16 June 2020

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Market Announcements Office
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Electronic lodgment

Viva Energy 1H2020 Unaudited Financial Guidance, Major Maintenance and Strategic Update

The attached announcement is for release to the market.

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

Julia Kagan
Company Secretary

Viva Energy

1H2020 Unaudited Financial Guidance, Major Maintenance and Strategic Update

Helping people reach their destination

VIVA EnergyAustralia

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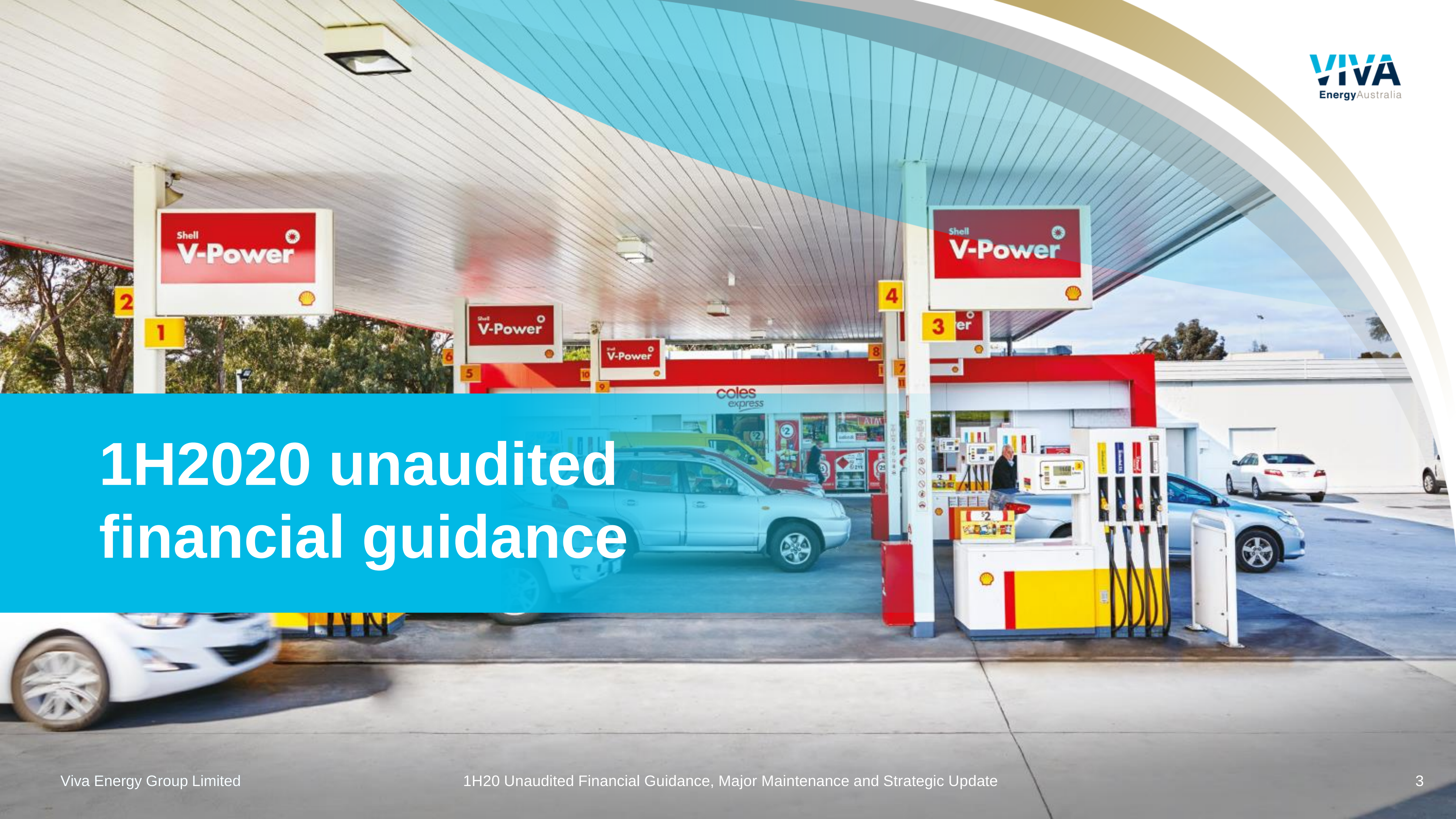

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1H2020 unaudited financial guidance

COVID-19 management

Viva Energy has successfully managed COVID-19 risk to people and operations

Refining

- Residue Catalytic Cracking Unit and smaller distillation unit shutdown. Options to restart distillation unit as demand recovers
- Review of Major Maintenance Program conducted to determine options to minimise exposure to COVID-19 and reduce capital cost in 2020

Capital and Operating Costs

- Projects deferred reducing capital cost to $60 to $80M (excluding refining major maintenance)
- Early cancellation of crude and product cargoes have reduced supply costs
- Discretionary spend reduced or cancelled

Aviation

- Airport refueling operations scaled back to reflect significantly reduced requirements
- Employment support programs in place to retain refueling operators and capacity while situation evolves
- Regional aviation and freight continues to be relatively strong

