Viva Energy Group Limited (the "Company")
ACN 626 661 032
Appendix 4D: Half-year report

Results for announcement to the market

The current reporting period is the six month period ended 30 June 2021. The previous corresponding period is the six month period ended 30 June 2020.

	30 June 2021 A$M	30 June 2020 A$M	% Change A$M
Revenue	**7,217.0**	**6,667.1**	**8.2%**
Profit/(loss) from ordinary activities after tax/net profit for the period attributable to shareholders			
Historical cost basis	**130.1**	**11.1**	**1072.1%**
Replacement cost basis[1]	**111.9**	**24.4**	**358.6%**

[1] Prior year comparative reflects the recently implemented reporting changes.

Brief explanation of basis of results

Profit from ordinary activities after tax and net profit for the period are prepared in accordance with the Corporations Act 2001 and International Financial Reporting Standards (IFRS). There are no significant items recorded during the half year ended 30 June 2021, however, prior corresponding period includes a significant one-off gain from the sale of the Company's investment in Waypoint REIT. This is reflected in the historical cost basis net profit for the period attributable to shareholders above. See the Directors' Report in the 2020 Interim Report for further detail in respect of this significant item.

Viva Energy reports its 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 the historical cost of inventory. As a result, it removes the effect of timing differences and management believes it enables users of the financial information to more clearly observe the operating performance of the business independently of the impact of movements in the oil price. Replacement cost basis reporting has previously captured this cost of goods sold restatement only, however in current period, reporting changes detailed in the Directors' Report note the inclusion of lease expense now also captured in RC, with the impact of applying AASB16 recognised between NPAT (RC) and NPAT (HC). Significant items, and revaluation gain on FX and oil derivatives will also be recognised between NPAT (RC) and NPAT (HC) and prior period replacement cost basis results have been restated for this change.

	30 June 2021 A$	31 December 2020 A$	% Change A$
Net tangible asset per share	**0.97**	**0.88**	**10.2%**

Net tangible asset per share is derived by dividing net tangible assets by the number of ordinary shares on issue as at 30 June 2021. Net tangible assets are net assets attributable to members less intangible assets. Right of use assets have been treated as tangible for the purpose of this calculation.

Dividends	**2021 cents**
2021 Interim dividend - amount per security (fully franked)	4.1 cents
Trading on ex dividend basis	6 September 2021
Record date for determining entitlement to Interim dividend	7 September 2021
Date dividend expected to be paid	23 September 2021

There is no dividend or distribution re-investment plan currently in operation and there is no foreign sourced income component distributed in relation to the dividend.

As announced on 24 August 2021, the Company proposes to return approximately $100 million (at $0.062 per share) via a capital return (subject to shareholder approval). Following completion of the capital return, an on-market buy-back programme is expected to commence targeting up to $40 million securities. Further information is contained in the Notice of General Meeting released on ASX on 24 August 2021.

This information should be read in conjunction with the accompanying financial report of the Company and its controlled entities for the half year ended 30 June 2021 and ASX market releases made during the period.

Julia Kagan
Company Secretary
24 August 2021

Viva Energy Group Limited
and controlled entities

Interim report - 30 June 2021

ACN: 626 661 032
ABN: 74 626 661 032

Contents

Directors' report

The Directors present their report, together with the Financial Report of Viva Energy Group Limited (the 'Company') and the entities it controlled (collectively, the 'Group'), for the half-year ended 30 June 2021.

This Directors' Report has been prepared in accordance with the requirements of the *Corporations Act 2001* (Cth). The following information forms part of this report:

- Operating and financial review on pages 5 to 11; and
- External auditor's independence declaration on page 17.

A reference to Viva Energy, we, us or our is a reference to the Group or the Company, as the case may be.

Directors

The following persons were Directors of the Company during the whole of the half-year and up to the date of this report (unless otherwise stated):

Robert Hill	Chairman, Independent Non-Executive Director
Scott Wyatt	Chief Executive Officer, Managing Director
Dat Duong	Non-Executive Director
Michael Muller	Non-Executive Director
Arnoud De Meyer	Independent Non-Executive Director
Jane McAloon	Independent Non-Executive Director (resigned with effect on 25 August 2021)
Sarah Ryan	Independent Non-Executive Director
Nicola Wakefield Evans	Independent Non-Executive Director (appointed 3 August 2021)

Company Secretaries

The following persons were Company Secretaries during the whole of the half-year and up to the date of this report (unless otherwise stated):

Lachlan Pfeiffer	Company Secretary (resigned with effect on 19 August 2021)
Julia Kagan	Company Secretary
Cheng Tang	Company Secretary (appointed 19 August 2021)

Principal Activities

During the period, the principal activities of the Group included the following:

- sales of fuel and specialty products through Retail and Commercial channels across Australia;
- management of a national supply, distribution and terminal network; and
- manufacturing activities at the Group's Geelong oil refinery.

Operating and financial review

Company overview

Viva Energy is one of Australia's leading energy companies. The Group owns and operates an oil refinery in Victoria together with an extensive import, storage and distribution infrastructure network, including a presence at over 50 airports and airfields across the country. Crude oil and refined products are procured and imported by Vitol, one of the world's largest independent energy commodity trading companies.

Retail, Fuels and Marketing - Retail

Viva Energy supplies and markets quality fuel products through a national network of over 1,330 Shell, Liberty and Westside branded retail service stations with over 700 of the sites being operated by Coles Express under the Coles Alliance. Viva Energy also supplies other retail operators and wholesalers.

Retail, Fuels and Marketing - Commercial

Viva Energy is a significant supplier of fuel, lubricants and specialty hydrocarbon products to commercial customers in the aviation, marine, transport, resources, construction, agriculture and manufacturing industries. Viva Energy's strong position across many segments is underpinned by national infrastructure and long-standing customer relationships. As of this reporting period, wholesale sales (previously in Retail), are now reported in Commercial.

Operating and financial review (continued)

Refining

Viva Energy owns and operates the country's largest and most complex refinery in Australia, located at Geelong in Victoria. Refineries play an important role in processing Australian and imported crude oil into petroleum products which meet Australian specifications and help to enhance fuel supply security for the country. Geelong Refinery supplies more than 10% of Australia's total fuel requirements (more than 50% of Victoria's fuel demand) and is the only manufacturer of bitumen, aviation gasoline (Avgas) for use in piston engine aircraft, and, aromatic and aliphatic based solvent products.

Supply and Distribution

Viva Energy owns or contracts access to a national infrastructure network comprising import terminals, storage tanks, depots and pipelines positioned across metropolitan and regional Australia in all states. The Group operates barges which provide marine fuels to cruise and container shipping industries in Sydney and Melbourne, and also contracts with a number of fuel transport companies to distribute fuels to customers throughout the country. Through its wholly owned subsidiary, Liberty Wholesale, Viva Energy also operates its own fuel delivery fleet of over 80 vehicles.

Consolidated results for the half year ended 30 June 2021

The Group Net Profit After Tax ('NPAT') on a historical cost basis ('HC') for the half-year ended 30 June 2021 ('1H2021') was $130.1 million ('M'). After adjusting for net inventory gain and AASB16 lease impacts, NPAT on a Replacement Cost basis ('RC') for the period was $111.9M.

Reconciliation of Profit After Tax (HC) to Net Profit After Tax (RC)	(A$M)
Profit After Tax (HC)	**130.1**
Less: Net inventory gain net of tax at 30%	(79.7)
Add: Revaluation gain on FX and oil derivatives net of tax at 30%	25.4
Add: AASB16 Lease impact net of tax at 30%	36.1
Net Profit After Tax (RC)	**111.9**

Historical cost is calculated in accordance with IFRS and shows the cost of goods sold at the actual prices paid by the business using a first in, first out ('FIFO') accounting methodology. As such, **HC** accounting includes gains and losses resulting from timing differences between purchases and sales of inventory and the rise and fall of oil and product prices during that time. Gains and losses arising from the rise and fall of oil and product prices are typically offset by a change in working capital because of the higher or lower cost to replenish inventory. Replacement Cost 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 the historical cost of inventory. As a result, it removes the effect of timing differences to enable users of the financial information to more consistently assess the underlying performance of the business.

