



# Prospectus

Initial Public Offering

Joint Global Coordinators and Joint Lead Managers

**Merrill Lynch** 

**Deutsche Bank** 

Joint Lead Manager

 **UBS**

Issuer's Legal Adviser

 **GILBERT  
+ TOBIN**

# Important information

This Prospectus is issued by Viva Energy Group Limited (ACN 626 661 032) ("**Viva Energy**" or the "**Company**") for the purposes of Part 6D of the *Corporations Act 2001* (Cth) ("**Corporations Act**"). The offer contained in this Prospectus is an initial public offer ("**IPO**") of fully paid ordinary shares in the capital of Viva Energy (the "**Offer**").

## Lodgement and Listing

This Prospectus is dated 20 June 2018 ("**Prospectus Date**") and a copy of this Prospectus was lodged with the Australian Securities and Investments Commission ("**ASIC**") on that date.

Viva Energy will apply to the Australian Securities Exchange ("**ASX**") within seven days of the Prospectus Date for admission of Viva Energy to the official list of the ASX and quotation of the fully paid ordinary shares in Viva Energy ("**Shares**") on the ASX ("**Listing**").

No Shares will be issued or sold on the basis of this Prospectus later than 20 July 2019, being 13 months after the Prospectus Date.

None of ASIC, ASX or their respective officers take any responsibility for the contents of this Prospectus or for the merits of the investment to which this Prospectus relates.

## Exposure Period

The Corporations Act prohibits Viva Energy from processing applications to subscribe for Shares offered under this Prospectus ("**Applications**") in the seven day period after lodgement of this Prospectus with ASIC ("**Exposure Period**"). The Exposure Period may be extended by ASIC by up to a further seven days.

The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act.

Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any Applications received during the Exposure Period.

## Note to Applicants

The information contained in this Prospectus is not investment or financial product advice and does not take into account your investment objectives, financial situation, tax position or particular needs.

It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in Shares.

In particular, you should consider the risk factors that could affect the performance of Viva Energy. You should carefully consider these risks in light of your personal circumstances, investment objectives, financial situation, tax position and particular needs, and seek professional guidance from your stockbroker, accountant, lawyer, financial adviser or other independent professional adviser before deciding whether to invest in Shares.

Some of the key risk factors that should be considered by prospective investors are set out in Section 5. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

You should also consider the general and specific assumptions underlying the Forecast Financial Information (see Sections 4.8.1 and 4.8.2).

## Industry Data

This Prospectus (and in particular Section 2) contains data relating to the industries, segments and end-markets in which Viva Energy operates ("**Industry Data**"). Such Industry Data includes, but is not limited to, statements and data describing or relating to the Australian downstream petroleum industry and key factors affecting or relevant to that industry.

Where indicated by specific attribution to Wood Mackenzie, the Industry Data is based on a market study that Viva Energy commissioned from Wood Mackenzie.

Unless otherwise indicated, the Industry Data used in this Prospectus is current as at the Prospectus Date.

Investors should note that industry and market data, and statistics, are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions.

## Disclaimer

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by any member of the Viva Energy Group or any of their respective affiliates, Directors, officers, employees, advisers, agents, partners, consultants or representatives, or any person with a direct or indirect equity interest in Viva Energy (each a "**Viva Energy Party**" and together, the "**Viva Energy Parties**"), or any other person in connection with the Offer. You should rely only on information in this Prospectus. None of the Viva Energy Parties nor any other person warrants or guarantees the future performance of Viva Energy or any return on any investment made pursuant to this Prospectus.

As set out in Section 7, it is expected that the Shares will be quoted on the ASX initially on a conditional and deferred settlement basis. Viva Energy and its Directors and officers, the Share Registry and Merrill Lynch Equities (Australia) Limited and Deutsche Bank AG, Sydney Branch (each a "**Joint Global Coordinator**" and together, the "**Joint Global Coordinators**") and UBS AG, Australia Branch (together with the Joint Global Coordinators, the "**Joint Lead Managers**" and each a "**Joint Lead Manager**") disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement.

## Forward-looking statements

This Prospectus contains forward-looking statements which are statements that may be identified by words such as "may", "could", "believes", "estimates", "expects", "intends", "projects", "anticipates", "target", "plan", "predict", "propose", "will", "goals", "aims", "forecast", "outlook", "upside", "likely", "should" and other similar words that reflect, involve or imply risks and uncertainties. The Forecast Financial Information is an example of forward-looking statements.

Any forward-looking statements are based on an assessment of present economic and operating conditions and on a number of assumptions regarding future events and actions that, at the Prospectus Date, are expected to take place (including the assumptions set out in Section 4).

Viva Energy does not have any present intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, other than to the extent required by law.

Any forward-looking statements are subject to various risk factors that could cause Viva Energy's actual results to differ materially from the results expressed or anticipated in these statements. Such statements are not guarantees of future performance and involve



known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of Viva Energy, the Directors and the management of Viva Energy. Forward-looking statements should therefore be read in conjunction with, and are qualified by reference to, Sections 4 and 5, and other information in this Prospectus.

None of the Viva Energy Parties gives any assurance as to the reasonableness of any forward-looking statements contained in this Prospectus or that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

### Statements of past performance

This Prospectus includes information regarding the past performance of Viva Energy. Past performance information given in this Prospectus is given for illustrative purposes only. Investors should be aware that past performance does not represent, and should not be relied upon as being indicative of, future performance.

### Financial Information presentation

Section 4 sets out in detail the Financial Information referred to in this Prospectus. The basis of preparation of that information is set out in Section 4.2. All references to FY2015, FY2016, FY2017 FY2018 and FY2019 appearing in this Prospectus are references to the financial years ended 31 December 2015, 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019, respectively, and all references to 1H2018 and 1H2019 appearing in this Prospectus are references to the six months ended 30 June 2018 and 30 June 2019, respectively, unless otherwise indicated.

The Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards ("**AAS**") and other authoritative pronouncements adopted by the Australian Accounting Standards Board ("**AASB**"), which are consistent with the International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and the accounting policies of Viva Energy.

All financial amounts contained in this Prospectus are expressed in Australian dollars and are rounded to the nearest \$0.1 million (unless otherwise stated). Any discrepancies between totals and sums of components in tables, figures and body content contained in this Prospectus are due to rounding. Tables, figures and body content contained in this Prospectus have not been amended by Viva Energy to correct immaterial summation differences that may arise from this rounding convention.

The Financial Information in this Prospectus should be read in conjunction with, and is qualified by reference to, the information contained in Sections 4 and 5 and other information in this Prospectus. Where financial information and metrics present pro forma amounts, they have been labelled "pro forma".

### No offering where offering would be illegal

This Prospectus does not constitute an offer or invitation to apply for Shares in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia and New Zealand. The distribution of this Prospectus (including in electronic form) outside Australia and New Zealand may be restricted by law and any person who comes into possession of this Prospectus outside Australia and New Zealand should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus may not be distributed to, or relied upon by, any person in the United States, unless accompanied by the Institutional Offering Circular as part of the Institutional Offer.

The Shares have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended ("**U.S. Securities Act**"), or the securities laws of any state or other jurisdiction of the United States, and may not be offered, sold, pledged or otherwise transferred, directly or indirectly, in the United States, or to or for the account or benefit of any person in the United States, unless the Shares are registered under the U.S. Securities Act or are offered, sold, pledged or otherwise transferred pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or the securities laws of any state or any other jurisdiction in the United States.

The Offer is not being extended to any investor outside Australia and New Zealand, other than to certain Institutional Investors as part of the Institutional Offer.

None of the Viva Energy Parties (and none of the officers, employees and advisers of each of their affiliates) accepts any liability or responsibility for determining whether a person is able to participate in the Offer.

### Important information for New Zealand investors

This Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 (Aust) and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

This Offer and the content of the Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 (Aust) and the regulations made under that Act set out how the Offer must be made.

There are differences in how financial products are regulated under Australian law.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this Offer. If you need to make a complaint about this Offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

#### Currency exchange risk

The Offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

#### Trading on financial product market

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that

## Important information (cont.)

market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

### Obtaining a copy of this Prospectus

An electronic copy of this Prospectus is available to Australian and New Zealand residents online at <http://www.vivaenergyIPO.com.au>.

The Offer constituted by this Prospectus in electronic form is only available to persons downloading or printing it within Australia or New Zealand and is not available to persons in any other jurisdiction (including the United States). Persons who access the electronic version of this Prospectus must ensure that they download and read the entire Prospectus.

A paper copy of this Prospectus is available free of charge to Australian and New Zealand resident investors by calling the Viva Energy Offer Information Line on 1800 129 431 (within Australia) and +61 1800 129 431 (outside Australia) from 8:30am until 5:30pm (AEST), Monday to Friday (excluding public holidays).

### Applications

Applications may be made only during the Offer Period by completing an Application Form in respect of the Broker Firm Offer, Employee Offer, Employee Gift Offer or Priority Offer (whichever is relevant to you and which is generally referred to as an Application Form) attached to, or accompanying, this Prospectus in its paper copy form, or in its electronic form, which must be downloaded in its entirety from the Offer website, <http://www.vivaenergyIPO.com.au>. By making an Application, you represent and warrant that you were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing on to another person any Application Form unless it is attached to, or accompanied by, the complete and unaltered version of this Prospectus.

### No cooling-off rights

Cooling-off rights do not apply to an investment in Shares offered under this Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

### Definitions and time

Defined terms and expressions used in this Prospectus are explained in the Glossary at the end of this Prospectus (see Appendix D).