People

- Measures in place to maintain workplace distancing have been successful in keeping COVID-19 from the workplace
- More than 50% of workforce (600 people) successfully and productively working from home
- JobKeeper payments for approximately 1,000 employees supporting airport refuellers and ongoing operation of refining processing despite operating losses

May 2020 performance summary

Retail beginning to show signs of recovery, with optimisation steps minimising losses in refining

	Month ended 31 May 2020	YTD May 2020	Change YTD May ‘20 vs ‘19
Refining Intake (MBBL)	2.4	16.0	(10%)
Geelong Refining Margin (US$/BBL)	3.5	3.1	(42%)
Alliance Sales (ML/Week)	45.1	54.2	(9%)

Retail Fuels and Marketing

- Alliance sales in May 2020 increased by 16% over April 2020 as COVID-19 restrictions are relaxed and traffic recovers
- Aviation sales for May 2020 down ~73% over same period last year
- The Resources, Transport, Marine and Specialties businesses remain relatively unaffected by COVID-19

Refining

- Shutdown of Residue Catalytic Cracking Unit and smaller distillation unit completed successfully in early May 2020
- Crude intake impacted by shutdown of these processing units and continued lower demand for Jet and Gasoline
- Geelong Refining Margin (GRM) impacted by continued lower regional refining margins resulting from softer global demand

1H2020 unaudited financial guidance

Market conditions were challenging in 1H2020 largely due to impacts from COVID-19

1H2020 unaudited financial guidance

All numbers are in ($m) unless otherwise noted	**1H2020**	**1H2019**
Volume (ML)	6,100 – 6,200	7,126
Underlying Group EBITDA (RC)[1]		
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***

Lower sales volumes offset by improved retail fuel margins compared with 2019

Aviation volume loss due to COVID-19

Low refining margins due to poor jet and gasoline demand

Lower volumes and associated variable supply costs, deferral of costs, saving initiatives and non-recurrence of FY2019 costs

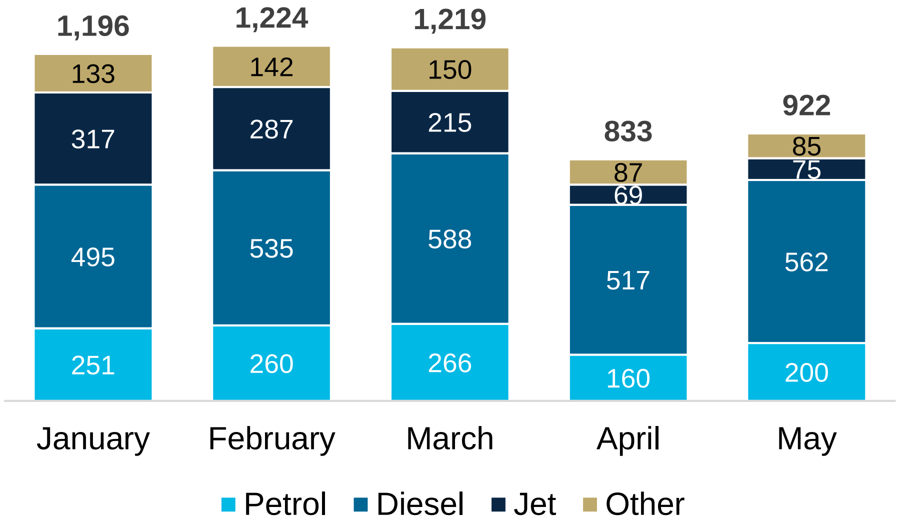
1. Viva Energy reports its 'Underlying' performance on a "replacement cost" (RC) basis. RC is a non-IFRS measure under which the cost of goods sold is calculated on the basis of theoretical new purchases of inventory instead of historical cost of inventory. This removes the effect of timing differences and the impact of movements in the oil price

COVID-19 refining impacts and major maintenance update

COVID-19 impacts and refining operations

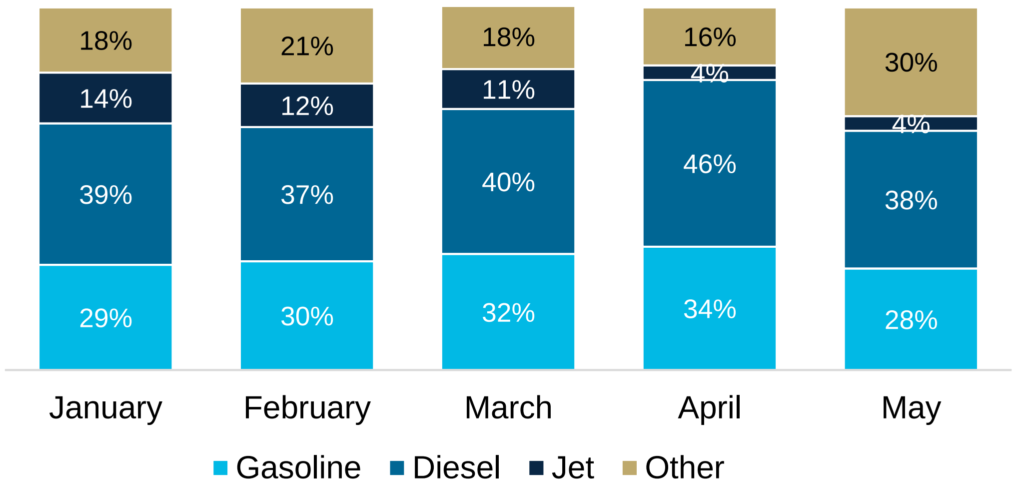
Production reduced to meet significant decline in demand for oil products

