently held (i.e. 25 shares would become 21) will also be undertaken, to adjust Viva Energy's number of shares for the quantum of the cash return.

The capital management initiatives described above replace the off-market buy-back that the Company announced an intention to pursue in February 2020. The proposed capital return and special dividend are expected to be a more effective means of distributing the proceeds to shareholders having regard to the current share price and Company's tax attributes at this time.

Further information regarding the capital management program is contained in the Notice of Meeting released on ASX on 17 August 2020.

Authorised for release by: the Board of Viva Energy Group Limited

Notes

1. Viva Energy reports its 'Underlying' performance on a "replacement cost" (RC) basis. RC is a non-IFRS measure under which the cost of goods sold is calculated on the basis of theoretical new purchases of inventory instead of historical cost of inventory. This removes the effect of timing differences and the impact of movements in the oil price.
2. Numbers may not add due to rounding.
3. The Geelong Refining Margin is a non-IFRS measure calculated in the following way: IPP less the COGS, and is expressed in US dollars per barrel (US$/BBL), where:

   IPP: a notional internal sales price which is referrable to an import parity price for the relevant refined products, being the relevant Singapore pricing market and relevant quality or market premiums or discounts plus freight and other costs that would be incurred to import the product into Australia

   COGS: the actual purchase price of crude oil and other feedstock used to produce finished products

   Geelong Refining Margin is a financial measure Viva Energy uses to illustrate and aid in the understanding of the performance of the Geelong Refinery. It involves elements of estimation and is not alone a measure of historical financial performance. In addition, it is only one contributor to the replacement cost Underlying EBITDA of Viva Energy. In its financial reporting, Viva Energy converts GRM into Australian dollars using the prevailing month average exchange rate.

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ASX Release

Conference Call details

Viva Energy management will today be hosting a conference call to discuss this update:

Date: 17 August 2020

Time: 10:30 am (AEST)

Dial-in Details			
Conference ID:		1000 5074	
Participant Numbers			
Participants can pre-register by navigating to https://s1.c-conf.com/diamondpass/10005074-invite.html Participants can access the public link by navigating to https://services.choruscall.com.au/webcast/viva-200817.html			
To enter the call via operator you will need to quote the conference ID provided above and use the dial in below.			
Participant toll:		+612 9007 8048	
Participant toll free:		1800 908 299 / 1800 455 963	
International Dial-in Details			
These numbers are toll-free dial-in numbers for each country listed below. For countries not listed below, the Australian Participant Toll number listed above can be dialled. To ask a question, you will need to dial *1 on the telephone keypad.			
Hong Kong	800 968 273	Singapore	800 101 2702
Japan	0066 3386 8000	United Kingdom	0800 051 1453
New Zealand	0800 452 795	United States	1 855 624 0077

About Viva Energy

Viva Energy (ASX: VEA) is one of Australia's leading energy companies and supplies approximately a quarter of the country's liquid fuel requirements. It is the exclusive supplier of high quality Shell fuels and lubricants in Australia through an extensive network of more than 1,260 service stations across the country.

Viva Energy owns and operates the strategically located Geelong Refinery in Victoria, and operates bulk fuels, aviation, bitumen, marine, chemicals and lubricants businesses supported by more than 20 terminals and 50 airports and airfields across the country.

www.vivaenergy.com.au