To further assist with the assessment of the underlying performance of the business, Replacement Cost measures include lease expense and exclude lease interest and right of use amortisation. These amounts are captured in the "AASB16 Lease impact" line item in the above reconciliation table. Financial measures based on replacement costs and inclusive of lease expense are identified by the use of the suffix "RC".

Reporting changes implemented 1H2021

Since the last reporting period the Group has undertaken a review of its financial reporting across the different business segments. The review considered the evolution of our strategy, the way in which the business is run practically and how to improve transparency of underlying performance. The changes will also assist in the comparison of our result with our key competitor. Whilst the number of segments remains the same, the historical Supply, Corporate and Overheads (S,C&O) segment is replaced with a Corporate segment. These changes are reflected in the Summary Statement of Profit or Loss in the Directors' Report, with the key changes detailed below:

Operating and financial review (continued)

1. **Adjustment to lease accounting** – Lease expenses previously excluded from EBITDA (RC) in accordance with AASB16 *Leasing* have now been included in the Underlying results of each relevant business. The impact of adopting AASB16 (including lease interest and lease related amortisation) will be reported between NPAT (RC) and NPAT (HC).
2. **Segment reclassification** - Wholesale volumes, which includes Liberty Wholesale, have been moved from Retail into Commercial as the margin and product mix of wholesale fuel volumes is more aligned with the Commercial segment. The Retail segment exclusively represents sales from our branded retail network .
3. **Supply, Corporate and Overhead Costs -** All applicable SCO costs have been allocated into operating segments with the residual "Corporate" segment reflecting certain head office functions and commonly used resources that are not considered appropriate to be allocated to the Group's reportable segments.
4. **FX & Derivatives** - Revaluation gain / (loss) on FX and oil derivatives will be reported between NPAT (RC) and NPAT (HC). Underlying NPAT (RC) now aligns with previous Distributable NPAT (RC).

1H2021 Business Performance Summary

The Group has delivered a strong result in the first half of 2021, with improved operational and financial performance across all parts of the business. Performance was driven by continued strength of our Retail business, recovery within the Commercial business, strong cost management, and improved refining conditions. This delivered a Group Underlying EBITDA (RC) of $256.3M, up $124.6M from the prior period. The EBITDA (RC) result of $256.3M ($403.2M prior to reporting changes) is in line with the guidance update provided to the market on 9 July 2021.

During the period, significant changes have been made to the Company which have repositioned it for the future. The long-term Fuel Security Package from the Federal Government provides critical support for the business during periods of low refining margins, recognises the contribution refineries make to the nation's energy security through the introduction of mandatory stockholding obligations on imports, and materially contributes to the investment necessary to meet new fuel specifications. Collectively, these measures significantly improve the outlook for the refining business and provide a solid foundation on which to develop the range of projects we plan for our Energy Hub at Geelong.

The Group has been awarded a grant of up to $33.3M for the establishment of 90ML Diesel storage which will improve production and import economics, and further benefit from the proposed implementation of mandatory stockholding obligations. The Group also continue to make solid progress on our Gas Terminal, which remains the best placed project to meet the looming Victorian gas shortfall expected in 2024, and have made good progress on other opportunities such as Hydrogen for trucks and bus fleets. These projects are aimed at leveraging the strategic position the Group holds in the Victorian market.

The Retail business is benefiting from growth in the Liberty Convenience business, the expansion of Shell V-Power to new markets, and the refreshment of Coles Express store network with our Alliance partner. Convenience and premium fuel sales continue to grow, and the Group is looking forward to further developing the fuel and convenience offerings with its partners as this marketplace continues to evolve. The Group has taken steps to reduce the costs of servicing the Commercial business in order to optimise margins in a lower sales environment until aviation and marine sales volumes recover and delivered solid growth in other segments which have been less affected by the pandemic.

Taking into account these changes and feedback from investors, important changes have been made to the Group's segment reporting and dividend policy, in order to provide more transparency of the cash performance of the various segments and align this with dividend distributions. It is expected that this will deliver more consistent dividends to shareholders, with further upside when the Refining business outperforms. Given the underlying profitability of the Retail, Fuels and Marketing business, we have determined to pay a $65.9M interim dividend to shareholders, and are in a position to return the proceeds from the divestment of our stake in Waypoint REIT.

Operating and financial review (continued)

Summary Statement of Profit and Loss

	(A$M)	30 June 2021			30 June 2020			Variance
		Group	RFM [1]	Refining	Group [2]	RFM [1]	Refining	Group
	Revenue	7,217.0	7,217.0	-	6,667.1	6,667.1	-	549.9
	Cost of goods sold (RC)	(6,428.1)	(6,543.7)	115.6	(5,992.6)	(6,016.0)	23.4	(435.5)
	Gross Profit (RC)	**788.9**	**673.3**	**115.6**	**674.5**	**651.1**	**23.4**	**114.4**
	Retail, Fuels and Marketing							
	Retail	*373.7*	*373.7*	-	*378.5*	*378.5*	-	(4.8)
	Commercial	*299.6*	*299.6*	-	*272.6*	*272.6*	-	27.0
	Refining	*115.6*	-	*115.6*	*23.4*	-	*23.4*	92.2
	Corporate	-	-	-	-	-	-	-
1.	**Total EBITDA (RC)**	**256.3**	**217.6**	**38.7**	**131.7**	**203.8**	**(72.1)**	**124.6**
	Retail, Fuels and Marketing							
	Retail	*116.7*	*116.7*	-	*118.4*	*118.4*	-	*(1.7)*
	Commercial	*105.9*	*105.9*	-	*90.7*	*90.7*	-	*15.2*
	Refining	*43.8*	-	*43.8*	*(66.8)*	-	*(66.8)*	*110.6*
	Corporate	*(10.1)*	*(5.0)*	*(5.1)*	*(10.6)*	*(5.3)*	*(5.3)*	*0.5*
2.	Share of profit from associates	0.1	0.1	-	3.4	3.4	-	(3.3)
	Net loss on other disposal of assets	(0.1)	(0.1)	-	(1.3)	(1.3)	-	1.2
3.	Depreciation and amortisation	(86.6)	(54.0)	(32.6)	(92.2)	(49.9)	(42.3)	5.6
	Profit before interest and tax (RC)	**169.7**	**163.6**	**6.1**	**41.6**	**156.0**	**(114.4)**	**128.1**
4.	Net finance costs	(6.7)	(5.3)	(1.4)	(11.2)	(9.7)	(1.5)	4.5
	Profit before tax (RC) [3]	**163.0**	**158.3**	**4.7**	**30.4**	**146.3**	**(115.9)**	**132.6**
5.	Income tax expense	(51.1)	(49.7)	(1.4)	(6.0)	(40.8)	34.8	(45.1)
6.	**Net Profit After Tax (RC)**	**111.9**	**108.6**	**3.3**	**24.4**	**105.5**	**(81.1)**	**87.5**
7.	Significant one-off items[4]	-			187.4			(187.4)
8.	Net inventory gain/(loss)[4]	79.7			(210.6)			290.3
9.	Revaluation gain on FX and oil Derivatives[4]	(25.4)			41.9			(67.3)
10.	AASB16 Lease impact[4]	(36.1)			(32.0)			(4.1)
	Net (Loss)/Profit After Tax (HC)	**130.1**			**11.1**			**119.0**
	Statutory earnings per share (HC)	8.1			0.6			7.5
	Earnings per share (RC)	7.0			1.3			5.7

[1] Retail, Fuels and Marketing (RFM).