2020YTD: Total fuel volumes sold by product (ML)



Premium penetration[1]:	28%	29%	30%	31%	31%

2020YTD: Geelong refining production



	January	February	March	April	May
Refining Intake (MBBLs)	3.8	3.5	3.5	2.8	2.4
GRM (US$/BBL)	3.4	2.4	2.2	4.6	3.5

- Demand for oil products has fallen significantly, with petrol and jet most affected
- Diesel and petrol demand expected to recover more quickly than jet, and there are signs that this recovery has begun

- Crude intake and production (jet and gasoline) has been reduced through shutdown of some processing units and optimisation of production
- Q1 Geelong Refining Margin (GRM) impacted by higher crude premiums which have since reduced

1. Percentage of Premium gasoline sales (V-Power 98 and V-Power 95) to total gasoline sales

Refining operations and major maintenance

RCCU[1] maintenance to proceed from July, with HFA[2] maintenance deferred until 2021

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Original plan

RCCU & HFA major maintenance
$110 - $140m
+700 people

Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | 2021

RCCU, HFA & CDU3[3] shut down

Hydro-skimming mode
RCCU and HFA shutdown
CDU3 operating as demand and refining margins allow

All units restarted

Revised plan

RCCU & HFA major maintenance
$35m
Planning, preparation and long-lead equipment

RCCU major maintenance
$50 – $65m
+250 people

HFA major maintenance

Refining operations

- Operation in hydro-skimming mode reduces gasoline production and exposure to current weak gasoline margins
- Optionality retained to restart CDU3 and increase production as demands and margins recover

Major maintenance program

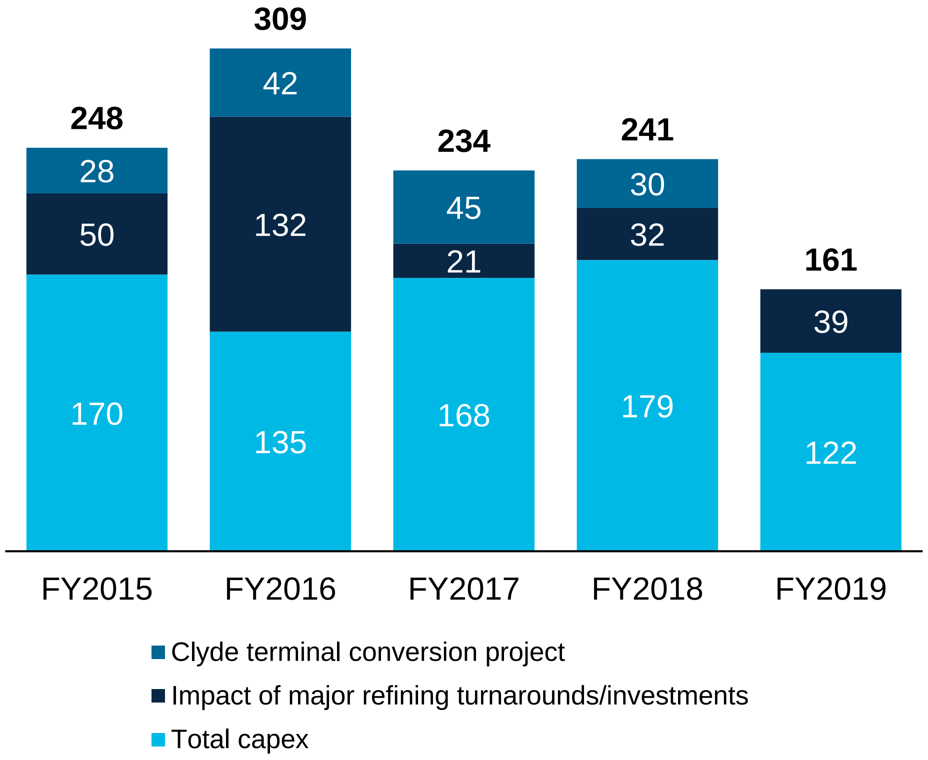
- RCCU major maintenance to commence earlier and HFA major maintenance deferred until 2021
- Reduced scope and extended duration enables smaller workforce to manage COVID-19 risks and lower capex (reduced by $25m to $40m)

1. RCCU: Residual Catalytic Cracking Unit
2. HFA: Hydrofluoric Acid Alkylation Unit
3. CDU3: Smaller Distillation Unit

Capital expenditure

Total capex is now forecast to be between $145 – 180m in FY2020

Capital expenditure profile ($m)