Unless otherwise stated or implied, references to times in this Prospectus are to Australian Eastern Standard Time ("AEST").

### Privacy

By filling out an Application Form to apply for Shares, you are providing personal information to Viva Energy and the Share Registry. Viva Energy and the Share Registry may collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request and/or carry out appropriate administration. Some of this personal information is collected as required or authorised by certain laws including the *Income Tax Assessment Act 1997* (Cth) and the Corporations Act.

If you do not provide the information requested in an Application Form, your Application may not be able to be processed or accepted.

Your personal information may also be used from time to time to inform you about other products and services offered by Viva Energy which may be of interest to you.

Your personal information may also be provided to agents and service providers of Viva Energy on the basis that they deal with such information in accordance with the privacy policy of Viva Energy. These agents and service providers may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the register of members;
- the Joint Global Coordinators and Joint Lead Managers in order to assess your Application;
- printers and other companies for the purposes of preparation and distribution of statements and for handling mail;
- market research companies for the purposes of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors or consultants and other advisers for the purposes of administering, and advising on, the Shares and for associated actions.

If a person who submits an Application ("Applicant") becomes a Shareholder, the Corporations Act requires Viva Energy to include information about the Shareholder (including name, address and details of the Shares held) in its public register of members. If you do not provide all the information requested, your Application Form may not be able to be processed.

The information contained in the Viva Energy register of members must remain there even if a person ceases to be a Shareholder. Information contained in the Viva Energy register of members is also used to facilitate dividend payments and corporate communications (including financial results, annual reports and other information that Viva Energy may wish to communicate to its Shareholders) and compliance by Viva Energy with legal and regulatory requirements. An Applicant has a right to access and correct the information that Viva Energy and the Share Registry hold about that person, subject to certain exemptions under law.

Applicants can obtain a copy of Viva Energy's privacy policy by visiting the Viva Energy website, <http://www.vivaenergy.com.au>. The privacy policy contains further details regarding access, correction and complaint rights and procedures.

To the extent of any inconsistency between the foregoing and Viva Energy's privacy policy, accessible at Viva Energy's website, the foregoing will apply. In all other respects, personal information collected by Viva Energy in connection with your Application will be handled in accordance with the privacy policy. To contact Viva Energy regarding privacy matters, please use the contact details provided on its website, or write to Viva Energy at its address set out in the corporate directory on the final page of this Prospectus.

The Share Registry's complete privacy policy is available at the Share Registry's website, <https://www.linkmarketservices.com.au>. Queries regarding the Share Registry's privacy policy may also be emailed to [privacy.officer@linkgroup.com](mailto:privacy.officer@linkgroup.com).

### Offer management

Merrill Lynch Equities (Australia) Limited and Deutsche Bank AG, Sydney Branch have been appointed by Viva Energy as Joint Global Coordinators and Joint Lead Managers, and UBS AG, Australia Branch has been appointed as a Joint Lead Manager, subject to the terms and conditions of the Offer Management Agreement.

The Joint Lead Managers have not authorised, permitted or caused the issue or lodgement, submission, dispatch or provision of this Prospectus and there is no statement in this Prospectus



that is based on any statement made by them or by any of their respective affiliates, officers, employees or advisers (or by the officers, employees or advisers of their affiliates). To the maximum extent permitted by law, each of the Joint Lead Managers and each of their respective affiliates, officers, employees and advisers (and each of the officers, employees and advisers of their affiliates) expressly disclaim all liabilities in respect of, make no representations regarding, and take no responsibility for, any part of this Prospectus (other than references to their name), and make no representation or warranty as to the currency, accuracy, reliability or completeness of this Prospectus.

For further information on the terms and conditions of the Offer Management Agreement, you should refer to Section 9.8.

### Viva Energy's website

Any references to documents included on the Viva Energy website, <http://www.vivaenergy.com.au>, are for convenience only, and none of the documents or other information available on Viva Energy's website form part of this Prospectus and are not interpreted as part of this Prospectus, or incorporated herein by reference.

### Photographs and diagrams

Photographs used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown endorses this Prospectus or its contents or that the assets shown in them are owned by Viva Energy. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

### Logos

This Prospectus may contain trademarks and trade names of third parties, which are the property of their respective owners. Third party trademarks and trade names used in this Prospectus belong to the relevant owners and use is not intended to represent sponsorship, approval or association by or with Viva Energy or the Joint Lead Managers.

Viva Energy Australia Pty Ltd (a member of the Viva Energy Group) has a licence to use Shell trademarks in connection with the sale of automotive fuels in Australia. Those trademarks appear in various parts of this Prospectus. The views expressed in this Prospectus are made by Viva Energy and are not made on behalf of, nor do they necessarily reflect the views of, any member of the Shell group of companies.

### Report on Directors' forecasts and financial services guide

The provider of the independent review on the Forecast Financial Information is required to provide Australian retail clients with a financial services guide in relation to the review under the Corporations Act. The financial services guide is provided in Section 8.

### Questions

If you have any questions about how to apply for Shares, please call the Viva Energy Offer Information Line on 1800 129 431 (within Australia) and +61 1800 129 431 (outside Australia) from 8:30am until 5:30pm (AEST), Monday to Friday (excluding public holidays). Instructions on how to apply for Shares are set out in Section 7 and on the Application Form.

If you have any questions about whether to invest in Viva Energy, you should seek professional advice from your stockbroker, accountant, lawyer, financial adviser or other independent professional adviser.

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## Letter from the Chairman



**Dear Investor,**

On behalf of my fellow Directors, I am pleased to invite you to become a Shareholder in Viva Energy.

Viva Energy is one of Australia's leading integrated downstream petroleum companies.

We supply approximately one quarter of Australia's fuel needs. We supply that fuel through a nationwide Retail Network of service stations, the majority of which are Shell branded, and to commercial customers across a diverse range of industry sectors.

As a Shareholder in Viva Energy, you will have a direct interest in a company with strategic infrastructure assets utilised to refine, store and distribute fuel and specialty petroleum products across Australia. Our retail business supplies fuel through one of Australia's largest Retail Site networks, predominantly operated under a long-term alliance with Coles Express, a leading convenience retailer. Our commercial business is supported by long-standing relationships with customers in the aviation, marine, transport, resource and construction sectors. We source most of our crude oil and refined products through our relationship with Vitol, one of the world's largest independent energy commodity trading companies. Vitol is also an investor in Vitol Investment Partnership ("**VIPL**"), the current owner of the Viva Energy business.

Since VIPL acquired Royal Dutch Shell's ("**Shell**") Australian downstream operations in 2014, and renamed them "Viva Energy", the business has delivered strong earnings growth driven by the successful execution of multiple growth and optimisation strategies. The Company has deployed over \$1 billion to organic and inorganic initiatives over this period. This includes the acquisition of Shell's Australian aviation operations, an investment in Liberty Oil, continued expansion of the Retail Network, as well as investing in major maintenance projects and expansions in the Company's refining and supply chain portfolio. In 2016, Viva Energy sold (and leased back) a portfolio of its Retail Sites to Viva Energy REIT and listed Viva Energy REIT on the ASX, enabling Viva Energy to reduce its debt and provide a new model for growth in its Retail Network. Viva Energy holds a 38% ownership interest in Viva Energy REIT.

The effective implementation of these initiatives, together with Viva Energy's net debt balance of \$78.0 million<sup>1</sup>, puts Viva Energy in a strong position to deliver attractive and sustainable shareholder returns and consistent operating cash flows. We have plans for the continued expansion of our Retail Network and see opportunities to benefit from growth in key commercial sectors.

We enjoy strong relationships with established brands and companies, including Shell, Coles Express, Viva Energy REIT and Vitol. Viva Energy is committed to providing the quality products and services our customer base has placed reliance on for over 110 years.

1. Pro forma balance as at 31 December 2017.



The Board is confident in the management team, led by Chief Executive Officer Scott Wyatt, who has over 30 years of industry experience. This experienced leadership team has overseen initiatives which have seen material growth in Viva Energy's pro forma Underlying EBITDA<sup>2</sup> from \$535 million in 2015 to \$634 million in 2017.

The safe operation of our assets and the safety of our staff, contractors and the public is paramount. We accept our responsibility to protect the environment and to operate in a sustainable manner. We also realise that we are an important part of the nation's economic infrastructure and recognise our broader responsibility to the wider Australian community.

I come to this next phase of the evolution of Viva Energy from being an independent director of the Company for the previous three years. I have been proud to be associated with Viva Energy during that period in which it has grown strongly, and it is exciting that it is now taking another step forward. We are pleased that Vitol continues to be a major Shareholder<sup>3</sup>, business partner and contributor to governance of the Company.

This Prospectus contains a great deal of information about Viva Energy's business, the industry in which we operate and includes important information in relation to the Offer. We encourage you to read the Prospectus in full and to carefully consider the Offer, including the risks of investing in Viva Energy outlined in Section 5. Those risks include reliance on key strategic relationships, loss of key contracts and arrangements, price volatility, changes in

the competitive environment, decrease in demand for Viva Energy's products, disruptions to Viva Energy's supply chain and operations, and deterioration in the performance of the Geelong Refinery. If you are in any doubt about whether Viva Energy is a suitable investment for you, you should seek professional guidance from your stockbroker, accountant, lawyer, financial adviser or other independent professional adviser before deciding whether to invest in Shares.

On behalf of the whole team at Viva Energy, I invite you to consider this Offer and look forward to welcoming you as a Shareholder in Viva Energy.

