ASX Release

16 June 2020

1H2020 unaudited financial guidance, Geelong Refinery update and on-market buy-back

Viva Energy (the **Company**) today announces the Group's unaudited financial guidance for the half year ending 30 June 2020 (**1H2020**). The Company also confirms that that it will proceed with the major maintenance event of its Residual Catalytic Cracking Unit (**RCCU**) at the Geelong Refinery.

Key highlights:

- Total sales volumes for 1H2020 are expected to be approximately 6,100 to 6,200 million litres.
- Weekly sales in the retail Alliance channel were 45.1 million litres per week in May 2020, up 16.4% on April 2020. Sales continue to improve as COVID-19 restictions are relaxed.
- Declines in retail sales have been offset by cost reductions and improvements in retail fuel margins compared with levels achieved in 2019.
- Excluding Aviation, Commercial sales have remained resilient and are so far largely unaffected by the COVID-19 related restrictions. Impacts to Commercial earnings were largely due to lower Aviation sales volumes.
- Supply, Corporate & Overheads were lower than the same period last year due to lower supply costs, deferral of projects and initiatives, savings initiatives, and the non-reccurance of one-off items.
- Refining earnings were impacted by weaker regional refining margins, reduced production, and higher crude premiums during the first three months of the year.
- The Company will proceed with the major maintenance of the Residual Catalytlic Cracking Unit during 2020 at a reduced cost and over an extended timeframe, with total capital expenditure of the event expected to be between $85 - 100 million (down from $110 - 140 million previously announced).
- 1H2020 Group Underlying EBITDA (RC)[1] expected to be approximately $257.5 – 287.5 million.
- 1H2020 Underlying NPAT (RC) expected to be approximately $20.0 – 50.0 million.
- The previously announced on-market buyback is to commence in June 2020.

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1H2020 unaudited financial guidance

	1H2020[2] $m	1H2019[2] $m
Underlying Group EBITDA (RC)		
Retail, Fuels & Marketing	455.0 – 470.0	*441.6*
Retail	*325.0 – 335.0*	*283.3*
Commercial	*130.0 – 135.0*	*158.3*
Refining	(42.5) – (32.5)	*18.4*
Supply, Corporate & Overheads	(155.0) – (150.0)	*(162.6)*
Total Underlying Group EBITDA (RC)	**257.5 – 287.5**	***297.4***
Underlying NPAT (RC)	**20.0 – 50.0**	***50.9***

Retail

The Underlying EBITDA (RC) for 1H2020 for the Retail business is expected to be approximately $325.0 – 335.0 million.

Prior to the impacts of COVID-19, retail sales volumes in the Alliance continued to grow, with average sales volumes in 1Q2020 of 62.4 million litres per week, up 5.1% on the same period last year. With the restrictions imposed to manage COVID-19, average weekly sales subsequently fell to under 40 million litres per week in April 2020, and have since recovered to an average of 45.1 million litres per week during May 2020. Sales volumes have continued to improve as restrictions are relaxed and traffic recovers. Declines in retail sales have been offset by cost reductions and improvements in retail fuel margins compared with levels achieved in 2019.

Commercial

The Underlying EBITDA (RC) for 1H2020 for the Commercial business is expected to be approximately $130.0 – 135.0 million.

Commercial sales volumes year to date are in-line with the same period last year, apart from declines experienced in Aviation. Aviation sales volumes year to date May 2020 are down approximately 33% compared to the same period last year as a result of travel restrictions currently in place. While the traditional summer cruise season was relatively unaffected, demand from this sector through the winter is expected to be lower than last year until cruises resume. The Resource, Transport, and Specialties businesses have been relatively unaffected by COVID-19 and the Company has worked closely with its customers to successfully manage credit exposure.

Supply, Corporate & Overheads

The Underlying EBITDA (RC) for 1H2020 for the Supply, Corporate and Overheads segment is expected to be approximately $(155.0) – (150.0) million.

Supply, Corporate and Overheads reduced, relative to 2019, due to lower volumes and associated variable supply costs, deferral of non-essential expenditure, cost saving initiatives and the non-recurrence of costs incurred in 2019 in connection with the acquisition of Liberty Wholesale and extension of the Alliance agreement.

Refining

The Underlying EBITDA (RC) for 1H2020 for the Refining business is expected to be approximately $(42.5) – (32.5) million[3].

The actual Geelong Refining Margin (GRM)[4] for May 2020 was US$3.5/Barrel (BBL), with refining intake of 2.4MBBLs[5]. The GRM for the period 1 January 2020 to 31 May 2020 was US$3.1/BBL with refining intake of 16.0MMBLs for the same period.

Underlying NPAT

The Underlying NPAT (RC) for 1H2020 is expected to be approximately $20.0 – 50.0 million.

Underlying NPAT (RC) for 1H2020 has benefited from revaluation gains on FX and oil derivatives to date. These revaluation gains are subject to underlying movements in exchange rates and oil prices for the remainder of 1H2020.