Capital expenditure ($m)	Original FY2020F	Revised FY2020F
Capital expenditure	140 – 160	60 – 80
Refining major maintenance	110 – 140	85 – 100
Total	**250 – 300**	**145 – 180**

- Significant reduction in capex achieved
- Non-essential projects deferred or reassessed
- Asset integrity and safety related capex retained
- HFA major maintenance deferred until 2021

Geelong Refinery outlook and strategy

Historical refining performance

Weaker gasoline margins impacting performance despite operational improvements

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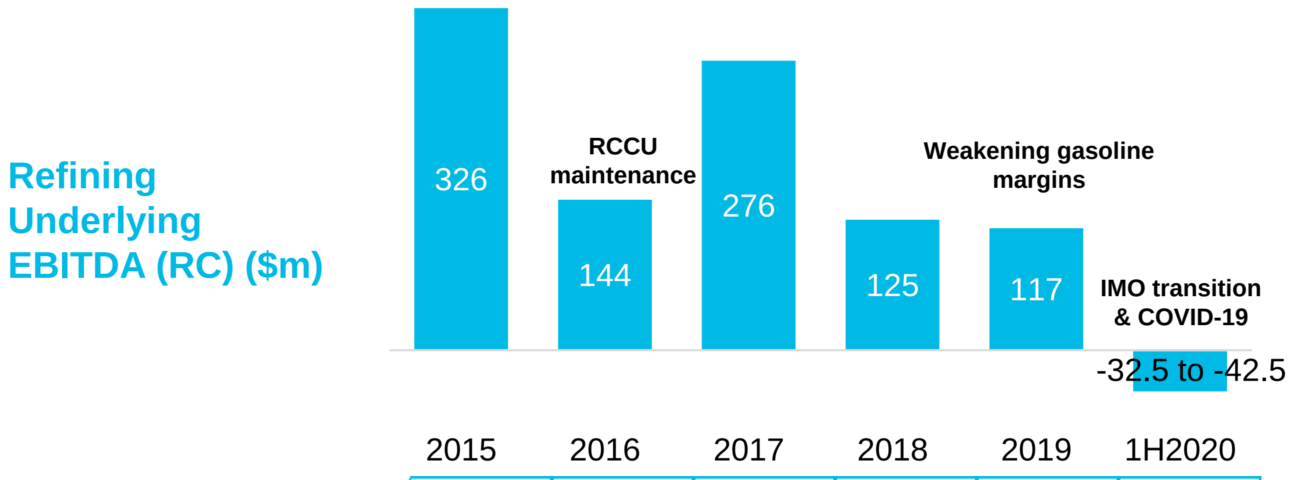


	2015	2016	2017	2018	2019	1H2020[1]
Refining Intake (MBBLs)	38.0	40.0	41.0	40.1	42.0	18.5
GRM (US$/BBL)	11.8	7.9	10.2	7.4	6.6	3.3
White barrel production (kbd)[2]	95	97	102	98	105	83
Diesel production[2]	35%	35%	34%	36%	39%	40%
Capex ($m)	90.1	164.5	52.8	84.5	88.5	43.3
Cash contribution ($m)	235.8	(20.9)	223.3	40.0	28.5	(80.7)