Yours sincerely,

Robert Hill

Hon Robert Hill AC, Independent Chairman

2. Viva Energy's Underlying EBITDA is measured on a replacement cost basis, as further explained in Section 4.

3. This is through Vitol's shareholding in VIPL.



## Key dates

### Key Dates

Prospectus Date	20 June 2018
Retail Offer opens	28 June 2018
Retail Offer closes	10 July 2018
Bookbuild to determine Final Price	10 July 2018 - 11 July 2018
Final Price announcement to the market	12 July 2018
Expected commencement of trading on the ASX on a conditional and deferred settlement basis	13 July 2018
Settlement of the Offer	17 July 2018
Completion of the Offer	18 July 2018
Trading commences on an unconditional and deferred settlement basis on the ASX	18 July 2018
Expected dispatch of holding statements	19 July 2018
Trading on a normal settlement basis commences on the ASX	20 July 2018

### Dates may change

The dates above are indicative only and may change without notice.

Viva Energy, Viva Energy Holding and the Joint Lead Managers reserve the right to vary the times and dates of the Offer including to close the Offer early, extend the Offer or to accept late Applications, either generally or in particular cases, without notice. Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law.

Investors are encouraged to submit their Application Forms as early as possible after the Offer opens. All times stated throughout this Prospectus are AEST.

### How to invest

Applications for Shares can only be made by completing and lodging an Application Form. Instructions on how to apply for Shares are set out in Section 7 and on the back of the Application Form.

### Questions

Please call the Viva Energy Offer Information Line on 1800 129 431 (within Australia) and +61 1800 129 431 (outside Australia) from 8.30am until 5.30pm (AEST) Monday to Friday (excluding public holidays). If you are unclear in relation to any matter or are uncertain as to whether Viva Energy is a suitable investment for you, you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest in Viva Energy.

## Key Offer statistics

Indicative Price Range <sup>1</sup>	\$2.50 to \$2.65 per Share
Total proceeds under the Offer <sup>2</sup>	\$2,398.9 million to \$3,058.2 million
Total number of Shares to be issued under the Offer <sup>3</sup>	959.6 million to 1,154.0 million
Number of Shares to be held by Vitrol Investment Partnership at Completion of the Offer <sup>4</sup>	972.3 million to 777.8 million
Total number of Shares on issue at Completion of the Offer <sup>5</sup>	1,944.5 million
Indicative market capitalisation <sup>6</sup>	\$4,861.3 million to \$5,153.0 million
Add: pro forma net debt (as at 31 December 2017) <sup>7</sup>	\$78.0 million
Less: market or book value of investments in associates <sup>8</sup>	\$646.4 million
Enterprise Value <sup>9</sup>	\$4,292.9 million to \$4,584.6 million

## Key investment metrics

Enterprise Value/12 months ending 30 June 2019 Underlying EBITDA (RC) <sup>10</sup>	6.5x to 6.9x
Price/12 months ending 30 June 2019 NPAT (RC) per Share <sup>11</sup>	13.1x to 13.9x
Implied forecast dividend yield for 12 months ending 30 June 2019 <sup>12</sup>	4.3% to 4.6%

1. The Indicative Price Range is the indicative range for the Final Price. The Final Price may be set below, within or above the Indicative Price Range (refer to Section 7.1 for further details). Shares may trade below the lower end of the Indicative Price Range.
2. The Offer proceeds will depend on Vitrol Investment Partnership's retained interest in Viva Energy (refer to Section 7.1 for further details) and the Indicative Price Range. Total proceeds calculated as the total number of Shares to be issued under the Offer multiplied by the Indicative Price Range. The low end of the range has been calculated based on a retained interest by Vitrol Investment Partnership of 50% and a price per share of \$2.50. The high end of the range has been calculated based on a retained interest by Vitrol Investment Partnership of 40% and a price per Share of \$2.65.
3. Total number of Shares issued under the Offer will depend on Vitrol Investment Partnership's retained interest in Viva Energy (refer to Section 7.1 for further details). The total number of Shares to be issued under the Offer includes the Shares to be issued under the Employee Gift Offer. The low range has been calculated based on a retained interest by Vitrol Investment Partnership of 50% and the high range has been calculated based on a retained interest by Vitrol Investment Partnership of 40%.
4. Vitrol Investment Partnership presently expects to hold between 40% and 50% of the Shares upon Completion of the Offer, but it reserves the right to hold a greater percentage of the Shares at that time taking into consideration market conditions and such other factors as it may consider relevant. These Shares are not subject to any escrow arrangements.
5. Sum of the total number of Shares available under the Offer, the total number of Shares that will be issued to Optionholders upon exercise of New Options in connection with the Offer (refer to Section 10.4.3.2) and the total number of Shares issued to Vitrol Investment Partnership at, or prior to, Completion of the Offer.
6. Indicative market capitalisation is calculated as the Indicative Price Range multiplied by the total number of Shares on issue at Completion of the Offer.
7. Pro forma net debt is calculated as the sum of total interest-bearing loans and borrowings net of cash and cash equivalents (refer to Section 4.5 for further details).
8. The market value of Viva Energy's 38% stake in Viva Energy REIT is calculated to be worth \$588.0 million (based on Viva Energy REIT's closing security price of \$2.13 and outstanding securities on issue of 725.7 million as at close of 19 June 2018). The book value of the investment in Liberty Oil is \$58.4 million as at 31 December 2017.
9. Enterprise Value is calculated as the indicative market capitalisation of \$4,861.3 million to \$5,153.0 million (based on the Indicative Price Range), plus pro forma net debt of \$78.0 million as at 31 December 2017 as set out in Section 4.5, less the market value of Viva Energy's 38% stake in Viva Energy REIT of \$588.0 million (based on Viva Energy REIT's closing security price of \$2.13 and outstanding securities on issue of 725.7 million as at close of 19 June 2018) and less the book value of the investment in Liberty Oil which is \$58.4 million as at 31 December 2017.
10. This ratio is commonly referred to as an EV/EBITDA ratio. The EV/EBITDA ratio is calculated as the Enterprise Value (based on the Indicative Price Range) divided by 12 months ending 30 June 2019 Underlying EBITDA (RC) of \$661.3 million (refer to Table 7 in Section 4.4.4 for further details).
11. This ratio is commonly referred to as a price earnings or PE ratio. The PE ratio is calculated as the price per Share (based on the Indicative Price Range) divided by 12 months ending 30 June 2019 NPAT (RC) per Share (being 12 months ending 30 June 2019 NPAT (RC) of \$370.8 million (refer to Table 21 in Section 4.8.5 for further details) divided by total Shares on issue immediately after Completion of the Offer).
12. Calculated as the implied dividend per Share based on a 60% dividend payout ratio of Underlying NPAT (RC) for the 12 months ending 30 June 2019 (as described in Section 4.10), divided by the Indicative Price Range. For the purposes of calculating the implied forecast dividend yield for the 12 months ending 30 June 2019, forecast Pro Forma NPAT (RC) for the 12 months ending 30 June 2019 (see Section 4.8) has been used as a proxy for Underlying NPAT (RC) for the 12 month period ending 30 June 2019. The payment of a dividend by the Company is at the discretion of the Directors and will be a function of a number of factors the Directors may consider relevant. No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend. For more information on the Company's dividend policy, see Section 4.10.







## Section 1: Investment overview

# 1. Investment overview

## 1.1 Introduction

Topic	Summary	
Who is Viva Energy?	<ul style="list-style-type: none"><li>• Viva Energy is one of Australia's leading integrated downstream petroleum companies.</li><li>• Over the past three years, Viva Energy has supplied over 14 billion litres of petroleum products annually, representing approximately a quarter<sup>1</sup> of Australia's fuel needs.</li><li>• Viva Energy generated Pro Forma Underlying EBITDA (RC) of \$634.3 million in FY2017A, and operates across three business segments:<ul style="list-style-type: none"><li>› Retail, Fuels and Marketing;</li><li>› Refining; and</li><li>› Supply, Corporate and Overheads.</li></ul></li><li>• In addition, Viva Energy owns:<ul style="list-style-type: none"><li>› 38% of Viva Energy REIT, an ASX-listed company and property trust that owns service station property assets that it predominantly leases to Viva Energy. Viva Energy REIT had a market capitalisation of approximately \$1.5 billion as at close of 19 June 2018; and</li><li>› 50% of Liberty Oil, an independent fuel retailer and wholesale distributor in Australia, with a strong presence in regional markets, country-wide.</li></ul></li></ul>	<ul style="list-style-type: none"><li>• For more information, please refer to Section 3.1, Section 3.2.1.4, Section 3.5, Section 4.4.4, Section 4.7.4, Section 4.8.3 and Section 4.8.4.</li></ul>
What does the Retail, Fuels and Marketing segment do?	<ul style="list-style-type: none"><li>• The Retail, Fuels and Marketing segment consists of retail and commercial operations.<ul style="list-style-type: none"><li>› <b>Retail:</b> Viva Energy supplies and markets quality fuel products and lubricants through a national network of over 1,100 Retail Sites, the majority of which are Shell-branded and operated by Coles Express under the Coles Alliance. Viva Energy also supplies other retail operators and wholesalers.</li><li>› <b>Commercial:</b> Viva Energy is a leading supplier of fuel, lubricants and specialty products to commercial customers in the aviation, marine, transport, resources, and construction and manufacturing industries.</li></ul></li></ul>	<ul style="list-style-type: none"><li>• For more information, please refer to Section 3.1.3, Section 3.2, Section 4.4.4 and Section 4.7.4.</li></ul>
What does the Refining segment do?	<ul style="list-style-type: none"><li>• Viva Energy owns and operates the Geelong Refinery, in Victoria, which converts imported and locally sourced crude oil into petroleum products including gasoline, diesel, jet fuel, aviation gasoline, gas, solvents, bitumen and other specialty products.</li><li>• These manufactured products are then typically distributed through the Retail, Fuels and Marketing segment.</li></ul>	<ul style="list-style-type: none"><li>• For more information, please refer to Section 3.1.3, Section 3.3, Section 4.4.4 and Section 4.7.4.</li></ul>

1. Market share data is based on total Australian market fuel volumes of 59.6 billion litres, as per Australia Petroleum Statistics in 2017, and in respect of Viva Energy, is based on total fuel volumes of 14.2 billion litres in the 2017 calendar year.