[2] Prior year comparatives reflect the recently implemented reporting changes.

[3] Group Profit before tax (RC) can be reconciled to the Profit before tax (HC) results reported within Note 6 of the financial statements (Segment information) by adding the pre-tax impacts of items 7-10 within the above Directors Report Profit and Loss.

[4] Results are reported net of tax.

Operating and financial review (continued)

Summary Statement of Profit and Loss Analysis

1. EBITDA (RC)

Retail, Fuels and Marketing

Retail

Retail sales volumes were up 23% on 1H2020, with the improvement driven by growth in the predominately regionally-focused Liberty Convenience and Dealer Owned channels. Weekly fuel sales in the Alliance channel averaged 58.4 million litres per week, broadly in-line with levels achieved in 1H2019 and up on 1H2020. Premium petrol sales represent 32% of total petrol sales which is in line with 1H2020. The performance of our premium brand reflects both strong demand and improved availability of V-Power branded fuel through the retail network and was supported by the launch of the Shell V-Power 'Fuel the Feeling' campaign.

Retail EBITDA (RC) of $116.7M is consistent with the $118.4M result achieved in the prior period which benefited from the rapidly falling oil price. While oil price increases during the half led to some margin compression, the impact was offset by improvements in both volume and non-fuel income attributed to convenience sales growth at Alliance retail sites.

The Company continues to invest in improving the retail offer and the network, undertaking approximately 80 store refurbishments in the period with our Alliance partner, Coles Express. The refurbishments support growth in both the convenience and fuel offer.

Commercial

Commercial achieved an EBITDA (RC) of $105.9M which is up $15.2M when compared with $90.7M achieved in 1H2020. The Commercial segment benefited from continued robust economic activity with solid sales growth achieved in Resources, Transport, Specialty, Agriculture and Wholesale sectors in particular. While aviation and marine cruise sales volumes continue to be impacted by border closures, the steps taken to reduce servicing costs during 2020 have ensured that these sectors continue to make a meaningful earnings contribution to the Commercial business.

The Aviation business recognised $0.6M from the Government JobKeeper grant, compared to $2.1m in the prior comparative period.

Refining

Refinery operations and financial performance were improved compared to the 1H2020 but remain challenged by COVID-19 impacts on both global and local fuel demand. Notwithstanding these impacts, Geelong Refining Margin (GRM) in 1H2021 was US$6.1/BBL, up from US$2.9/BBL in the prior period, with margins benefiting from lower crude premia, higher production and improved product yield. The Refinery delivered an EBITDA (RC) of $43.8M, up from a loss of ($66.8M) in the prior period.

During 1H2021 the Geelong Refinery operated at full capacity, with intake at 21.4MBBLs and availability at 98%, compared with 1H2020 when the refinery operated in a hydro-skimming mode in May and June. Increased production has led to higher variable operational costs for the period.

During 1H2021, the Refinery received $40.6M from the Federal Government's Temporary Refining Production Payment. This program has been succeeded by the Federal Security Services Payment (FSSP), which commenced on 1 July 2021 and will conclude on 30 June 2027 (unless extended at the option of the Company).

Corporate

Corporate costs relate to certain head office functions and commonly used resources that are not considered appropriate to be allocated to the Group's reportable segments.

Operating and financial review (continued)

Summary Statement of Profit and Loss Analysis (continued)

2. Share of profit from associates

Share of profit from associates represents the Group's 50% share of profit/(loss) from Liberty Oil Convenience. The prior comparative period included six months of the Group's share of Westside Petroleum profit/(loss) (six months to the end of June 2020, with August 2020 being the timing of the acquisition of the remaining share of Westside).

3. Depreciation and Amortisation

Depreciation and amortisation includes $69.7M of depreciation on property, plant and equipment (a decrease of $5.9M) and $16.9M of amortisation expense (increased by $0.3M).

Depreciation on property, plant and equipment decreased year-on-year primarily as a result of assets reaching the end of their depreciation useful life and reflects the impact of significantly reduced capital expenditure in the prior year as a result of COVID-19 expenditure reductions. Amortisation charges are in line with the prior comparative period, with customer contracts intangibles reaching full amortisation offset in part by the acceleration of certain software as a service assets.

Amortisation of right of use assets is captured in line item "AASB16 Lease impact". The AASB16 Lease impact line item also captures the elimination of lease expense and the recognition of lease interest.

4. Net finance costs

Net finance costs of $6.7M were $4.5M lower than the prior comparative period and consisted of interest income of $1.0M, interest expense on borrowings, amortised transaction costs and fees associated with trade finance instruments of $5.0M, and the unwinding of discount on balance sheet provisions of $2.7M. The decrease of $2.7M is due primarily to the Group being in a net cash position for most of the period.

Interest on leases is captured in line item "AASB16 Lease impact". The AASB16 Lease impact line item also captures the elimination of lease expense and the recognition of amortisation of right of use assets.

5. Income tax expense

The income tax expense for the period is $51.1M (RC) and $59.1M (HC), representing effective tax rates of 31.3% and 31.2% respectively.

6. Net (Loss) / Profit After Tax (RC)

The Net Profit After Tax (RC) of $111.9 million (compared to a $24.4 million profit in 1H2020) is primarily a reflection of the improved conditions the Refinery operated in during the year. Below EBITDA, the reduced share of profit from associates is due to the prior period disposal of investment in Viva Energy REIT (now called Waypoint REIT), offset by lower depreciation and amortisation, and lower finance costs.

7. Significant one-off items (net of tax)

The Group did not record any significant one-off items in the current reporting period.

The significant one-off item in the prior period reflects the sale of the Group's 35.5% security holding in Waypoint REIT for an average of $2.66 per security by way of a fully underwritten block trade, and a sale to each of the Charter Hall Group (ASX:CHC) and the Charter Hall Long WALE REIT (ASX:CLW). The significant one-off gain of $187.4M, reflects the pre-tax gain of $122.2M and a favourable write-back of the $113.8M associated deferred tax liability, partially offset by the tax expense associated with the sale of $48.6M.

8. Net inventory gain / loss

Net inventory gain relates to the effect of movements in oil price and foreign exchange on inventory recorded at historical cost using the First In, First Out ('FIFO') principle of accounting.

The gain of $113.9M ($79.7M net of tax) recorded for 1H2021 reflects the increase in oil prices experienced during the period.

Operating and financial review (continued)

Summary Statement of Profit and Loss Analysis (continued)

9. Revaluation gain on FX and oil derivatives

Revaluation gain/(loss) on FX and oil derivatives is impacted by realised and unrealised foreign exchange and associated hedges, flat oil price hedges and refinery margin hedging. During the year a loss of $36.1M was recognised primarily as a result of unfavourable oil price hedges taken out over the course of the period.

10. AASB16 Lease Impact

As detailed above (refer to "Reporting changes implemented 1H2021" section), the EBITDA (RC) results include segment applicable lease expense to provide a full view of segment profitability. The line item AASB16 lease impact reflects the elimination of lease expense and the recognition of lease interest and right of use amortisation, to then report the results under a historical cost and AASB16 Lease basis.

Directors' report (continued)

Summary Statement of Financial Position

(A$M)		30 June 2021	31 December 2020	Variance
1.	Working capital	179.8	89.9	89.9
2.	Property, plant and equipment	1,456.9	1,478.1	(21.2)
3.	Net lease balance (right-of-use assets & lease liabilities)	(263.4)	(212.8)	(50.6)
4.	Intangible assets	630.3	646.7	(16.4)
5.	Investment in associates	15.5	15.4	0.1
6.	Net cash / (debt)	44.7	(104.2)	148.9
7.	Long-term provisions, other assets and liabilities	(148.1)	(181.8)	33.7
8.	Net deferred tax asset	279.9	325.8	(45.9)
9.	**Total equity**	**2,195.6**	**2,057.1**	**138.5**

Summary Statement of Financial Position Analysis

1. Working capital

Working capital increased primarily as a result of an increase in average benchmark crude and refined product prices of A$30.0/BBL between December 2020 and June 2021, combined with an increase in inventory holdings at period end.