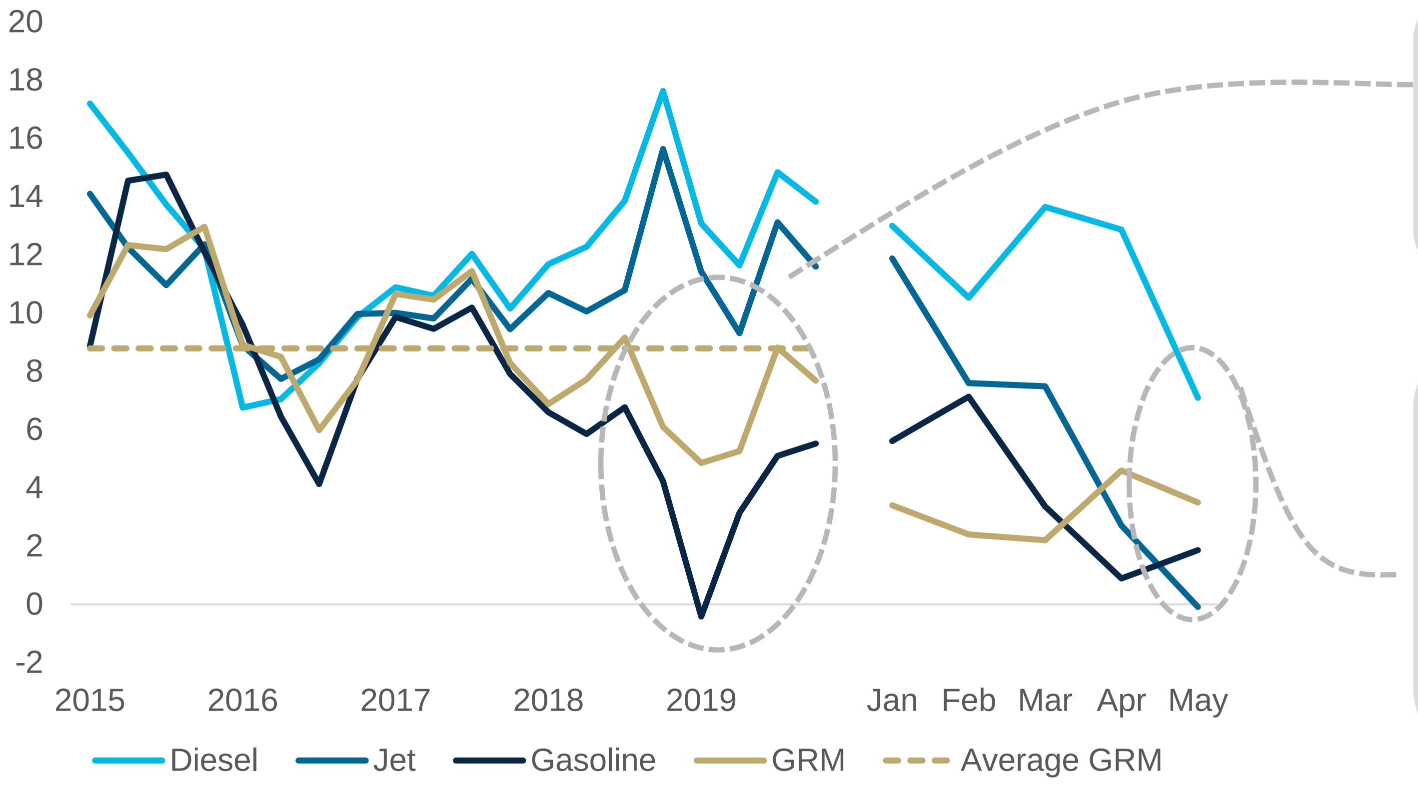
- Improved reliability and performance resulting in increased intake and production over time
- Optimisation of crude selection and processing resulting in increased diesel production
- Average annual cash earnings of $100m over last five years (excluding 2020)

1. Assumes June 2020 intake of 2.5MBBLs and actual GRM of US$4.0/BBL
2. As at 30 May 2020

Refining outlook

Refining margins impacted by declines in regional demand

Refining margin cracks and GRM (US$/bbl)[1]



- Weaker global demand growth and increased production weighing on gasoline margins
- Geelong Refining Margin impacted relative to historical averages
- Gasoline outlook is a key driver of profitability for Geelong Refinery

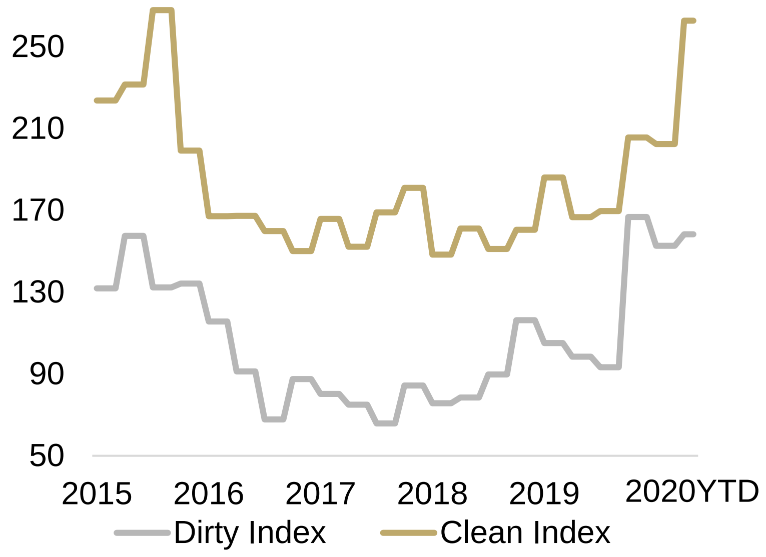
- Refining margin cracks impacted by decline in demand and stock builds
- Geelong Refining Margin impacted by higher crude premiums in Q1
- Global demand for oil products will take time to restore as restrictions are removed and economies recover
- Refining margins expected to remain challenging as local and regional demand recovers over remainder of 2020 and 2021

1. Cracks are calculated by Viva Energy by taking the finished product prices and deducting the quoted crude price (100% dated Brent). External data source: Bloomberg, Platts – source changed end-2019.

