Energy Australia

ASX Release

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Viva Energy Refining Margin Update – December 2018

Viva Energy advises its Geelong Refining Margin (**GRM**)[1] in respect of crude intake processed through the Geelong Refinery for the month of December 2018.

	December 2018	2H2018	FY2018
Crude Intake (Million Barrels)	3.5	21.0	40.1
Geelong Refining Margin (USD/BBL)	3.3	7.6	7.4

December Actual GRM

The actual GRM for December 2018 is US$3.3/Barrel (**BBL**), which results in an actual GRM for the months of November and December combined of US$5.2/BBL, compared to the revised assumption provided on 19 November 2018 of US$8.0/BBL for November and December 2018.

As reported in the November 2018 Refining Margin Update, December's GRM was impacted by weakness in regional refining margins which continued through the balance of the month of December. Regional refining margins have been driven lower predominantly due to gasoline cracks falling as a result of excess supply in the region.

Refining financial performance for FY2018

As a result of the actual GRM result for the months of November and December as outlined above, Viva Energy now expects the Underlying EBITDA (RC[2]) for the year ended 31 December 2018 (**FY2018**) for the Refining Business to be approximately $125 million (unaudited), compared to the guidance of $150 million provided on 19 November 2018. A commensurate impact to Group Underlying EBITDA (RC) is expected.

Refining GRM assumption for 1H2019

The GRM assumed in the Prospectus[3] for the half-year ending 30 June 2019 (**1H2019**) is US$9.7/BBL[4]. The actual GRM for the six months ended 31 December 2018 (**2H2018**) and for the month of December 2018 is reported above. Refining margins have continued to perform below the Prospectus forecast in the month of January 2019 to date and if these conditions were to persist the Prospectus forecast for 1H 2019 GRM of US$9.7/BBL would not be achieved.

Illustrative sensitivity analysis for 1H2019

For the purposes of tracking the financial performance of the Geelong Refinery, a sensitivity table is provided below to illustrate the impact on 1H2019 Underlying EBITDA (RC) and NPAT (RC) of each US$1.0 per barrel move in GRM along with movements in foreign exchange. The table utilises the

2H2018 Refining expected Underlying EBITDA (RC) of $77 million (unaudited) as a reference point for illustrative purposes only[5].

Variable	Increase/Decrease	Pro forma EBITDA impact (RC) A$m	Pro forma NPAT impact (RC) A$m
GRM	+/- US$1.0 per barrel	+29.0/(29.0)	+20.3/(20.3)
USD/AUD Exchange rate	Appreciation of AUD against USD by 3 cents	(8.7)	(6.1)
USD/AUD Exchange rate	Depreciation of AUD against USD by 3 cents	+9.5	+6.6

Viva Energy will continue to update the market on the Geelong refining performance through the monthly release of GRM information. The resulting potential financial impact for 1H2019 can be tracked relative to the sensitivity table provided in this release.

Notes

1. 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.

2. Viva Energy reports segment information on a “replacement cost” (**RC**) basis. See section 4.3.1 of the Prospectus for a description of the difference between “historical cost” (**HC**) and “replacement cost” accounting. See further the description of the accounting policy for “Inventories” in Appendix C of the Prospectus.

3. References to the Prospectus are to the Prospectus dated 20 June 2018 and released to the ASX on 13 July 2018.

4. For further discussion of the impacts of refining margins on financial performance, and the components and calculation of GRM, please see sections 3.3, 4.3.1, 4.4.1 and 4.9 of the Prospectus.

5. The 2H2018 Refining result is used as a reference point for the purpose of presenting the sensitivity analysis and should not be taken as a forecast of the 1H2019 Refining performance.

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Further enquiries:

Media Enquiries
T: +61 438 954 729

Investor Relations
Karla Wynne
Head of Investor Relations and Strategy
T: +613 8823 3479
E: investors@vivaenergy.com.au

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 1,200 Shell branded 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.

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