2. Property, plant and equipment (PP&E)

Property, plant and equipment relates to freehold terminal property, leasehold retail and terminal improvements, plant and infrastructure such as tanks and pipelines held at terminals, airports and retail sites and the Geelong Refinery land and equipment.

Property, plant and equipment ("PPE") decreased by $21.2M from 31 December 2020, with depreciation of $69.7M, disposals of $1.1M and transfers of completed software projects to intangibles of $1.0M offset by capital expenditure of $47.3M and additions to the Group's Asset retirement obligations $3.3M.

A breakdown of capital expenditure by segment is outlined below.

(A$M)		30 June 2021	30 June 2020	Variance
a.	Retail, Fuels and Marketing[1]	20.8	11.5	9.3
b.	Refining			-
	Major Maintenance	15.4	28.4	(13.0)
	Other refining	10.1	10.5	(0.4)
c.	Corporate	1.0	2.0	(1.0)
	Capital Expenditure	**47.3**	**52.4**	**(5.1)**

[1] Includes $6.5M of supply capex ($5.1M in 1H2020).

a. Retail, Fuels and Marketing

Retail, Fuels and Marketing capital expenditure of $20.8M includes capital expenditure of $12.4M ($5.4M in 1H2020) for new site branding, refreshing network convenience stores and forecourts together with tank replacements, tank relines and other asset integrity works. In addition, expenditure of $8.4M ($6.1M in 1H2020) relates to expenditure to ensure the integrity of the Group's terminals and pipelines, with a focus on the Newport facility ($6,5M) as well as depot works and branding of dealer owned sites within the Liberty Wholesale network ($1.9M).

b. Refining

<u>Major Maintenance</u>

Major maintenance capital expenditure during the period of $15.4M relates primarily to major maintenance activity on the Refinery's Hydrofluoric Acid Alkylation "HFA" plant which was deferred from 2020.

Directors' report (continued)

Summary Statement of Financial Position Analysis (continued)

Other refining capital expenditure

Other refinery capital expenditure of $10.1M includes expenditure in relation to the LNG import terminal and the continuation of work on the Refinery's Distributed Controls Systems project (upgrading the computerised controls system for automated processes at the refinery). Other work undertaken during the period includes the vessel upgrades on the HFA plant and other general asset integrity and maintain margin projects.

c. Corporate

Corporate capital expenditure of $1.0M for the period relates to technology and digital investment.

3. Net lease balance

The right-of-use assets balance of $2,262.8M is a decrease of $58.7M from the prior comparative period. Impacting this balance during the year were lease extensions, new leases and the impact of lease payment escalations totalling $52.4M (net of the impact of terminations) offset by depreciation charges of $111.1M were recognised during the period.

The lease liability balance as at 30 June 2021 was $2,526.2M, a decrease of $8.1M from the prior comparative period with lease extensions, new leases and lease escalations of $52.4M offset by payments of lease principal totalling $60.8M made during the period, and a reclassification of $0.3M.

4. Intangible assets

Intangible assets decreased by $16.4M during the year primarily due to amortisation charges of $16.9M offset in part by the transfer of completed software projects from assets under construction (+$1.0M) and purchases of ($1.0M).

5. Investment in Associates

Represents the Group's 50% investment in Liberty Oil Convenience. The Share of profit/(loss) from associates is recorded against this investment offset by distributions or dividends received.

6. Net cash / (debt)

Net debt relates to Viva Energy's Revolving Credit Facility (RCF) which is used as a working capital facility to fund fluctuations in working capital, net of cash at bank. Viva Energy does not hold any long term structural debt. Net cash as at 30 June 2021 is $44.7M.

7. Long term provisions, other assets and liabilities

Long-term provisions, other assets and liabilities predominantly relate to: (i) long-term provisions associated with asset retirement obligations required by accounting standards and (ii) long-term environmental provisions.

The decrease in the net liabilities of $33.7M during the year primarily represents an increase in the Group's Derivative asset balance combined with a decrease in Derivative liabilities.

8. Net deferred tax asset

Net deferred tax assets relate to the tax effected difference between the carrying value of assets and liabilities recorded for accounting and tax purposes respectively.

The decrease in net deferred tax assets of $45.9M is primarily due to the utilisation of tax losses carried forward from the prior year, net of the typical movements in deferred tax due to origination or reversal of temporary differences between taxable income and profit during the year, along with movements posted directly to equity or other comprehensive income.

9. Total Equity

Total equity increased by $138.5M primarily due to the Net Profit under tax (HC) of $130.1M generated for the period, combined with other transactions relating to: the Group's Share Based incentive plans, remeasurement of retirement benefit obligations, and the purchase of Viva Energy shares held in the Viva Energy Employee Share Plan Trust.

Directors' report (continued)

Summary Statement of Cash Flows

	(A$M)	30 June 2021	30 June 2020	Variance
	Profit before interest, tax, depreciation and amortisation (HC) before significant items	**480.9**	**30.3**	**450.6**
	(Increase)/decrease in Trade and other receivables	(390.0)	335.8	(725.8)
	(Increase)/ decrease in inventories	(461.4)	544.7	(1,006.1)
	(Increase)/decrease in Prepayments	11.4	16.3	(4.9)
	(Decrease) / Increase in Trade and other payables	734.3	(764.5)	1,498.8
	(Decrease) / increase in provisions	(4.7)	(7.9)	3.2
1.	Changes in working capital	(110.4)	124.4	(234.8)
2.	Non-cash items in profit before interest, tax, depreciation and amortisation	2.2	(18.8)	21.0
	Repayment of lease liability	(60.8)	(49.3)	(11.5)
	Interest on capitalised leases	(87.4)	(84.1)	(3.3)
	Operating free cash flow before capital expenditure	**224.5**	**2.5**	**222.0**
				-
	Payments for PP&E and intangibles	(48.3)	(52.4)	4.1
	Proceeds from sale of PP&E	0.3	0.2	0.1
	Net inflow/(outflow) for land developments	1.6	(1.4)	3.0
3.	Proceeds from sale of investments	-	730.1	(730.1)
	Payment for treasury shares (net of contributions)	(0.2)	(7.9)	7.7
	Share buy back	-	(12.7)	12.7
	Dividends received from associates	-	19.8	(19.8)
	Net free cash flow before financing, tax and dividends	**177.9**	**678.2**	**(500.3)**
				-
	Finance costs	(3.1)	(3.7)	0.6
4.	Net Income tax payments	(25.1)	(2.5)	(22.6)
	Net cash flow available for dividends and borrowings	**149.7**	**672.0**	**(522.3)**
				-
5.	Dividends paid	-	(50.6)	50.6
	Net repayment of borrowings	(47.8)	(260.0)	212.2
	Net cash flow	**101.9**	**361.4**	**(259.5)**
				-
	Opening net debt	**(104.2)**	**(137.4)**	**33.2**
	Amortisation of borrowing costs	(0.8)	(0.7)	(0.1)
	Reclassification of borrowing costs		(2.4)	2.4
	Closing net cash	**44.7**	**531.5**	**(486.8)**
	Change in net cash/(debt)	**148.9**	**618.3**	**(469.4)**

Summary Statement of Cash Flows analysis

1. Changes in working capital

Inventory increased as a result of an increase in average benchmark crude and refined product prices of A$30.04/BBL and an increase in overall inventory levels.