Local capability

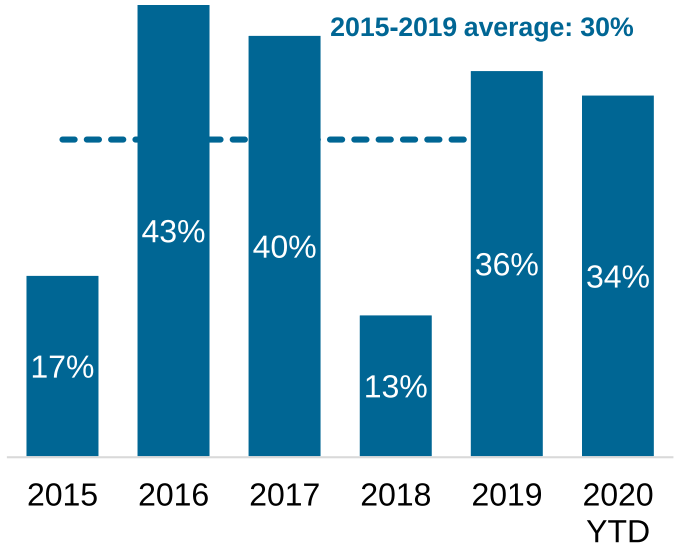
Geelong has some local advantages which provide uplift over regional margins

Freight advantage (2015 to 2020TD)[1]



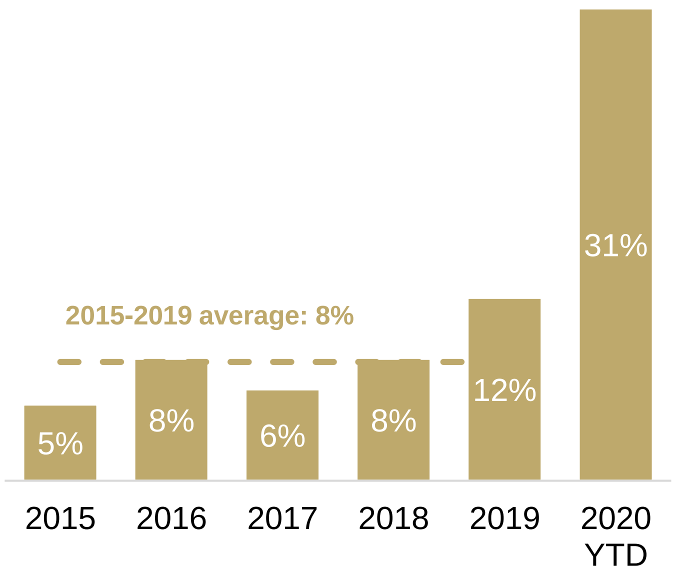
A wide clean/dirty freight differential benefits Geelong margins

Local crude sourcing (% of total crude sources)



Geelong processes crudes from local Victorian and South Australian production fields which can be cost advantaged

Specialties contribution to GRM



Only Australian manufacturer of Bitumen, Solvents, and specialty fuels which provide margin uplift over main fuels production

1. Freight indices are for SE Asia Australia tanker rates, with all years normalised against a 2019 basis. Original data source: Bloomberg

Strategic direction

A broad effort is necessary to sustain long term viability

Business Improvement

- Reduce crude costs
- Improve processing flexibility
- Increase specialities production
- Improve plant reliability
- Reduce energy costs

Leveraging our Capability

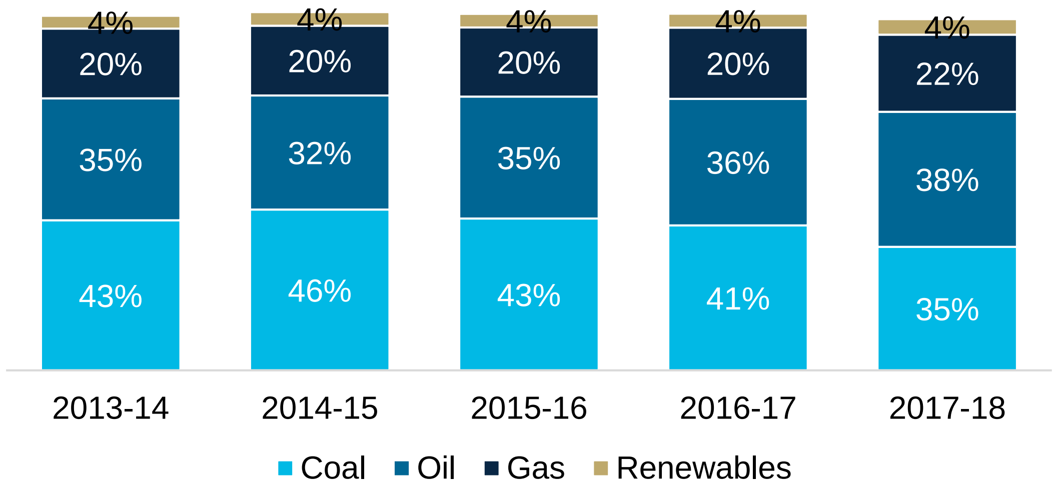
- LNG Supply & Storage
- Solar Energy Farm
- Hydrocarbon Supply and Storage
- Hydrogen and New Energies
- Gas to Power