Topic	Summary	
What does the Supply, Corporate and Overheads segment do?	<ul style="list-style-type: none"> <li>Viva Energy owns or has contracted access to a national infrastructure network comprising terminals, retail sites, storage tanks, depots and pipelines positioned across metropolitan and regional Australia, and also uses a total of three refuelling barges in Sydney and Melbourne. Viva Energy also contracts with a number of transport companies, providing for the efficient distribution of certain products to market. This infrastructure distribution capability supports the broader group.</li> <li>Corporate functions and support services also operate out of this segment.</li> </ul>	<ul style="list-style-type: none"> <li>For more information, please refer to Section 3.1.3, Section 3.4, Section 4.4.4 and Section 4.7.4.</li> </ul>
What is the history of Viva Energy?	<ul style="list-style-type: none"> <li>Viva Energy's underlying operations were formerly part of the Shell group, which previously carried on the Shell Australia downstream petroleum business. The business has operated in Australia for over 110 years.</li> <li>In 2014, Vitol Investment Partnership acquired the Shell Australia downstream business (excluding the aviation business, which was subsequently acquired in FY2017A) from Shell and renamed the business Viva Energy. Vitol Investment Partnership is a consortium of investors led by Vitol, one of the world's largest independent energy commodity trading companies.</li> </ul>	<ul style="list-style-type: none"> <li>For more information, please refer to Section 3.1.1 and Section 3.2.2.1.</li> </ul>
Why is the Offer being conducted?	<ul style="list-style-type: none"> <li>The Offer is being conducted to provide: <ul style="list-style-type: none"> <li>Viva Energy with access to the capital markets to improve capital management flexibility;</li> <li>a liquid market for Shares and an opportunity for others to invest in Viva Energy; and</li> <li>Viva Energy with the benefits of an increased profile that arise from being a listed entity.</li> </ul> </li> <li>The Offer also provides the investors in Vitol Investment Partnership with an opportunity to realise part of their investment in Viva Energy.</li> <li>Vitol Investment Partnership presently expects to hold between 40% to 50% of the Shares upon Completion of the Offer.<sup>2</sup></li> </ul>	<ul style="list-style-type: none"> <li>For more information, please refer to Section 7.</li> </ul>

2. Vitol Investment Partnership reserves the right to hold a greater percentage of the Shares upon Completion of the Offer taking into consideration market conditions and such other factors as it may consider relevant.



# 1. Investment overview

## 1.2 Key features of Viva Energy's business model

Topic	Summary	
How does Viva Energy generate revenues and what products and services does it sell?	<ul style="list-style-type: none"><li>• Viva Energy generates revenue from fuel and hydrocarbon product sales as well as non-fuel sources, including site lease and licence fee income, convenience store royalties and fees from Shell Card. Viva Energy has the sole right to use the Shell brand in connection with the sale of automotive fuels in Australia<sup>3</sup>.</li><li>• Products marketed include:<ul style="list-style-type: none"><li>› regular and premium petrols;</li><li>› diesel;</li><li>› jet fuel;</li><li>› marine fuel oil; and</li><li>› specialty products such as bitumen, lubricants, solvents and aviation gasoline.</li></ul></li><li>• Viva Energy is in the process of rolling out a new Shell premium diesel product, Shell V-Power Diesel, which it launched in 2017.</li></ul>	<ul style="list-style-type: none"><li>• For more information, please refer to Section 3.1, Section 3.2.1, Section 3.6.2.</li></ul>
What are Viva Energy's strategic initiatives and developments?	<p><b>Key initiatives to deliver growth include:</b></p> <ul style="list-style-type: none"><li>• <b>Extend the Retail Site network</b> – The addition of Retail Sites to fill current network gaps and provide access to population growth corridors.</li><li>• <b>Grow fuel margin</b> – Opportunity to grow Viva Energy's market share within the retail fuels market through delivering a continually improving value proposition, including providing improved loyalty offers, delivering a diverse range of fuel products, and operating under premium branding.</li><li>• <b>Grow convenience and non-fuel margin</b> – Increase non-fuel income, including by working with the site operators in the Alliance Site and Retail Agent Site networks in respect of their convenience offering.</li><li>• <b>Expand Commercial markets</b> – The acquisition of Shell Aviation and a strategic 50% interest in Liberty Oil have provided platforms for Viva Energy to expand its presence in commercial market segments (as well as the retail business of Liberty Oil).</li><li>• <b>Improve Refining potential</b> – The refinery has a multi-year program targeted at improving reliability. This is expected to reduce unplanned downtime and increase margin generation.</li></ul>	<ul style="list-style-type: none"><li>• For more information, please refer to Section 3.6.</li></ul>

3. Viva Energy has been granted that right by an affiliate of Royal Dutch Shell and Viva Energy has, in turn, granted a sub-licence to Coles Express and to certain other operators of Retail Sites.

Topic	Summary	
How does Viva Energy intend to fund its operations?	<ul style="list-style-type: none"> <li>Viva Energy's operations have generated positive pro forma cash flow over each of the 2015, 2016 and 2017 financial years, including pro forma operating free cash flow before capital expenditure of \$445.8 million in FY2017A.</li> <li>Viva Energy expects to continue to generate strong cash flows from operations, with pro forma operating free cash flow before capital expenditure forecast to be \$594.2 million in FY2018 and \$638.7 million in the 12 months ending 30 June 2019.</li> <li>Viva Energy has a debt facility of US\$700 million (approximately \$920 million<sup>4</sup>) and as at 31 December 2017 it had drawn down \$237.2 million<sup>5</sup> from this facility and had a positive cash and cash equivalents balance of \$159.2 million<sup>6</sup>.</li> </ul>	<ul style="list-style-type: none"> <li>For more information relating to the financial accounts, please refer to Section 4.5 and Section 4.6.</li> </ul>

## 1.3 Key strengths

Topic	Summary	
One of Australia's leading integrated downstream petroleum companies	<ul style="list-style-type: none"> <li>Australia is an attractive fuels market supported by stable fuel demand and sustained convenience market growth.</li> <li>Viva Energy is one of the leading integrated downstream petroleum companies in Australia. Over the past three years, Viva Energy supplied over 14 billion litres of petroleum products annually, representing approximately one quarter<sup>7</sup> of Australia's fuel needs.</li> <li>Viva Energy sourced approximately 41 million barrels of crude oil and 73 million barrels of refined petroleum products in 2017. Viva Energy further manufactures refined product at its Geelong Refinery and markets refined product through a national network of over 1,100 Retail Sites (as at 31 March 2018), as well as to wholesale and commercial customers.</li> </ul>	<ul style="list-style-type: none"> <li>For more information, please refer to Section 2.4, Section 3.1, Section 3.2.1, Section 3.2.2 and Section 3.3.</li> </ul>

4. The debt facility has been converted into A\$ at an exchange rate of 0.75 A\$/US\$ as at the Prospectus Date.

5. Balances presented are on a pro forma basis, taking into account the Pre-IPO Restructure and the impact of the banking facilities (refer to Section 4.5).

6. Balances presented are on a pro forma basis, taking into account the Pre-IPO Restructure and the impact of the banking facilities (refer to Section 4.5).

7. Market share data is based on total Australian market fuel volumes of 59.6 billion litres, as per Australia Petroleum Statistics in 2017, and in respect of Viva Energy, is based on total fuel volumes of 14.2 billion litres in the 2017 calendar year.