Significant items after tax are expected to be approximately $190.0 million. These consist of a $122.0 million pre-tax profit on the disposal of the Viva Energy REIT shareholding and an associated tax benefit of $68.0 million due to the unwinding of a look-through deferred tax liability associated with the Viva Energy REIT shareholding.

COVID-19 refining impacts and major maintenance event

COVID-19 has had immediate impacts to Geelong Refinery, with local demand for gasoline and jet products significantly reduced and weaker regional refining margins due to lower global demand. In response to this environment, Geelong Refinery has reduced production and is now operating in a hydro-skimming mode, with its RCCU unit and smaller distillation unit currently shutdown. This enables the Refinery to manage gasoline and jet production, and reduce exposure to currently weak jet and gasoline margins. The Company received payments from the Government "JobKeeper" scheme, which have allowed it to support employees in the most impacted parts of the business, particularly in the aviation and refining businesses.

The Company has conducted a review of the planned major maintenance of the RCCU and associated units, and has determined to bring the start of the planned event forward, to commence in early July and extend across four months, with all units ready to be restarted in November.

This plan will enable the Company to better manage the risk of infection or disruption as a result of COVID-19, and to commence the major maintenance earlier while refining margins are expected to be impacted by reduced demand. Some cost efficiencies will also be achieved, and an associated maintenance event of the Hydrofluoric Acid Alkylation unit has been deferred for potential completion during 2021.

Total capital expenditure for the event is expected to be between $85 - 100 million in 2020, reduced from $110 - $140 million previously announced. While the maintenance event is on-going, the Refinery is expected to continue operating in hydro-skimming mode with crude intake at levels consistent with that achieved in May 2020.

Refining outlook and strategic options

Global refining margins have been impacted by lower demands for oil products, especially jet and gasoline fuels, as a result of the measures being taken around the world to manage the spread of COVID-19. While demands are expected to recover, the rate of recovery is uncertain and it is possible that refinery margins will remain weaker than historical levels through the remainder of 2020 and possibly into 2021.

Notwithstanding this outlook, the Company believes that Geelong Refinery continues to enjoy some important advantages over international refineries, such as access to local crudes, production of specialties, and integration with local supply chains. The Company will continue to progress its refining business improvement program, and work closely with the Government on a strategic review of the sector to identify actions which will be necessary to improve the longer term viability of the refining business. The Company welcomes the recent announcement by Minister Taylor to assess opportunities to increase domestic storage and undertake this review.

Beyond refining, Viva Energy is also considering a number of energy related opportunities which leverage the Company's capability and location at Geelong. Collectively these have the potential to develop the existing refinery into an 'Energy Hub' which supports the broader energy needs of south-east Australia and the transition to lower carbon energies. These initiatives would potentially broaden and diversify earnings, improve the longer term viability of operations at the site, and ensure that the Company is better positioned to participate in the longer term energy transition.

In the near term, the Company believes that Geelong is well positioned to establish an LNG import, supply and storage facility which could bring natural gas from other parts of Australia and abroad to Victoria. This virtual pipeline would increase diversity and competition of gas supply, improve capability to meet peak demands, and potentially support an entry into the local gas markets. This project is currently in pre-FEED stage, and the Company will shortly undertake an expression of interest process to assess interest from potential partners in the areas of gas supply, gas demand, power generation, and LNG Floating Storage management.

Further detail on this and other projects is included in the accompanying presentation.

Share Buy-back programme

In February 2020, the Company announced that it intended to return to shareholders all of the $680 million in after-tax cash proceeds received after realising its investment in Viva Energy REIT in February 2020 (**REIT Transaction**), through a combination of off-market and on-market buy-backs.

The economic uncertainty arising from COVID-19 led the Company to delay commencement of the buy-back programme. Given the strong balance sheet of the Company, and greater certainty regarding the scope of the impacts of COVID-19 on fuel volumes, the Company considers it appropriate to commence returning funds to shareholders to reflect the intention of the REIT Transaction. As such, the Company will commence the process of returning the REIT Transaction proceeds to shareholders through an on-market buy-back, with a first tranche targeting up to $50 million of securities.

The Company expects to commence the first tranche in the coming days. The Company will continue to evaluate the approach to and timing of the return of the remaining proceeds of the REIT Transaction, and will provide further updates of this to the market in due course.

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 expected 1H2020 Underlying EBITDA (RC) for Refining assumes June 2020 intake of 2.5MBBLs and actual GRM of US$4.0/BBL
4. 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 (USD/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, with other segments including the Retail Fuels and Marketing business and Supply, Corporate and Overheads. In its financial reporting, Viva Energy converts GRM into Australian dollars using the prevailing month average exchange rate.
5. Mbbls: million barrels of oil

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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 1,290 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

ASX Release

Conference Call details

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

Date: 16 June 2020

Time: 10:30 am (AEST)

Dial-in Details			
Conference ID:		1000 7411	
Participant Numbers			
Participants can access the public link by navigating to https://services.choruscall.com.au/webcast/viva-200622.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