VIVA Energy Australia

ASX Release

9 April 2020

Viva Energy market update

Trading update

Viva Energy (the **Company**) today provides a business update for the three months ended 31 March 2020 (**1Q2020**). Further to our earlier announcement of 24 March 2020 (*Viva Energy market update*), the Company also provides further commentary on the impacts to our business from the response to COVID-19.

Retail

The Retail segment has continued to perform well with the Alliance network achieving average sales volumes of 62.4 million litres per week in 1Q2020 (up 5.1% on the same period last year). Retail fuel margins in the period were also favourable.

Since late March 2020, the measures taken by State and Federal Governments to contain the spread of COVID-19 by encouraging people to stay at home have resulted in Alliance sales volumes declining by approximately 30 to 40%[1].

Commercial

Commercial sales volumes for 1Q2020 were overall in-line with the same period last year, apart from some declines in Aviation sales volumes towards the end of March 2020.

To date, the Resources, Transport, Marine and Specialties businesses have been relatively unaffected by COVID-19, however we expect Aviation demand to fall by approximately 80 – 90% as a result of travel restrictions currently in place.

Refining

	Quarter ended 31 March 2020	**Quarter ended 31 March 2019**
Refining Intake (Million Barrels (**MBBL**))	10.8	10.9
Geelong Refining Margin (**US$/BBL**)	2.7	4.9

The actual Geelong Refining Margin (**GRM**)[2] for 1Q2020 was US$2.7/Barrel (BBL), with refining intake of 10.8MBBLs. The GRM for the period was impacted by higher crude premiums from purchases made at the end of 2019, and continued lower regional refining margins resulting from softer global demand. Crude intake for the quarter was slightly lower due to optimisation of refinery production to manage lower product demand and the weaker margin environment caused by COVID-19. In particular, the refinery has significantly reduced Jet production and is able to take further steps to reduce gasoline production to offset declines in the retail market should this be necessary.

The Company is reviewing its plans for the major maintenance turnaround of the Residual Catalytic Cracking Unit (**RCCU**) and associated units, currently scheduled to be executed from late August through to October 2020. The measures currently necessary to manage COVID-19 would impact our ability to safely conduct the turnaround in the planned manner and timeframe. Changes to the scope, timing and method are expected to be necessary to manage these risks and preserve cashflow by reducing the required capital investment during 2020. We will also closely monitor the longer-term refining margin outlook which continues to evolve. The Company expects to complete this review and update the market before the end of June 2020.

Capital expenditure program and operational cost review

Following a review of the capital expenditure program, the Company is lowering its capital expenditure guidance for the year ending 31 December 2020 to approximately $60 – 80 million (down from $140 – 160 million) excluding the RCCU turnaround which is subject to the review as noted above. The reduced capital expenditure will enable the Company to preserve cash and minimise the risk associated with commencing projects in an environment where social distancing and infection management restrict the ability to have large gatherings of workers. Critical safety and asset integrity projects will continue uninterrupted.

The Company is also pursuing several fixed and variable cost saving initiatives across all parts of the business in response to weaker fuel demand.

Share Buy-back programme

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

Due to the ongoing economic uncertainty, the Company has determined to delay the commencement of the on-market buy-back to allow it to monitor the longer-term impacts of COVID-19. This is consistent with the previous decision to delay the off-market buy-back. The Company will notify the market prior to commencing any on-market buy-back activity, or commencing the off-market buy-back process (which will require shareholder approval at the time).

The Company retains a strong balance sheet and liquidity position. The surplus proceeds from the REIT Divestment together with the capital management and cost saving initiatives identified above, ensures that Viva Energy is in a strong position to manage the potential impacts of COVID-19.

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

Notes

1. The decline in volumes percentages compares the average sales volumes in the weeks post and preceding the Federal Government announcement on 18 March 2020 of tighter COVID-19 restrictions.

2. 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.
   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 dated 20 June 2018 and released to the ASX on 13 July 2018.

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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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