ASX
Release

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Viva Energy market update

Viva Energy (the **Company**) notes the Federal and State Governments' recent announcements regarding the limitations on assembly and business operations, and shut-down of certain non-essential services, in response to the Covid-19 outbreak.

People, community and operations

Viva Energy is focused on the health and safety of its employees, contractors and the many communities in which we operate; while also ensuring we maintain safe and reliable supply of liquid fuels to support our customers and the Australian economy through these challenging times.

The impacts of Covid-19 on our business remain uncertain. We continue to closely monitor the situation, and provide the following commentary on the performance of our business segments for the commencement of this year, and the potential impacts going forward. We will provide updates to ASX as the impacts from the COVID-19 situation become clearer.

Commercial and Retail

The Commercial and Retail segments have performed well in the first two months of 2020, with average sales volumes in the retail Alliance network for the months of January and February 2020, achieving 59.4 and 66.2 million litres per week respectively (up 6.1% and 5.8% year-on-year respectively). Retail demand and market margins have been relatively stable.

With significant measures to curtail the spread of Covid-19 announced by the various State and Federal Governments, we expect to see some impacts to retail and commercial sales volumes over time, although this remains uncertain and will depend on the scope and duration of reduced economic and social activity.

In the Aviation business, we are currently experiencing significant volume reductions in aviation fuel demand following the restrictions on international air travel and reduction in domestic flights. We anticipate aviation volumes to be impacted by approximately 80% – 90% while these restrictions are in place.

Refining

The actual Geelong Refining Margin (**GRM**)[1] for January and February 2020 is set out below.

	January 2020	February 2020
Refining Intake (Million Barrels (**MBBL**))	3.8	3.5
Geelong Refining Margin (**US$/BBL**)	3.4	2.4

Refinery operations were uninterrupted through this period with strong levels of production.

The GRM for both January 2020 and February 2020 was, however, impacted by higher crude oil premiums from crude purchases committed at the end of 2019 and lower regional refining margins due to softer global demand.

Since that time, crude oil prices and associated premiums have declined due to the demand impacts from Covid-19 and excess supply from OPEC and other oil producers. A weaker Australian dollar will also benefit local refining margins. However, regional refining margins may continue to be impacted by lower global demand for oil products in the near term, but this will depend on the extent of refining run cuts and other regional capacity reductions that result.

We are closely monitoring the situation and will continue to optimise refining operations by adjusting our crude oil slate and production profile in response to market changes.

Group Capital

The Company has a strong balance sheet and liquidity position. As at 31 December 2019, the Company's net debt position was $137.4 million, with total debt facilities available of US$700 million. The overall capital position was supplemented by the Company's sell-down of its investment in Viva Energy REIT in February 2020, realising approximately $680 million in after-tax cash proceeds.

Given this liquidity position we consider the Company to be in a strong position to manage the Covid-19 response. We are however monitoring the situation closely and taking steps to review operating costs and capital expenditure programs.

Authorised for released by: the Disclosure Committee

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.

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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.

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