# 1. Investment overview

Topic	Summary	
<b>Extensive Retail Network</b>	<ul style="list-style-type: none"> <li>Viva Energy's fuel products are supplied to consumers via a national network of 1,165 Retail Sites (as at 31 March 2018). The majority of these sites form part of the Coles Alliance and are controlled by Viva Energy (that is, Viva Energy has a proprietary interest in the sites).</li> <li>Having control of Retail Sites (e.g. through long-term leases) provides Viva Energy with certainty of fuel supply to those sites, a number of which are strategically located to maximise fuel volumes and convenience sales. Of the 1,165 Retail Sites in its network, 694 are Company Controlled Sites.</li> <li>Whilst the Coles Alliance accounts for the majority of Retail Sites in Viva Energy's network, Viva Energy's fuel products are also distributed through sites operated by other market participants. These sites adopt different operating models and are located across both metropolitan and regional parts of Australia. They include sites operated by third parties where Viva Energy supplies fuel on a wholesale basis (e.g. Dealer Owned Sites and Liberty Sites), as well as sites where Viva Energy is responsible for the retail fuel offering and sets fuel prices (e.g. Retail Agent Sites and Unmanned Truck Stops).</li> <li>The diversification of Viva Energy's Retail Network (with respect to both the operating models and locations of Retail Sites) gives Viva Energy access to different segments of the retail market, which is supportive of fuel volumes and margins and also provides a platform for further expansion of the network.</li> </ul>	<ul style="list-style-type: none"> <li>For more information, please refer to Section 3.1 and Section 3.2.1.</li> </ul>
<b>Capital and operating expense light Retail Network model with strong brand recognition</b>	<ul style="list-style-type: none"> <li>Viva Energy employs a "capital-light" operating model for its retail business.</li> <li>Viva Energy leases a large proportion of its Company Controlled Sites from Viva Energy REIT and other third party property owners and typically retains limited responsibility for site infrastructure and people management.</li> <li>Viva Energy is also aligned with well recognised brands including Shell, Coles Express and Liberty Oil. In that regard, Viva Energy has the sole right to use the Shell brand in connection with the sale of automotive fuels in Australia<sup>8</sup>.</li> </ul>	<ul style="list-style-type: none"> <li>For more information, please refer to Section 3.2.1.1.</li> </ul>
<b>Diversified commercial and specialty businesses</b>	<ul style="list-style-type: none"> <li>Viva Energy has a diversified revenue base in its commercial and specialty businesses with strong market positions in key industry sectors, serving long-standing customers in the aviation, marine, transport, resources and construction sectors.</li> </ul>	<ul style="list-style-type: none"> <li>For more information, please refer to Section 3.2.2.</li> </ul>

8. Viva Energy has been granted that right by an affiliate of Shell and Viva Energy has, in turn, granted a sub-licence to Coles Express and to certain other operators of Retail Sites.



Topic	Summary	
Critical supply chain infrastructure	<ul style="list-style-type: none"> <li>Viva Energy owns or has access to 23 import terminals with pumpable capacity in excess of 1.2 billion litres, five inland depots and over 290 kilometres of key pipelines across Melbourne, Sydney and Brisbane.</li> <li>Control and access to established infrastructure assets is considered to be a key driver of competitive advantage. Viva Energy owns, leases and operates a portfolio of established infrastructure throughout Australia and on the densely populated eastern seaboard, in close proximity to the demand centres of Sydney, Melbourne and Brisbane. Access to this infrastructure allows Viva Energy to operate a cost efficient supply chain.</li> </ul>	<ul style="list-style-type: none"> <li>For more information, please refer to Section 2.4.4 and Section 3.4.</li> </ul>
Ownership of a profitable <sup>9</sup> and strategically positioned refinery	<ul style="list-style-type: none"> <li>Viva Energy owns and operates the second largest (based on processing capacity) and most complex refinery in Australia, which is strategically located in Geelong, Victoria, and is adjacent to one of the larger fuel markets in Australia. Complexity refers to the conversion capacity of the refinery. The more complex a refinery, the greater its ability to produce higher value products.</li> <li>In FY2017A, the Geelong Refinery supplied more than 11% of Australia's fuel requirements and the equivalent of approximately 50% of Victoria's total fuel demand.</li> <li>From FY2015A to FY2017A, the Geelong Refinery was profitable, generating Underlying EBITDA (RC) of \$276.1 million<sup>10</sup> in FY2017A.</li> <li>Since becoming Viva Energy, \$307 million has been invested in the refining operations, including the completion of major maintenance turnarounds and capacity investments such as increasing crude storage capacity by 40% and increasing pipeline pumping capacity to Melbourne and the Victorian market.</li> </ul>	<ul style="list-style-type: none"> <li>For more information, please refer to Section 3.1.1 and Section 3.3.</li> </ul>
Experienced and capable management team	<ul style="list-style-type: none"> <li>During the 2015 to 2017 financial years (inclusive), the Viva Energy management team has led significant capital investment programs and investments, focused on driving the Company's earnings and delivering growth initiatives across all business segments.</li> <li>Over this time pro forma Underlying EBITDA (RC)<sup>11</sup> has grown from \$535.2 million in FY2015A to \$634.3 million in FY2017A. The forecast Underlying EBITDA (RC) for FY2018 is \$605.1 million and the 12 months ending 30 June 2019 is \$661.3 million.</li> <li>Viva Energy is led by experienced industry executives with the Chief Executive Officer and segment operational heads collectively averaging over 25 years' experience in international and domestic downstream oil markets.</li> </ul>	<ul style="list-style-type: none"> <li>For more information, please refer to Section 3.1.1 and Section 4.7.2.</li> </ul>

9. The Geelong Refinery has been profitable over the 2015 to 2017 periods.

10. Underlying EBITDA (RC) is representative of Underlying EBITDA on a replacement cost basis, as further explained in Section 4.3.1.

11. Underlying EBITDA (RC) is representative of Underlying EBITDA on a replacement cost basis, as further explained in Section 4.3.1.

# 1. Investment overview

Topic	Summary	
Strong corporate governance framework with majority independent Board and independent Chairman	<ul style="list-style-type: none"><li>The Board of Directors is responsible for governance of Viva Energy and is committed to upholding high standards of corporate governance. These high standards have been exemplified by the appointment of a majority of independent Non-Executive Directors, including an independent Non-Executive Chairman.</li><li>The decision making processes of Viva Energy will be guided by its corporate governance policies and charters, which have been developed with regard to the ASX Recommendations.</li></ul>	<ul style="list-style-type: none"><li>For more information, please refer to Section 6.1 and Section 6.6.</li></ul>

## 1.4 Key risk factors

Key risk	Summary	
Key strategic relationships	<ul style="list-style-type: none"><li>Viva Energy has a number of key strategic relationships, including those with Coles Express (in relation to the Coles Alliance), Shell (in relation to use of the Shell brand and sale of Shell lubricants), Vitol (in relation to the procurement of crude oil and refined products) and Viva Energy REIT (in relation to the leasing of Retail Sites).</li><li>Each of these relationships is subject to certain risks which, if they were to materialise, may result in the termination of, or material changes to, the relationship.</li><li>If any of these relationships were to end or change in a manner adverse to Viva Energy, then this may negatively impact Viva Energy's business and financial performance and such impact may be material.</li></ul>	<ul style="list-style-type: none"><li>For more information, please refer to Section 5.2.1.</li></ul>
Loss of key contracts and arrangements	<ul style="list-style-type: none"><li>Viva Energy's business relies on a number of key contracts and arrangements.</li><li>Certain key contracts and arrangements may be terminated by the counterparty for convenience, and some supply contracts do not impose minimum volume requirements.</li><li>Any failure by Viva Energy to maintain, renew or replace key contracts and arrangements on commercially acceptable terms, or any failure by a counterparty to perform its obligations under such contracts or arrangements, could have a material adverse effect on Viva Energy's business, operations and financial performance.</li></ul>	<ul style="list-style-type: none"><li>For more information, please refer to Section 5.2.2.</li></ul>
Price volatility	<ul style="list-style-type: none"><li>The cost to acquire crude oil, feedstocks and refined products, and the price at which Viva Energy can ultimately sell refined products, depends upon a variety of factors, many of which are beyond the control of Viva Energy. These factors drive the pricing for refined products imported into Australia, and in turn drive the pricing for refined products sold by Viva Energy, irrespective of whether such products are produced at the Geelong Refinery or imported.</li><li>Movements in the prices at which Viva Energy is able to procure crude oil, feedstock and refined products may not always be reflected in changes in the prices customers pay for refined products from Viva Energy, or may not be reflected in a timely manner. The inability to pass on changes in prices, or the delay in doing so, may materially and adversely impact Viva Energy's profitability.</li></ul>	<ul style="list-style-type: none"><li>For more information, please refer to Section 5.2.3.</li></ul>

Key risk	Summary	
Changes in competitive environment	<ul style="list-style-type: none"> <li>Retail and commercial fuel markets in Australia are subject to intense competition for market share.</li> <li>There is a risk that competitive dynamics will shift as a result of consolidation or other acquisitions, and that such shift will be detrimental to Viva Energy's business.</li> <li>The threat of potential new entrants into the Australian downstream petroleum industry also exists.</li> <li>If Viva Energy does not appropriately respond to changes in the competitive environment, then this may have a material adverse impact on Viva Energy's market share, revenues and/or profitability.</li> </ul>	<ul style="list-style-type: none"> <li>For more information, please refer to Section 5.2.4.</li> </ul>
Decrease in demand for Viva Energy's products	<ul style="list-style-type: none"> <li>Viva Energy operates across a range of customer segments, including retail and wholesale fuels, aviation, lubricants, bitumen, resources, marine and transport. Demand in these segments is sensitive to a number of factors, including the level of economic activity in Australia, oil and other commodity prices, foreign currency movements, environmental issues and industry specific factors.</li> <li>Viva Energy's current fuel products may be displaced or suffer reduced demand due to increased access to, or adoption of, new technologies, products and services to meet changing consumer demands.</li> <li>There is also a risk that conventionally powered forms of transport will continue to reduce their consumption of Viva Energy's current fuel products as a result of fuel efficiency improvements.</li> </ul>	<ul style="list-style-type: none"> <li>For more information, please refer to Section 5.2.5.</li> </ul>
Disruptions to supply chain and operations	<ul style="list-style-type: none"> <li>Viva Energy has a complex supply chain with a number of interlinked components. Disruption to any one or more of these components may limit the volume and type of product that Viva Energy is able to manufacture and/or supply to customers.</li> <li>Viva Energy's operations may be adversely affected by a range of factors such as extreme weather events, accidents, shipping incidents, breakdown or failure of equipment, interruption in power supply, human error, fires, explosions, release of toxic fumes, contaminated product, engineering problems, natural disasters, cybersecurity incidents and other unforeseen circumstances.</li> <li>Any supply chain interruptions could have a significant impact on Viva Energy's operations as well as its brand and reputation.</li> </ul>	<ul style="list-style-type: none"> <li>For more information, please refer to Section 5.2.6.</li> </ul>