Geelong Energy Hub

Victorian energy demand

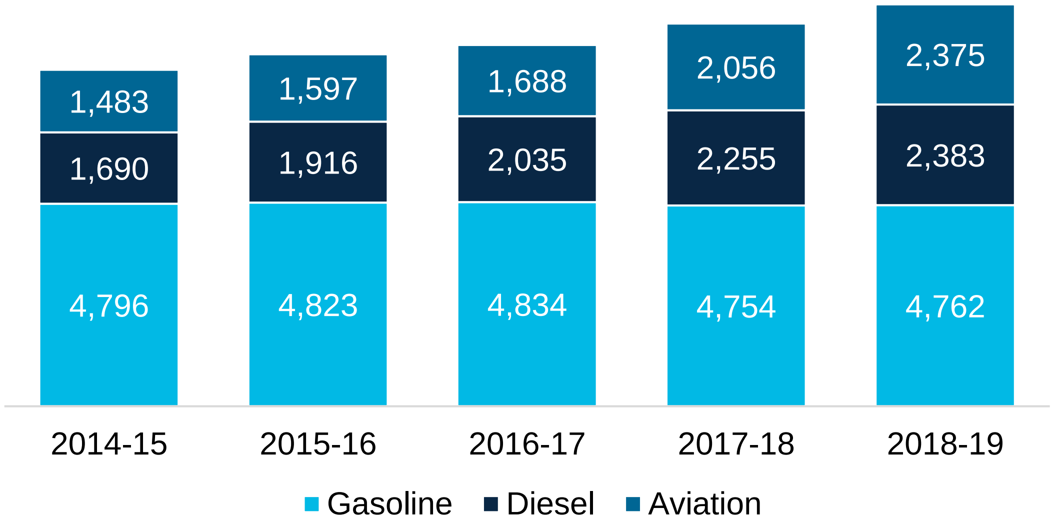
Geelong refinery supplies 20% of Victoria's total energy requirements

Energy consumption in Victoria (PJ) 1



Oil products provide 38% of Victoria's energy needs, with more than half of this supplied by Viva Energy's Geelong Refinery

Sale of petroleum products in Victoria (ML)2



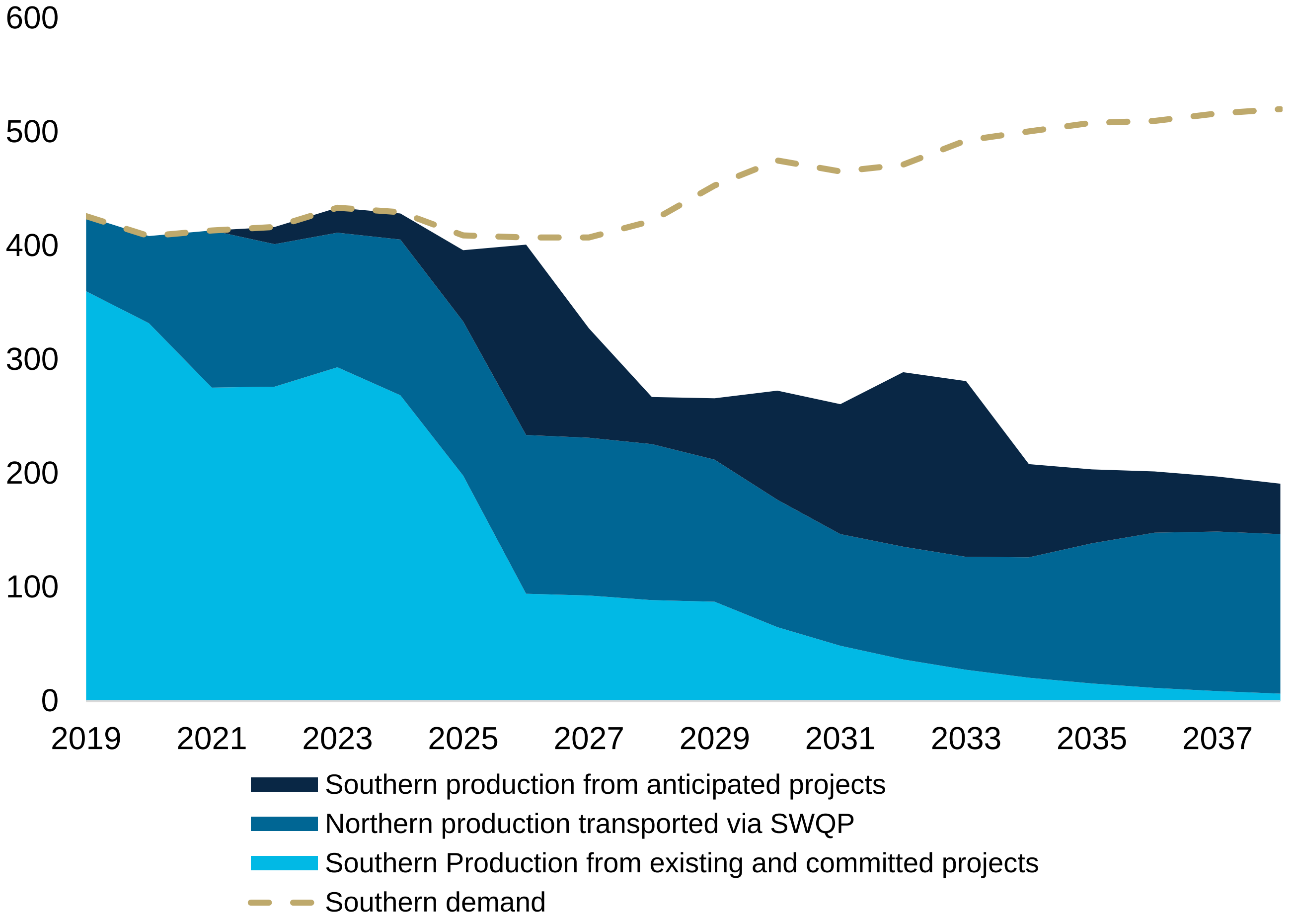
Diesel and jet demand continues to grow, but gasoline remains an important transport fuel