2. Non-cash items

Profit before interest, tax, depreciation and amortisation (HC) before significant items includes certain non-cash items including unrealised gain on foreign exchange and derivatives (+$0.4M), non-cash employee options taken up in reserves (-$2.8M) and other minor items.

3. Proceeds from sale of investments

In the prior comparative period the Group sold its 35.5% security holding Waypoint REIT for an average of $2.66 per security by way of a fully underwritten block trade, and a sale to each of the Charter Hall Group (ASX:CHC) and the Charter Hall Long WALE REIT (ASX:CLW). Total proceeds of $734.3M were received and $4.2M of transaction costs were incurred which resulted in net proceeds of $730.1M.

Directors' report (continued)

Summary Statement of Cash Flows analysis (continued)

4. Income tax payments

Income tax payments totalling $25.1M consisted of PAYG tax instalments of $21.7M paid by the Group in the current year to the ATO, and tax instalments of $3.4M paid by the Group on behalf of its Singapore tax resident entity (Viva Energy S.G. Pte Ltd) to the Singapore tax authority.

The Company did not declare a final FY2020 dividend. The dividend paid in the prior comparative period represents a fully-franked dividend of 2.6 cents in relation to the six months ended 31 December 2019 ($50.6M).

Directors' report (continued)

Dividends

No final dividend was paid in 2021 in relation to the six month period ended 31 December 2020.

A fully-franked interim dividend of 4.1 cents per share was determined by the Board on 24 August 2021, payable to shareholders on 23 September 2021. This dividend has not been included as a liability in these interim financial statements. The total estimated dividend to be paid is $65.9 million.

Events occurring after the end of the reporting period

Capital management

The Company proposes to return approximately $100 million, at $0.062 per share to shareholders in October 2021, via a capital return (subject to shareholder approval). An equal and proportionate share consolidation of 0.97 shares for every one share currently held (i.e. 100 shares would become 97) will also be undertaken, to adjust Viva Energy's number of shares for the quantum of the cash return (subject to shareholder approval). An on-market buy-back programme, targeting up to $40 million, is expected to follow the implementation of the capital return.

The proposed capital management initiatives described above, together with the other capital management initiatives undertaken since the Company's Waypoint REIT divestment, represent a total return of funds to shareholders of approximately $720M, after receiving $734.3M in pre-tax proceeds of the divestment.

Further information regarding the capital management program is contained in the Notice of Meeting released on ASX on 24 August 2021.

Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001 (Cth)* is included on page 17.

Rounding of amounts

The Company is of a kind referred to ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off to the nearest hundred thousand dollars in accordance with the instrument, unless stated otherwise.

This report is made in accordance with a resolution of Directors.

Robert Hill

Robert Hill
Chairman

Scott Wyatt
Managing Director

24 August 2021

Auditor's Independence Declaration

As lead auditor for the review of Viva Energy Group Limited for the half-year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Viva Energy Group Limited and the entities it controlled during the period.

Chris Dodd
Partner
PricewaterhouseCoopers

Melbourne
24 August 2021

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Consolidated statement of profit or loss

For the half-year ended 30 June 2021

	Notes	30 June 2021 $M	30 June 2020 $M
Revenue	4	**7,217.0**	**6,667.1**
Replacement cost of goods sold		(3,885.8)	(3,649.1)
Net inventory gain/(loss)		113.9	(300.9)
Sales duties, taxes and commissions		(2,440.5)	(2,154.6)
Import freight expenses		(101.8)	(188.9)
Historical cost of goods sold		**(6,314.2)**	**(6,293.5)**
Gross profit		**902.8**	**373.6**
Net gain/(loss) on disposal of property, plant and equipment		(0.1)	(1.3)
Net profit on sale of investments	5	-	122.2
Other income	5	43.7	8.8
Other income/(loss)		**43.6**	**129.7**
Transportation expenses		(122.6)	(119.8)
Salaries and wages		(138.7)	(139.8)
General and administration expenses		(73.9)	(67.0)
Maintenance expenses		(49.6)	(41.9)
Lease related expenses		(3.7)	(6.3)
Sales and marketing expenses		(40.9)	(42.4)
		517.0	**86.1**
Interest income		1.0	2.7
Share of profit of associates		0.1	3.4
Realised/unrealised gain on derivatives		5.9	79.3
Net foreign exchanges loss		(42.1)	(16.4)
Depreciation and amortisation expenses	5	(197.7)	(195.4)
Finance costs	5	(95.0)	(93.9)
Profit/(loss) before income tax		**189.2**	**(134.2)**
Income tax (expense)/benefit	10	(59.1)	145.3
Profit after tax		**130.1**	**11.1**

Earnings per share		**cents**	**cents**
Basic earnings per share		8.1	0.6
Diluted earnings per share		8.0	0.6

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Consolidated statement of comprehensive income

For the half-year ended 30 June 2021

	Notes	30 June 2021 $M	30 June 2020 $M
Profit for the half-year		**130.1**	**11.1**
Other comprehensive income/(loss)			
Other comprehensive income that may be reclassified to profit or loss in subsequent years (net of tax)			
Recycling of unrealised gains on cash flow hedges on disposal of investment in Viva Energy REIT (now called Waypoint REIT)		-	6.4
Other comprehensive income not to be reclassified to profit or loss in subsequent years (net of tax)			
Remeasurement of retirement benefit obligations		4.5	(4.0)
Net other comprehensive income		**4.5**	**2.4**
Total comprehensive income for the year (net of tax)		**134.6**	**13.5**

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

As at 30 June 2021

	Notes	30 June 2021 $M	31 December 2020 $M
ASSETS			
Current assets			
Cash and cash equivalents		151.0	49.1
Trade and other receivables		1,185.1	794.1
Inventories	8	1,160.2	698.8
Assets classified as held for sale		0.9	2.9
Derivative assets	12	16.9	-
Prepayments		19.2	27.6
Current tax assets		32.1	21.0
Total current assets		**2,565.4**	**1,593.5**
Non-current assets			
Long-term receivables		32.8	33.6
Property, plant and equipment	9	1,456.0	1,475.2
Right-of-use assets		2,262.8	2,321.5
Goodwill and other intangible assets		630.3	646.7
Post-employment benefits		5.4	0.2
Investments accounted for using the equity method		15.5	15.4
Net deferred tax assets		279.9	325.8
Other non-current assets		1.4	2.1
Total non-current assets		**4,684.1**	**4,820.5**
Total assets		**7,249.5**	**6,414.0**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		2,097.5	1,329.6
Provisions		119.3	122.0
Short-term lease liabilities		141.9	135.9
Derivative liabilities	12	2.2	19.4
Total current liabilities		**2,360.9**	**1,606.9**
Non-current liabilities			
Provisions		106.9	104.0
Long-term borrowings		106.3	153.3
Long-term lease liabilities		2,384.3	2,398.4
Long-term payables		95.5	94.3
Total non-current liabilities		**2,693.0**	**2,750.0**
Total liabilities		**5,053.9**	**4,356.9**
Net assets		**2,195.6**	**2,057.1**
Equity			
Contributed equity	13	4,373.9	4,373.9
Treasury shares	13	(5.1)	(6.8)
Reserves		(4,209.9)	(4,216.6)
Retained earnings		2,036.7	1,906.6
Total equity		**2,195.6**	**2,057.1**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the half-year ended 30 June 2021