# 1. Investment overview

Key risk	Summary	
Performance of the Geelong Refinery	<ul style="list-style-type: none"> <li>The Geelong Refinery is vital to Viva Energy's business and overall financial performance, and is subject to certain risks.</li> <li>Those risks include a material decrease in the Refining Margin, which may result from a range of factors, many of which are beyond the control of Viva Energy (such as foreign exchange rates, gas and electricity prices, and declines in economic activity or demand for the finished products manufactured at the Geelong Refinery).</li> <li>A material decline in the performance of the Geelong Refinery over a sustained period may result in the refinery ceasing to be economically sustainable in the same manner as currently conducted. In the short term, this may result in Viva Energy needing to source material amounts of refined product from alternative sources, which may have a material adverse effect on Viva Energy's operating and financial results (including by materially increasing procurement and supply chain costs). In the longer term, this may result in the Geelong Refinery site being repurposed (e.g. converted into an import terminal), which may give rise to significant costs for Viva Energy, including engineering and remediation costs.</li> </ul>	<ul style="list-style-type: none"> <li>For more information, please refer to Section 5.2.7.</li> </ul>
Environmental risks	<ul style="list-style-type: none"> <li>Viva Energy is exposed to a range of environmental risks owing to the nature of its business, including environmental risks arising from the transportation and storage of crude oil and refined products and from the manufacturing operations at the Geelong Refinery.</li> <li>Viva Energy is aware of soil and groundwater contamination at a number of its sites, including the Geelong Refinery and certain terminals and Retail Sites.</li> <li>Any failure by Viva Energy to comply with environmental laws and regulations, or the occurrence of any major environmental event, may expose Viva Energy to a range of enforcement actions by governmental agencies (including the imposition of material fines and penalties), and may result in partial or total suspension or withdrawal of regulatory approvals required for the conduct of Viva Energy's business or require Viva Energy to engage in financially material remediation activities. Further, any such non-compliance or occurrence could cause significant brand and reputational damage.</li> </ul>	<ul style="list-style-type: none"> <li>For more information, please refer to Section 5.2.8.</li> </ul>
Change of control risk	<ul style="list-style-type: none"> <li>Some of Viva Energy's commercial arrangements contain "change of control" clauses or other provisions which will or may be triggered or breached by this Prospectus, the Offer or a future change in ownership or control. This includes commercial arrangements that are considered material (either individually or in the aggregate) to Viva Energy's business, such as joint ventures in respect of airport infrastructure, customer agreements and leases, sub-leases and licences.</li> <li>If relevant counterparties do not provide the necessary consents or waivers in respect of contractual breaches that would otherwise arise, then this may result in the termination of material commercial arrangements and/or damages claims against Viva Energy for breach of contract. Any of the foregoing may have a material adverse effect on Viva Energy's operating and financial performance.</li> </ul>	<ul style="list-style-type: none"> <li>For more information, please refer to Section 5.2.9.</li> </ul>

Key risk	Summary	
Reliance on third parties	<ul style="list-style-type: none"> <li>Viva Energy relies on a range of third-party arrangements, including strategically important infrastructure assets such as storage facilities at major Australian airports.</li> <li>Any deterioration or other changes in Viva Energy's relationship with third parties could materially and adversely affect its business and operations, as well as its profitability and competitiveness.</li> </ul>	<ul style="list-style-type: none"> <li>For more information, please refer to Section 5.2.10.</li> </ul>
Damage to brand and reputation	<ul style="list-style-type: none"> <li>Viva Energy's brand and reputation could be adversely impacted by a number of factors, some of which are beyond the control of Viva Energy. These factors include disruptions to Viva Energy's supply chain, health and safety or environmental incidents, adverse publicity about Viva Energy or third parties with whom it has a commercial relationship, and disputes or litigation.</li> <li>Damage to Viva Energy's brand or reputation could have a material adverse effect on customer loyalty, relationships with key suppliers, employee retention rates and demand for Viva Energy's products and services, any of which could materially and adversely impact Viva Energy's market share and financial and operating performance.</li> </ul>	<ul style="list-style-type: none"> <li>For more information, please refer to Section 5.2.11.</li> </ul>
Other key risks	<ul style="list-style-type: none"> <li>A number of other key risks are included in Section 5, including other commercial and operational risks and general risks.</li> </ul>	<ul style="list-style-type: none"> <li>For more information, please refer to Section 5.2.12 to Section 5.2.32.</li> </ul>

## 1.5 Directors and senior management

Topic	Summary	
Who are the Directors of Viva Energy?	<ul style="list-style-type: none"> <li>The Board comprises the Directors of the Company. Those Directors are: <ul style="list-style-type: none"> <li>Robert Hill: Independent Chairman, Non-Executive Director</li> <li>Scott Wyatt: Chief Executive Officer</li> <li>Arnoud De Meyer: Independent, Non-Executive Director</li> <li>Dat Duong: Non-Executive Director</li> <li>Hui Meng Kho: Non-Executive Director</li> <li>Jane McAloon: Independent, Non-Executive Director</li> <li>Sarah Ryan: Independent, Non-Executive Director</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>For more information, please refer to Section 6.1.</li> </ul>
Who are the members of Viva Energy's Executive Leadership Team?	<ul style="list-style-type: none"> <li>Viva Energy's Executive Leadership Team comprises highly experienced and respected members of the downstream fuel industry. <ul style="list-style-type: none"> <li>Scott Wyatt: Chief Executive Officer</li> <li>Jevan Bouzo: Chief Financial Officer</li> <li>Lachlan Pfeiffer: General Counsel and Company Secretary</li> <li>Daniel Ridgway: General Manager, Retail</li> <li>Denis Urtizberea: General Manager, Commercial</li> <li>Thys Heyns: General Manager, Geelong Refinery</li> <li>Jodie Haydon: General Manager, Human Resources</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>For more information, please refer to Section 6.2.</li> </ul>



# 1. Investment overview

## 1.6 Significant interest of key people and related party transactions

Topic	Summary																
Who is Vitol Investment Partnership and what will its interest be following Completion of the Offer?	<ul style="list-style-type: none"> <li>Vitol Investment Partnership is a Vitol-led consortium that acquired the Shell Australia downstream business (excluding the aviation business) from the Shell group in 2014.</li> <li>Vitol is one of the world's largest independent energy commodity trading companies, with a turnover of US\$181 billion in 2017, trading over seven million barrels of crude oil and refined products per day on average, representing approximately seven times Australia's demand and approximately 7% of global trading.</li> <li>An indirectly wholly owned subsidiary of Vitol Investment Partnership holds 100% of the shares in the current Australian parent company of the Viva Energy Group, Viva Energy Holding.</li> <li>Vitol Investment Partnership is expected to hold between 40% and 50% of the Shares upon Completion of the Offer.<sup>12</sup> Vitol Investment Partnership has informed Viva Energy that its substantial retained investment in Viva Energy is strategically significant to it and that it has no current intention to reduce the extent of that investment, although it is not restricted from doing so. In that regard, Vitol Investment Partnership will not be subject to any escrow arrangements with respect to its holding of Shares.</li> </ul>	<ul style="list-style-type: none"> <li>For more information, please refer to Section 7.1.4.</li> </ul>															
<table> <tr> <th>Shareholder</th><th>Number of Shares held on Completion</th><th>Shareholding on Completion (%)</th></tr> <tr> <td>Vitol Investment Partnership<sup>13</sup></td><td>777.8 million to 972.3 million</td><td>40.0% to 50.0%</td></tr> <tr> <td>Management and Directors</td><td>12.8 million</td><td>0.7%</td></tr> <tr> <td>New Shareholders<sup>14</sup></td><td>1,153.9 million to 959.5 million</td><td>59.3% to 49.3%</td></tr> <tr> <td><b>Total</b></td><td><b>1,944.5 million</b></td><td><b>100%</b></td></tr> </table>			Shareholder	Number of Shares held on Completion	Shareholding on Completion (%)	Vitol Investment Partnership <sup>13</sup>	777.8 million to 972.3 million	40.0% to 50.0%	Management and Directors	12.8 million	0.7%	New Shareholders <sup>14</sup>	1,153.9 million to 959.5 million	59.3% to 49.3%	<b>Total</b>	<b>1,944.5 million</b>	<b>100%</b>
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<b>Total</b>	<b>1,944.5 million</b>	<b>100%</b>															

12. Vitol Investment Partnership reserves the right to hold a greater percentage of the Shares upon Completion of the Offer taking into consideration market conditions and such other factors as it may consider relevant.

13. The figures in this table assume that Vitol Investment Partnership retains a 40% to 50% interest in Viva Energy immediately following Completion.

14. This does not include the Shares that will be held by management and Directors of Viva Energy on Completion of the Offer.