1. Source – Department of the Environment and Energy, Australian Energy Statistics, Table C, September 2019
2. Source – Australian Petroleum Statistics, Table 3B, January 2020

Natural gas

Key transition fuel supporting manufacturing and the transition to a cleaner energy future

Australian East Coast gas supply/demand balance (PJ)[1]



- Lower forecast gas production potentially leading to supply shortfalls from as early as 2023/24
- Additional supply will be necessary to keep natural gas prices down
- Reliable, competitive gas supply is essential to sustain manufacturing in Australia
- Natural gas can also provide baseload power generation to replace coal, and firming capacity to support renewables transition
- Viva Energy sees an opportunity to be involved in supporting this demand

1. Source AEMO GSO 2019

Floating LNG storage and supply

A virtual pipeline to bring natural gas to the heart of Victoria

Natural gas supply

- Virtual pipeline from northern fields to southern states
- 80 to 140 PJ supply or up to 30% of southern state demand
- Increased competition from new gas suppliers

Potential associated projects

- LNG for transport (shipping and heavy vehicle)
- Gas to power generation (on demand and dispatchable)
- Gas to hydrogen for pre-renewable early phase production

Enhances strategic position

- Process and capability synergies
- Own use and proximity to gas/electricity infrastructure
- Leverages existing port and land based infrastructure

Hydrocarbon storage and supply

Leveraging the company's nationally integrated infrastructure position

Locations

- Gateway to largest eastern seaboard markets
- Significant storage, pipeline and infrastructure positions
- Surplus land to expand and support increased utilisation
- Controlled port access to minimise congestion

Potential Opportunities

- Government strategic fuel storage and management
- Commercial fuel storage and supply
- Extract broader value from infrastructure position

Capabilities

- Established and proven terminal operator
- Dedicated and co-mingled storage capacity
- Imported and refined supply capability as required

Renewables transition

Geelong Energy Hub presents opportunities for Viva Energy to support lower carbon transition

Solar and Battery Storage

- Potentially up to 27MW with an output of over 59GWh per year
- Occupy approximately 41 hectares of land (equivalent of 23 x MCG stadiums)

Hydrogen Manufacture

- Potential synergies with existing refining operations
- Electrolysis from on-site solar and renewable PPA's
- Close proximity to potentially large commercial demands

Gas Power Generation

- Behind the meter power generation utilising imports to support own use power supply
- On demand to and support increase use of renewables from solar and PPA

LNG for Transport

- Supporting Marine and Heavy Vehicle transition to gas from imported LNG
- New Spirit of Tasmania vessels will be based at Geelong and are LNG powered

* Subject to regulatory approvals

Geelong Energy Hub

Viva Energy has a vision to develop Geelong into a leading ‘Energy Hub’

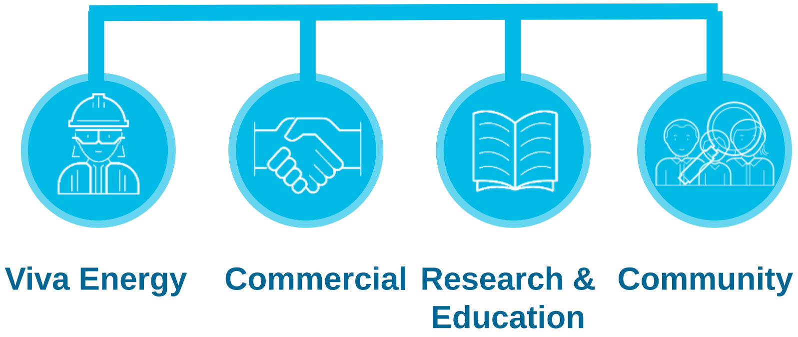
Location

- Victoria’s second largest city and port
- Existing integration into energy infrastructure
- Capacity for further development of precinct

Skills and Capability

- Chemical Process and Mechanical Engineering
- Electrical, Mechanical and Maritime Trades
- Relationship with local tertiary educational institutions
- Proven and experienced operator

Partnership Model



Next steps

A highly consultative engagement approach to meet needs of the community and government

1. **Expression of interest for commercial involvement in LNG Supply and Storage (commences June 2020)**
2. **Complete pre-FEED feasibility studies for Floating LNG Imports and Solar projects**
3. **Respond to anticipated government expression of interest for development of strategic stocks**
4. **Engagement with community and stakeholders on broader Geelong Energy Hub**

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