	Notes	Contributed equity $M	Treasury shares $M	Reserves $M	Retained earnings $M	Total equity $M
Balance at 1 January 2020		**4,861.3**	**(14.2)**	**(4,246.5)**	**2,123.5**	**2,724.1**
Statutory profit for the half-year		-	-	-	11.1	11.1
Other comprehensive income recycled on sale of investment		-	-	6.4	-	6.4
Remeasurement of retirement benefit obligations		-	-	(4.0)	-	(4.0)
Total comprehensive income for the		**-**	**-**	**2.4**	**11.1**	**13.5**
Dividends paid	7	-	-	-	(50.6)	(50.6)
Reserve arising from IPO		-	-	(2.7)	-	(2.7)
Share buy-back		(20.6)	-	5.8	-	(14.8)
Share based payment expense		-	-	1.5	-	1.5
Proceeds from plan participants		-	-	6.5	-	6.5
Issue of shares to plan participants		-	15.6	(13.8)	-	1.8
Acquisition of treasury Shares		-	(7.9)	-	-	(7.9)
Balance at 30 June 2020		**4,840.7**	**(6.5)**	**(4,246.8)**	**2,084.0**	**2,671.4**
Balance at 1 January 2021		**4,373.9**	**(6.8)**	**(4,216.6)**	**1,906.6**	**2,057.1**
Statutory profit for the half-year		-	-	-	130.1	130.1
Remeasurement of retirement benefit obligations		-	-	4.5	-	4.5
Total comprehensive income for the		**-**	**-**	**4.5**	**130.1**	**134.6**
Share based payment reserve movement		-	-	2.2	-	2.2
Acquisition of treasury shares	13	-	(0.2)	-	-	(0.2)
Issue of treasury shares to employees	13	-	1.9	-	-	1.9
Balance at 30 June 2021		**4,373.9**	**(5.1)**	**(4,209.9)**	**2,036.7**	**2,195.6**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the half-year ended 30 June 2021

	Notes	30 June 2021 $M	30 June 2020 $M
Operating activities			
Receipt from trade and other debtors		8,596.3	8,697.4
Payments to suppliers and employees		(8,230.8)	(8,566.7)
JobKeeper payments received	5	6.2	5.1
Interest received		1.0	2.7
Interest paid on loans		(3.1)	(6.3)
Interest paid on lease liabilities		(87.4)	(84.1)
Net income tax refund/(paid)		(25.1)	(2.5)
Net cash flows from operating activities		**257.1**	**45.6**
Investing activities			
Purchases of property, plant and equipment		(47.3)	(52.1)
Proceeds from sale of property, plant and equipment		0.3	0.2
Purchase of land for resale		(0.9)	(6.8)
Proceeds from sale of land		2.5	5.4
Purchase of intangible asset		(1.0)	(0.3)
Proceeds from sale of investments	5	-	730.1
Share buy back		-	(12.7)
Net purchase of employee share options		(0.2)	(7.9)
Dividends received from associates		-	19.8
Net cash flows contributed/(used) in investing activities		**(46.6)**	**675.7**
Financing activities			
Drawdown of borrowings		1,630.0	535.0
Repayments of borrowings		(1,675.0)	(795.0)
Dividends paid (net of dividend paid on treasury shares held)	7	-	(50.6)
Upfront financing cost paid and capitalised		(2.8)	-
Repayment of lease liability		(60.8)	(49.3)
Net cash flows used in financing activities		**(108.6)**	**(359.9)**
Net increase in cash and cash equivalents		101.9	361.4
Cash and cash equivalents at the beginning of the year		49.1	119.5
Cash and cash equivalents at the end of the half-year		**151.0**	**480.9**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

1. Corporate information

Reporting entity

The consolidated interim financial report of Viva Energy Group Limited ('Company') and the entities it controlled (collectively, 'Group') for the half-year reporting period ended 30 June 2021 were authorised for issue in accordance with a resolution of the Directors on 24 August 2021. The Company is a for-profit Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX: VEA).

2. Basis of preparation

The consolidated interim financial report for the half-year ended 30 June 2021:

- has been prepared in accordance with the *Corporations Act 2001* (Cth) and Australian Accounting Standard AASB134 *Interim Financial Reporting*;
- does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the 31 December 2020 Annual Report and any public announcements made by Viva Energy Group Limited during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* (Cth) and the Listing Rules of the ASX; and
- is presented in Australian dollars ($) and rounded to the nearest one hundred thousand dollars ($100,000) or in certain cases, the nearest dollar, in accordance with the Australian Securities and Investment Commission Corporations Instrument 2016/191.

The accounting policies adopted are consistent with those of the Group's annual consolidated financial statements for the year ended 31 December 2020 and corresponding 30 June 2020 interim reporting period, except for the required adoption of new and amended accounting standards effective from 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(a) New and amended accounting standards adopted by the Group

The Group has adopted all new and revised standards and interpretations as required by the Australian Accounting Standards Board effective from 1 January 2021. The adoption of these new standards and interpretations has not required a change in the Groups accounting policies.

To enhance the comparability across both periods, comparative figures have been adjusted to conform to changes in presentation for the current half-year. There has been no impact to the profit and loss.

3. Significant changes in the current reporting period

The financial position and performance of the Group was particularly affected by the following events and transactions during the half-year to 30 June 2021:

- COVID-19 has continued to impact the performance of the Group, with the Retail, Aviation, Marine and Refinery businesses, in particular, unable to return to pre-COVID volumes due to ongoing restrictions limiting travel and mobility across the Nation;
- The Group recognised income from the Federal Government of $40.6 million in relation to the new Fuel Security Package that was introduced in the half-year (see note 5);

4. Revenue

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	30 June 2021	30 June 2020
Revenue from contracts with customers	**$M**	**$M**
Revenue from sale of goods	7,099.3	6,567.0
Non-fuels income	101.0	88.9
	7,200.3	6,655.9
Other revenue	16.7	11.2
Total revenue	**7,217.0**	**6,667.1**

5. Other items of profit or loss

	30 June 2021	30 June 2020
Other income	**$M**	**$M**
Temporary Refinery Production Payment	40.6	-
JobKeeper	3.1	8.8
Total other income	**43.7**	**8.8**

This period, as part of the Australian Government's Fuel Security Package, a Temporary Refinery Production Payment grant was available for the six month period, resulting in income of $40.6 million.

The Company also recorded income of $3.1 million from the Australian Government's "JobKeeper" scheme during the six month period which allowed it to continue to support employees in the most impacted parts of the business, being the aviation and refining businesses. Payments received this period of $6.2M, as per the consolidated statement of cash flows, relate to prior year accrued income in addition to current period income.

Both the Temporary Refinery Production Payment and JobKeeper were accounted for as government grants and recognised at their fair value upon reasonable assurance that the grant would be received and the Group has complied with all attached conditions.

	30 June 2021	30 June 2020
Depreciation and amortisation expense	**$M**	**$M**
Depreciation of property, plant and equipment	(69.7)	(73.2)
Depreciation charge of right-of-use assets	(111.1)	(105.6)
Amortisation of intangible assets	(16.9)	(16.6)
Total depreciation and amortisation expense	**(197.7)**	**(195.4)**

	30 June 2021	30 June 2020
Finance costs	**$M**	**$M**
Interest on borrowings, trade finance and commitment fees	(4.9)	(6.9)
Interest on lease liabilities	(87.4)	(84.1)
Unwinding of discount on provisions	(1.5)	(1.7)
Unwinding of discount on long-term payables	(1.2)	(1.2)
Total finance costs	**(95.0)**	**(93.9)**

	30 June 2021	30 June 2020
Significant Items	**$M**	**$M**
Net profit on sale of investments	**-**	**122.2**

During the prior period the Group sold its 35.5% security holding (276,060,625 stapled securities) in Viva Energy REIT (now called Waypoint REIT). The sale contributed $122.2 million to the Group's pre-tax profit with net cash proceeds of $730.1M after transaction costs. The Group no longer holds any securities in Waypoint REIT. No investments have been sold in the current half-year period.

6. Segment information

The Group has identified its operating segments on the basis of how the Chief Operating Decision Maker reviews internal reports about components of the Group to assess performance and determine the allocation of resources.