Topic	Summary																			
What significant benefits are payable to Directors and other persons connected with Viva Energy or the Offer and what significant interests do they hold?	<ul style="list-style-type: none"><li>None of the Directors currently hold Shares<sup>15</sup>. The following table represents the Directors' respective shareholdings in Viva Energy on Completion of the Offer:</li></ul>	<ul style="list-style-type: none"><li>For more information, please refer to Section 6.3, Section 6.4 and Section 10.4.</li></ul>																		
	<table><tr><th>Director</th><th>Shares held on Completion</th></tr><tr><td>Robert Hill</td><td>\$100,000 worth of Shares (up to 40,000 Shares based on the low end of the Indicative Price Range)</td></tr><tr><td>Scott Wyatt</td><td>5,191,066<sup>16</sup></td></tr><tr><td>Arnoud De Meyer</td><td>\$50,000 worth of Shares (up to 20,000 Shares based on the low end of the Indicative Price Range)</td></tr><tr><td>Dat Duong</td><td>Nil</td></tr><tr><td>Hui Meng Kho</td><td>Nil</td></tr><tr><td>Jane McAloon</td><td>\$50,000 worth of Shares (up to 20,000 Shares based on the low end of the Indicative Price Range)</td></tr><tr><td>Sarah Ryan</td><td>\$50,000 worth of Shares (up to 20,000 Shares based on the low end of the Indicative Price Range)</td></tr><tr><td><b>Total</b></td><td><b>5,291,066</b></td></tr></table>	Director	Shares held on Completion	Robert Hill	\$100,000 worth of Shares (up to 40,000 Shares based on the low end of the Indicative Price Range)	Scott Wyatt	5,191,066 <sup>16</sup>	Arnoud De Meyer	\$50,000 worth of Shares (up to 20,000 Shares based on the low end of the Indicative Price Range)	Dat Duong	Nil	Hui Meng Kho	Nil	Jane McAloon	\$50,000 worth of Shares (up to 20,000 Shares based on the low end of the Indicative Price Range)	Sarah Ryan	\$50,000 worth of Shares (up to 20,000 Shares based on the low end of the Indicative Price Range)	<b>Total</b>	<b>5,291,066</b>	
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<b>Total</b>	<b>5,291,066</b>																			
<ul style="list-style-type: none"><li>Directors may hold their interests in the Shares shown above directly, or through holdings by companies or trusts.</li></ul>																				
<ul style="list-style-type: none"><li>Scott Wyatt and the other members of Viva Energy's Executive Leadership Team are participants in the Legacy LTIP and the Existing Options they hold will be treated in the manner described in Section 10.4.3.2.</li></ul>																				
<ul style="list-style-type: none"><li>Scott Wyatt and the other members of Viva Energy's Executive Leadership Team will participate in the Company's LTIP and STIP on the terms outlined in Section 6.4.</li></ul>																				
<ul style="list-style-type: none"><li>Directors and the members of Viva Energy's Executive Leadership Team are entitled to fees and remuneration as disclosed in Sections 6.3 and 6.4.</li></ul>																				
<ul style="list-style-type: none"><li>Professional advisers to the Offer are entitled to fees as set out in Section 6.3.2.</li></ul>																				

15. Scott Wyatt holds 6,069,926 Existing Options, as described in Section 10.4.3.1.

16. These Shares are to be issued to Scott Wyatt upon the exercise of New Options, as described in Section 10.4.3.2.

# 1. Investment overview

Topic	Summary	
Will any Shares be subject to restrictions on disposal following Completion of the Offer?	<ul style="list-style-type: none"><li>• Each Senior Executive has entered into a voluntary escrow deed with Viva Energy under which he or she has agreed to all Shares issued to him or her upon exercise of their New Options<sup>17</sup> being subject to voluntary escrow restrictions.</li><li>• 50% of the Escrowed Shares will be escrowed until the end of the Prospectus forecast period (30 June 2019), with the remaining 50% to be escrowed for an additional 12 months (i.e. until 30 June 2020). During the escrow period, each Senior Executive must not dispose of their Escrowed Shares other than as permitted by the voluntary escrow deed.</li><li>• Each Senior Executive may be released from these escrow restrictions during the escrow period in certain circumstances, including in relation to a takeover bid, merger or acquisition by scheme of arrangement or to the extent required by law. Disposals are also permitted in the event of the death or the serious disability or permanent incapacity of the relevant Senior Executive.</li><li>• Any trading in Shares by Senior Executives and other officers and employees of the Viva Energy Group will be subject to the restrictions in, and the requirements of, the Company's Securities Trading Policy (see Section 6.6.4).</li></ul>	<ul style="list-style-type: none"><li>• For more information, please refer to Section 7.11.</li></ul>
Will any related party arrangements remain on foot after Completion?	<ul style="list-style-type: none"><li>• Viva Energy and affiliates of Vitol are parties to a number of contractual arrangements that will remain on foot following Completion of the Offer, including the Vitol Fuel Supply Agreement and the Vitol Aviation Fuel Supply Agreement, which Viva Energy consider to be material contracts. Those parties have also entered into certain other agreements which Viva Energy does not consider to be material.</li><li>• Viva Energy and a related party of Vitol Investment Partnership are (or, prior to Completion, will become) parties to a number of agreements in respect of certain parcels of land which Viva Energy has sold, or contracted to sell, to that related party of Vitol Investment Partnership. Those agreements address how Viva Energy will satisfy certain remediation obligations it has at law in respect of contamination of the land that was caused during Viva Energy's occupation of the sites and provide that Viva Energy will have access to the land to complete the remediation work and the land owner will reimburse Viva Energy for the costs associated with completing that work.</li></ul>	<ul style="list-style-type: none"><li>• For more information please refer to Section 6.5 and Section 9.</li></ul>

## 1.7 Viva Energy's financial profile

The financial information presented below and in the Prospectus includes non-IFRS financial measures. It is intended as a summary only and should be read in conjunction with the detailed discussion of the Historical Financial Information and the Forecast Financial Information in Section 4, including the assumptions, management discussion and analysis and sensitivity analysis, as well as the risk factors set out in Section 5.

Investors should read Section 4 for more detailed disclosure of Viva Energy's pro forma and statutory results and the assumptions underlying the financial information. A reconciliation between the pro forma and statutory results is also set out in Section 4.

17. See Section 6.4.4 for a summary of the transactions that will result in the exercise of the New Options held by the Senior Executives.

Topic	Summary																																																									
What is Viva Energy's pro forma net debt position?	<ul style="list-style-type: none"><li>Viva Energy had a pro forma net debt position of approximately \$78.0 million as at 31 December 2017, with cash and cash equivalents of approximately \$159.2 million and drawn down debt of approximately \$237.2 million.</li></ul>	<ul style="list-style-type: none"><li>For more information, please refer to Section 4.5.</li></ul>																																																								
What is Viva Energy's dividend policy?	<ul style="list-style-type: none"><li>It is the Board's current intention for Viva Energy to pay dividends in arrears for the six month periods ending 30 June (interim dividend) and 31 December (final dividend) each year.</li><li>The Board's policy is to target a dividend payout ratio of between 50% and 70% of Viva Energy's Underlying NPAT (RC), with the actual ratio being expected to vary between periods depending on a variety of factors, including those outlined below. In respect of the 12 month period to 30 June 2019, it is the current intention of the Directors to target a dividend payout ratio of 60% of the Underlying NPAT (RC) for that period. The dividends in respect of that period are expected to be fully franked and the first of them is expected to be paid in April 2019. No dividend will be paid in respect of the six months ending 30 June 2018.</li><li>The payment of any dividend by Viva Energy is at the discretion of the Directors and will be a function of a number of factors, including the general business environment, the operating results and the financial condition of the Company, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by the Company, and any other factors the Directors may consider relevant at that time.</li></ul>	<ul style="list-style-type: none"><li>For more information, please refer to Section 4.10.</li></ul>																																																								
What is Viva Energy's pro forma historical and forecast financial performance?	<table><tr><th></th><th colspan="3">Pro forma Historical Results</th><th colspan="4">Forecast Financial Results</th></tr><tr><th>\$ millions</th><th>FY2015A</th><th>FY2016A</th><th>FY2017A</th><th>FY2018</th><th>LTM Jun19</th><th>1H18</th><th>1H19</th></tr><tr><td>Revenue</td><td>16,660.9</td><td>14,329.4</td><td>15,724.3</td><td>16,701.1</td><td>17,166.2</td><td>8,035.3</td><td>8,500.4</td></tr><tr><td>Gross Profit (RC)</td><td>1,729.9</td><td>1,621.0</td><td>1,819.5</td><td>1,773.6</td><td>1,854.7</td><td>836.9</td><td>918.0</td></tr><tr><td>Underlying EBITDA (RC)</td><td>535.2</td><td>455.4</td><td>634.3</td><td>605.1</td><td>661.3</td><td>266.7</td><td>322.9</td></tr><tr><td>NPAT (RC)</td><td>243.5</td><td>254.5</td><td>361.0</td><td>324.1</td><td>370.8</td><td>129.7</td><td>176.4</td></tr><tr><td>Earnings per Share (cents)<sup>18</sup></td><td>n/a</td><td>n/a</td><td>n/a</td><td>16.7</td><td>19.1</td><td>6.7</td><td>9.1</td></tr></table> <p><i>Note: Refer to Sections 4.4, 4.5, 4.6 and Appendix A for details of pro forma adjustments made to the statutory financial results.</i></p>		Pro forma Historical Results			Forecast Financial Results				\$ millions	FY2015A	FY2016A	FY2017A	FY2018	LTM Jun19	1H18	1H19	Revenue	16,660.9	14,329.4	15,724.3	16,701.1	17,166.2	8,035.3	8,500.4	Gross Profit (RC)	1,729.9	1,621.0	1,819.5	1,773.6	1,854.7	836.9	918.0	Underlying EBITDA (RC)	535.2	455.4	634.3	605.1	661.3	266.7	322.9	NPAT (RC)	243.5	254.5	361.0	324.1	370.8	129.7	176.4	Earnings per Share (cents) <sup>18</sup>	n/a	n/a	n/a	16.7	19.1	6.7	9.1	<ul style="list-style-type: none"><li>For more information please refer to Section 4.</li></ul>
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What are the tax implications on Shareholder Returns?	<ul style="list-style-type: none"><li>Shareholder returns will be affected in accordance with applicable laws, by the amount of tax that Viva Energy is, and you are, required to pay. To find out more about how Australian taxation may affect your returns, please read Section 10.6 Australian and New Zealand Taxation Considerations.</li></ul>	<ul style="list-style-type: none"><li>For more information, please refer to Section 5.3.4 and Section 10.7.</li></ul>																																																								

18. Earnings per Share has been calculated based on the NPAT (RC) for the respective periods and divided by the 1,944.5 million total Shares in issue on Completion.

# 1. Investment overview

## 1.8 Overview of the Offer

Topic	Summary	
Who is the Issuer of this Prospectus?	<ul style="list-style-type: none"><li>For the purposes of the Corporations Act, this Prospectus is issued by Viva Energy.</li></ul>	<ul style="list-style-type: none"><li>For more information, please refer to Section 7.1.</li></ul>
What is the Offer?	<ul style="list-style-type: none"><li>Viva Energy is offering 959.6 million to 1,154.0 million Shares (being fully paid ordinary shares in Viva Energy) under the Offer.</li></ul>	<ul style="list-style-type: none"><li>For more information, please refer to Section 7.1 and Section 7.2.</li></ul>
What is the price of Shares under the Offer and how will the price be determined?	<ul style="list-style-type: none"><li>The Indicative Price Range for the Offer is \$2.50 to \$2.65 per Share.</li><li>Successful Applicants under the Offer will pay the Final Price (other than Applicants under the Employee Gift Offer, who will receive up to \$1,000 worth of Shares at no cost).</li><li>The Final Price will be determined at the conclusion of the Institutional Offer bookbuild process and may be set at a price above, below or within the Indicative Price Range.</li></ul>	<ul style="list-style-type: none"><li>For more information, please refer to Section 7.1 and Section 7.2.</li></ul>
What will the proceeds of the Offer be used for?	<ul style="list-style-type: none"><li>Viva Energy will receive the proceeds of the Offer and will pay such proceeds, net of Offer costs and the value of Shares issued under the Employee Gift Offer, to an indirectly wholly owned subsidiary of Vitrol Investment Partnership as part of the consideration for the shares in Viva Energy Holding, which are to be acquired by Viva Energy pursuant to the Share Transfer<sup>19</sup>.</li><li>Vitrol Investment Partnership will effectively bear the costs of the Offer and fund the Employee Gift Offer.</li></ul>	<ul style="list-style-type: none"><li>For more information, please refer to Section 7.1.3.</li></ul>
Will the Shares be quoted on the ASX?	<ul style="list-style-type: none"><li>Viva Energy will apply within seven days of the Prospectus Date to the ASX for admission to the Official List and quotation of Shares on the ASX (which is expected to be under the code "VEA"). It is anticipated that quotation will initially be on a conditional and deferred settlement basis.</li><li>Completion is conditional on the ASX approving the admission of Viva Energy to the Official List and the quotation of Shares. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.</li></ul>	<ul style="list-style-type: none"><li>For more information, please refer to Section 7.2.</li></ul>

19. This payment will satisfy the Promissory Note which is to be issued to Viva Energy B.V. (an indirectly wholly owned subsidiary of Vitrol Investment Partnership) as part of the consideration payable by the Company for all of the shares in Viva Energy Holding. See summary of the VEH SPA in Section 9.6.



Topic	Summary	
How is the Offer structured and who is eligible to participate?	<p>The Offer comprises:</p> <ul style="list-style-type: none"> <li>the <b>Retail Offer</b>, which consists of the: <ul style="list-style-type: none"> <li>› <b>Broker Firm Offer</b>, which is open to Australian and New Zealand retail clients of Brokers who have received a firm allocation of Shares from their Brokers at the Final Price;</li> <li>› <b>Employee Offer</b>, which is open to Eligible Employees in Australia who may apply for a guaranteed allocation of up to \$20,000 worth of Shares (and up to a maximum of \$40,000 worth of Shares) at the Final Price;</li> <li>› <b>Employee Gift Offer</b>, which is open to certain Eligible Employees<sup>20</sup> in Australia who wish to apply for up to \$1,000 worth of Shares at no cost; and</li> <li>› <b>Priority Offer</b>, which is open to selected investors nominated by Viva Energy Holding in Australia and certain other eligible jurisdictions outside the United States who have received a Priority Offer invitation to apply for Shares at the Final Price; and</li> </ul> </li> <li>the <b>Institutional Offer</b>, which is open to Institutional Investors in Australia, New Zealand and certain other jurisdictions around the world, made under this Prospectus or the relevant Institutional Offering Circular (as applicable).</li> </ul>	<ul style="list-style-type: none"> <li>For more information, please refer to Section 7.1.1, Section 7.3, Section 7.4, Section 7.5, Section 7.6 and Section 7.7.</li> </ul>
Is the Offer underwritten?	<ul style="list-style-type: none"> <li>No, the Offer is not underwritten.</li> </ul>	<ul style="list-style-type: none"> <li>For more information, please refer to Section 7.2.</li> </ul>
What is the allocation policy?	<ul style="list-style-type: none"> <li>The allocation of Shares between the Retail Offer and the Institutional Offer, and the number of Shares allocated to each component of the Offer and to participants in the Institutional Offer and Broker Firm Offer, will be determined by the agreement of Viva Energy Holding and the Joint Lead Managers, having regard to the allocation policies outlined in Sections 7.3.4, 7.4.4, 7.5.4 and 7.6.4.</li> <li>For Broker Firm Offer participants, the relevant Broker will decide how it allocates Shares among its retail clients, and it (and not Viva Energy, Viva Energy Holding or the Joint Lead Managers) will be responsible for ensuring that retail clients who are allocated Shares receive the relevant Shares.</li> <li>The allocation of Shares under the other components of the Retail Offer (namely the Employee Offer, Employee Gift Offer and Priority Offer) will be determined by Viva Energy Holding in its absolute discretion.</li> <li>The aggregate number of Shares issued under the Employee Offer, Employee Gift Offer and Priority Offer will not exceed \$28,598,000 worth of Shares in aggregate.</li> </ul>	<ul style="list-style-type: none"> <li>For more information, please refer to Section 7.2, Section 7.3.4, Section 7.4.4, Section 7.5.4 and Section 7.6.4.</li> </ul>
Is there any brokerage, commission or stamp duty payable by Applicants?	<ul style="list-style-type: none"> <li>No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer.</li> </ul>	<ul style="list-style-type: none"> <li>For more information, please refer to Section 7.2.</li> </ul>

20. To be eligible to participate in the Employee Gift Offer, Eligible Employees on a fixed term contract must have been employed for a minimum period of 12 months or have a minimum of 12 months remaining on the contract period as at the Prospectus Date.

# 1. Investment overview

Topic	Summary	
What are the tax implications of investing in the Shares?	<ul style="list-style-type: none"> <li>A summary of certain Australian and New Zealand tax consequences of participating in the Offer and investing in Shares is set out at Section 10.7.</li> <li>The tax consequences of any investment in Shares will depend upon an investor's particular circumstances.</li> <li>Applicants and bidders should obtain their own independent taxation advice having regard to their own specific circumstances prior to deciding whether to invest in Shares.</li> </ul>	<ul style="list-style-type: none"> <li>For more information, please refer to Section 10.7.</li> </ul>
How can I apply?	<ul style="list-style-type: none"> <li>Applicants under the Broker Firm Offer should contact their Broker for information about how to submit their Broker Firm Offer Application Form and for payment instructions.</li> <li>Applicants under the Employee Offer, Employee Gift Offer and Priority Offer may apply for Shares online by visiting <a href="http://www.vivaenergyIPO.com.au">http://www.vivaenergyIPO.com.au</a> and following the instructions on their personalised invitation.</li> <li>Eligible Employees and Applicants under the Priority Offer may call the Viva Energy Offer Information Line on 1800 129 431 (within Australia) or +61 1800 129 431 (outside Australia) from 8:30am until 5:30pm (AEST), Monday to Friday (excluding public holidays) for more information on how to apply or to request a paper copy of this Prospectus (free of charge).</li> <li>If you are an Institutional Investor, separate instructions in relation to the Institutional Offer will be provided to you by the Joint Lead Managers.</li> <li>To the extent permitted by law, an Application is irrevocable.</li> </ul>	<ul style="list-style-type: none"> <li>For more information, please refer to Section 7.2, Section 7.3.2, Section 7.4.2, Section 7.5.2 and Section 7.6.2.</li> </ul>
What is the minimum and maximum Application size under the Retail Offer?	<ul style="list-style-type: none"> <li>The minimum Application size under the Broker Firm Offer is \$2,000 worth of Shares and in multiples of \$500 worth of Shares thereafter. There is no maximum value of Shares that may be applied for under the Broker Firm Offer.</li> <li>Applications under the Employee Offer must be for a minimum of \$2,000 worth of Shares and in multiples of \$500 worth of Shares thereafter. Each Eligible Employee will have a guaranteed minimum allocation of \$20,000 worth of Shares under the Employee Offer. Eligible Employees may apply for a greater number of shares up to a maximum of \$40,000 worth of Shares, however such applications may be subject to scale-back depending on the extent to which there are excess Shares available as a result of Eligible Employees not taking up their guaranteed minimum allocation.</li> <li>Under the Employee Gift Offer, