ASX Release

14 October 2020

Viva Energy market update

Viva Energy Group Limited (the **Company**) today provides a business update for the three months ended 30 September 2020 (**3Q2020**) together with an update for the Refining business following the announcement of a Fuel Security Package by the Federal Government on 14 September 2020[1].

Retail

The Retail business continues to recover from the earlier impacts of various stay-at-home restrictions across the country, with the Company's total petrol sales for 3Q2020, excluding Victoria, in-line with the same period last year. Sales volumes in the Alliance network were 52.3 million litres per week in 3Q2020, up 14% from the quarter ended 30 June 2020 (**2Q2020**).

Victorian petrol sales for 3Q2020 were down approximately 37% compared with the same period last year as a result of stage four restrictions in place across the state, however the Retail business continues to benefit from relatively stronger retail fuel margins compared with the prior year, and remains well positioned for further recovery of sales volumes as Victoria continues to progress through its planned staged removal of restrictions.

Commercial

The Commercial businesses, excluding Aviation, continue to perform broadly in-line with the same period last year, with total diesel sales volumes for 3Q2020 down just 3% on the same period last year. Aviation sales volumes remain impacted, with sales volumes for 3Q2020 down 76% compared to the prior period and in-line with 2Q2020. The Company notes the easing of some border restrictions across Australia and expects modest improvement in Aviation sales volumes as domestic travel demand recovers. The Company has retained flexibility and capability to service the recovery in Aviation once border restrictions are further relaxed.

Refining

The actual Geelong Refining Margin (**GRM**)[2] for 3Q2020 was US$2.3/Barrel (**BBL**), with refining intake of 7.9MBBLs[3]. GRM continues to be impacted by weak regional refining margins, reduced market demand and lower production as well as an impaired production mix while the Company completes its major maintenance program. Lower crude premiums in the period provided some uplift to refining margins. The Company expects to report an underlying EBITDA (RC) loss of approximately $30M in its Refining business in 3Q2020.

The decision to operate the Refinery in Hydro-skimming mode in response to reduced market demand has allowed the Company to bring forward major maintenance, manage excess gasoline production, recover a significant portion of fixed cost exposure and manage crude purchasing commitments. The major maintenance program is expected to be completed by the end of October 2020, within the previously announced budget range of $85 – $100 million.

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Notwithstanding this operating performance, the Company continues to incur unsustainable operating losses in this part of our business and is pursuing all available options to improve cash flow and near-term profitability, including:

- deferring or cancelling all non-essential capital and operating expenditure to minimise operational disruption to production and reduce cash outflow. The Hydrofluoric Acid Alkylation Unit major maintenance has already been deferred from FY2020 until FY2021;
- resumption of full refining operations from early November 2020 once the major maintenance program is complete, and progressively increasing production subject to the refining margin environment and improvements in Victorian fuel demand; and
- working with the Federal Government to confirm and finalise the details and implementation of the previously announced Fuel Security Package, and particularly the proposed refinery production payment.

The longer-term outlook for the Refining business remains uncertain due to the significant decline in global demand for oil products which is likely to continue to weigh on regional refining margins through 2021. The Company continues to evaluate the future viability of the refining business and the support contemplated by the Fuel Security Package, and expects to be able to provide a further update on the refining business and decisions on continued operations beyond the first quarter of 2021 will be provided in December 2020.

Geelong Energy Hub Project Update

The LNG re-gasification project at Geelong continues to progress well, with the Company assessing responses to the expression of interest process. The design and regulatory approvals streams continue to progress, and the Company expects to commence the technical design phase before year-end, and to provide further updates as the project advances. We are also progressing several other opportunities associated with the Geelong Energy Hub.

Capital Management Initiatives

As at 14 October 2020, Viva Energy has returned approximately $548 million of the $680 million after-tax proceeds that it received after realising its investment in Viva Energy REIT (now Waypoint REIT) in February 2020 to shareholders. The existing on-market buy-back program that is targeting up to $50 million of securities, with approximately $18 million completed to date, is expected to resume in October 2020. As previously announced, a further $100 million of after-tax proceeds is intended to be returned to shareholders, further detail on which will be provided in due course.

Authorised for release by: the Disclosure Committee of Viva Energy Group Limited

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Notes

1. Joint media release of the Prime Minister and Minister for Energy, Emissions Reduction, of 14 September 2020, titled "Boosting Australia's Fuel Security".
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 (US$/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. In its financial reporting, Viva Energy converts GRM into Australian dollars using the prevailing month average exchange rate.
3. Million barrels.

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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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