Since the last reporting period the Group has undertaken a review of the ways in which earnings are reported and tracked across the different business segments. The review considered the evolution of our strategy, the way in which the business is run practically, changes in executive team and accountabilities and external / investor feedback. Whilst the number of segments remains the same, the historical Supply, Corporate and Overheads (S,C&O) segment is replaced with a Corporate segment. These changes are reflected in the Summary Statement of Profit or Loss in the Directors' Report, with the key changes detailed below.

All applicable S,C&O costs will be allocated out of the historical S,C&O segment and into Retail, Fuels and Marketing (RFM) and Refining. Costs to be allocated include storage and handling, shipping and pipeline costs, functional costs such as Technology & Digital, Finance, People & Culture, Procurement, Insurance, and divisional employee incentives. Costs such as storage and handling will be allocated to businesses on a terminal by terminal basis in line with volumes of each business, while the majority of corporate costs will be directly allocated based on individual people and in limited cases split evenly between RFM (Retail and Commercial) and Refining. The historical S,C&O segment is replaced by the Corporate segment, which captures group level costs which cannot be meaningfully allocated to the segments.

The Group is organised into business units based on operational activities and has three reportable segments:

1. Retail, Fuels and Marketing

The Retail, Fuels and Marketing segment consists of both retail and commercial sales and marketing of fuel and specialty products in Australia under the Shell, Liberty, Westside Petroleum and Viva Energy brands, as well as generation of substantial non-fuel income. All sales and marketing focused activities are included in this segment, in addition to an allocation of supply and corporate overheads.

2. Refining

The Group's Geelong refinery in Corio, Victoria refines crude oil into petrol, diesel and jet fuel. The refinery also manufactures and produces specialty products such as liquid petroleum gas, bitumen, oils, and chemical products. All refinery operating activities are included in this segment, including an allocation of supply and corporate overheads.

3. Corporate

The Corporate segment consists of group level costs which cannot meaningfully be allocated to the segments. All other corporate and overhead costs are allocated based on an appropriate cost driver.

The Group owns and manages an integrated supply chain of terminals, storage facilities, depots, pipelines and distribution assets throughout Australia in order to facilitate product distribution and delivery through wholesale and retail sites. Revenues and costs associated with Supply and Distribution are allocated to the operating segments based on appropriate cost drivers, most commonly, sales volumes.

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. The performance of operating segments is evaluated based on segment profit and loss, and is measured consistently with profit or loss in the consolidated financial statements in accordance with the Group's accounting policies. Transfer prices between operating segments are on an arm's length basis similar to transactions with third parties.

Geographical information

The Group's country of domicile is Australia. The Group has operations in Australia, Singapore and Papua New Guinea. All of the Group's non-financial non-current assets are located in Australia.

6. Segment information (continued)

Information about reportable segments

30 June 2021	Retail, Fuels and Marketing	Refining	Corporate	Total Segments
	$M	$M	$M	$M
Segment revenue:				
Total segment revenue	7,217.0	2,208.8	-	9,425.8
Inter-segment revenue	-	(2,208.8)	-	(2,208.8)
External segment revenue	**7,217.0**	**-**	**-**	**7,217.0**
Gross Profit	673.3	115.6	-	788.9
Net inventory gain	95.9	18.0	-	113.9
Gross Profit	**769.2**	**133.6**	**-**	**902.8**
Profit/(loss) before interest, tax, depreciation and amortisation	**463.3**	**46.8**	**(29.2)**	**480.9**
Interest income	-	-	1.0	1.0
Depreciation and amortisation expenses	(160.2)	(36.0)	(1.5)	(197.7)
Finance costs	(88.9)	(4.0)	(2.1)	(95.0)
Segment profit before tax expense	**214.2**	**6.8**	**(31.8)**	**189.2**
Other material items:				
Capital expenditure	20.8	25.5	2.0	**48.3**

30 June 2020	Retail, Fuels and Marketing	Refining	Corporate	Total Segments
	$M	$M	$M	$M
Segment revenue:				
Total segment revenue	6,667.1	1,597.1	-	8,264.2
Inter-segment revenue	-	(1,597.1)	-	(1,597.1)
External segment revenue	**6,667.1**	**-**	**-**	**6,667.1**
Gross Profit	651.1	23.4	-	674.5
Net inventory loss	(231.2)	(69.7)	-	(300.9)
Gross Profit	**419.9**	**(46.3)**	**-**	**373.6**
Profit/(loss) before interest, tax, depreciation and amortisation	**115.7**	**(123.1)**	**159.8**	**152.4**
Interest income	-	-	2.7	2.7
Depreciation and amortisation expenses	(148.5)	(45.5)	(1.4)	(195.4)
Finance costs	(86.1)	(4.1)	(3.7)	(93.9)
Segment profit/(loss) before tax expense	**(118.9)**	**(172.7)**	**157.4**	**(134.2)**
Other material items:				
Capital expenditure	11.5	38.9	2.0	**52.4**

7. Dividends determined and paid

	30 June 2021	30 June 2020
Dividends determined and paid during the year	**$M**	**$M**
Fully franked dividend relating to the prior period	-	50.6

No final dividend was paid in 1H2021 in relation to the six month period ended 31 December 2020 (2020 $50.6 million – 2.6 cents per share).

The Board has determined an interim 2021 dividend of 4.1 cents per fully paid ordinary share (2020 interim dividend : 0.8 cents). The aggregate amount of the proposed dividend expected to be paid on 23 September 2021 out of retained earnings at 30 June 2021, but not recognised as a liability at half-year end, is $65.9 million.

8. Inventories

	30 June 2021	31 December 2020
	$M	**$M**
Crude for processing	259.1	141.2
Hydrocarbon finished products	869.9	526.6
	1,129.0	**667.8**
Stores and spare parts	31.2	31.0
Total inventories	**1,160.2**	**698.8**

The increase in the inventory balance of $461.4 million from 31 December 2020 to 30 June 2021 was driven by a combination of increasing crude and refined product prices over the period along with an increase in inventory holdings at period end.

9. Property, plant and equipment

During the period the Federal Government announced its intention to implement a long-term Fuel Security Package (FSP) to support Australia's refining industry. The FSP acknowledges the importance of refining to the country's broader energy security and enhances the long-term viability of the domestic refining sector.

The FSP consists of three main elements: A Fuel Security Services Payment (FSSP), the introduction of industry minimum stockholding obligations (MSO), and capital contributions towards refinery upgrades to allow the production of ultra-low sulphur gasoline (LSG), together with bringing forward of LSGs specifications to the end of 2024. As part of the package, Viva Energy would make a six-year commitment to maintain refining operations through to 30 June 2027, with a further three-year option for the Company to extend until 30 June 2030.

The FSSP mitigates some of the downside risk to refining margins and reduces volatility in the forecasted cash flows.

With the strengthening of refinery margins combined with the FSP, a significant degree of uncertainty has been removed from the assumptions underpinning the assessment of the recoverability of the refinery's fixed assets carrying value. As a result, the Group does not consider there has been a trigger that would result in the need to perform a mid-year impairment assessment. The next assessment of the recoverability will be performed as part of the Group's year-end procedures.

10. Income tax and deferred tax

Viva Energy is subject to income tax expense on the basis of historical cost earnings. Income tax expense (HC) of $59.1M for the period represents an effective tax rate of 31.2% due primarily to the non-deductibility of amortisation on the $137M capital payment relating to the extension of the Alliance agreement with Coles Express through to 2029. The decrease in net deferred tax assets of $45.9M is primarily due to the utilisation of tax losses carried forward from the prior year, net of the typical movements in deferred tax due to origination or reversal of temporary differences between taxable income and profit during the year, along with movements posted directly to equity or other comprehensive income.

11. Financial assets and liabilities

This table provides a summary of the Group's financial instruments, and how they are classified and measured. The Group holds the following financial instruments at the end of the reporting period:

	30 June 2021	31 December 2020
Financial assets	**$M**	**$M**
Financial assets held at amortised cost		
Trade and other receivables	1,185.1	794.1
Long-term receivables	32.8	33.6
Cash and cash equivalents	151.0	49.1
Financial assets at fair value through profit and loss		
Derivative assets	16.9	-
	1,385.8	**876.8**
Financial liabilities		
Financial liabilities held at amortised cost		
Trade and other payables	2,097.5	1,329.6
Short-term borrowings	-	-
Long-term borrowings	106.3	153.3
Lease liabilities	2,526.2	2,534.3
Long term payables	95.5	94.3
Financial liabilities at fair value through profit and loss		
Derivative liabilities	2.2	19.4
	4,827.7	**4,130.9**

12. Fair value measurement of financial instruments

The Group's accounting policies and disclosures may require the measurement of fair values for both financial and non-financial assets and liabilities. The Group has an established framework for fair value measurement. When measuring the fair value of an asset or a liability, the Group uses market observable data where available.

Fair values are categorised into different levels in a fair value hierarchy based on the following valuation techniques:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability are categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measure.

12. Fair value measurement of financial instruments (continued)

(a) Fair value measurement hierarchy for the Group

	Quoted in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	$M	$M	$M
30 June 2021			
Derivative assets	-	16.9	-
Derivative liabilities	-	(2.2)	-
Total at 30 June 2021	**-**	**14.7**	**-**
31 December 2020			
Derivative assets	-	-	-
Derivative liabilities	-	(19.4)	-
Total at 31 December 2020	**-**	**(19.4)**	**-**

There were no transfers between levels during the six months to 30 June 2021. There were also no changes made to any of the valuation techniques applied.

(b) Estimation of fair values

The Group enters into derivative financial instruments with financial institutions with investment grade credit ratings. Foreign exchange forward contracts and commodity forward contracts are valued using valuation techniques, which employ the use of market observable inputs. As at 30 June 2021, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk.

13. Contributed and other equity

(a) Contributed equity

Ordinary shares are classified as equity. These shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held.

	30 June 2021	31 December 2020
	$M	$M
Issued and paid up capital	4,373.9	4,373.9

Movements in ordinary share capital	**Shares**	**$M**
At 1 January 2020	1,944,535,168	4,861.3
Buy back of shares, net of tax	(27,397,847)	(72.3)
Capital return to shareholders	-	(415.1)
Share consolidation	(309,498,674)	-
At 31 December 2020	**1,607,638,647**	**4,373.9**
At 1 January 2021	1,607,638,647	4,373.9
At 30 June 2021	**1,607,638,647**	**4,373.9**

13. Contributed and other equity (continued)

(a) Contributed equity (continued)

Share buy-back

In the prior year the Company purchased, and subsequently cancelled, 27,397,847 ordinary shares on market as part of the Company's buy-back program announced in February 2020. The cancellation of the shares was treated as a reduction in share capital ($72.3 million as per above table), with the difference between the par value of the purchased shares and the buy-back price being recorded against the Company's Capital redemption reserve ($22.0 million). The total value of the share buy-back during the period was $50.3 million.

There have been no share buy-back activities undertaken in the current six month period.

Share consolidation

In the prior year, following the divestment of the investment in Waypoint REIT in February 2020, the Group's capital management initiatives included a capital return to shareholders of $415.1 million and a special dividend of $114.9 million. A share consolidation was then undertaken commensurate with the overall return to shareholders, reducing the number of ordinary shares by 309,498,674.

There have been no share consolidation activities in 2021 half-year period.

(b) Treasury shares

Treasury shares are shares in Viva Energy Limited that are held by the Viva Energy Employee Share Plan Trust for the purpose of issuing shares under various share-based incentives plans. Shares issued to employees are recognised on the first-in-first-out basis.

Movements in treasury shares	**Shares**	**$M**
At 1 January 2020	7,281,531	14.2
Acquisition of treasury shares (average price: $1.43 per share)	6,545,012	9.3
Transfer of shares to employees – options exercised	(7,113,691)	(14.2)
Transfer of shares to employees – employee share plan	(1,013,192)	(1.5)
Capital return to shareholders	-	(1.0)
Share consolidation	(792,000)	-
At 31 December 2020	**4,907,660**	**6.8**
	Shares	**$M**
At 1 January 2021	4,907,660	6.8
Acquisition of treasury shares (average price: $1.86 per share)	137,271	0.2
Transfer of shares to employees – rights exercised	(1,365,738)	(1.9)
Transfer of shares to employees – employee share plan	(17,917)	-
At 30 June 2021	**3,661,276**	**5.1**

14. Contingencies

On 24 September 2018, Viva Energy REIT (now called Waypoint REIT) received an assessment from the Victorian State Revenue Office ('SRO') for $31.2 million. The assessment relates to the transfer of properties prior to the completion of the Viva Energy REIT IPO in August 2016. Pursuant to the arrangements between Viva Energy REIT and the Group at the time, which were disclosed in the Prospectus, any such costs are payable by the Group.

The Group lodged an objection to the assessment on 2 November 2018 considering that there was a strong prospect of having the assessment set aside. The SRO advised in a letter dated 22 November 2018 that it will not take recovery action while the objection and any appeal process is continuing.

14. Contingencies (continued)

On 12 May 2020 the Group received a determination from the SRO disallowing the objection. It was concluded that there was no new analysis raised in the determination that altered the position previously taken by the Group and, as a result, the Group advised the SRO that it was appealing the matter. The SRO referred the matter to the Supreme Court on 30 July 2020 and the case is listed for trial, commencing on 8 November 2021.

Under an agreement with the SRO pending resolution of the matter, $7.5 million (representing approximately 25% of the duty assessed) was paid to the SRO on 27 November 2020. In line with the view that there is a strong prospect of having the assessment set aside, the $7.5 million is recognised as a prepayment.

Management continues to consider it not probable that the Group has a present obligation in relation to the assessment as at 30 June 2021, and as a result have not recorded a provision in the statement of financial position. As at 30 June 2021, the Group has contingent liabilities of $49.2 million (2020: $50.6 million) which includes the above stamp duty amount of $31.2 million.

15. Events occurring after the reporting period

Capital Management

The Company proposes to return approximately $100 million, at $0.062 per share to shareholders in October 2021, via a capital return (subject to shareholder approval). An equal and proportionate share consolidation of 0.97 shares for every one share currently held (i.e. 100 shares would become 97) will also be undertaken, to adjust Viva Energy's number of shares for the quantum of the cash return (subject to shareholder approval). An on-market buy-back programme, targeting up to $40 million, is expected to follow the implementation of the capital return.

The proposed capital management initiatives described above, together with the other capital management initiatives undertaken since the Company's Waypoint REIT divestment, represent a total return of funds to shareholders of approximately $720M, after receiving $734.3M in pre-tax proceeds of the divestment.

Further information regarding the capital management program is contained in the Notice of Meeting released on ASX on 24 August 2021.

Directors' declaration

In the Directors' opinion:

(a) the consolidated half-year financial statements and notes set out on pages 18 to 31 have been prepared in accordance with the *Corporations Act 2001* (Cth), including:

(i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* (Cth) and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the half-year ended on that date; and

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Robert Hill
Chairman

Scott Wyatt
Managing Director

24 August 2021

Independent auditor's review report to the members of Viva Energy Group Limited

Report on the half-year financial report

We have reviewed the half-year financial report of Viva Energy Group Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Responsibilities of the directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Viva Energy Group Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the half-year ended on that date

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers

Chris Dodd
Partner

Niamh Hussey
Partner

Melbourne
24 August 2021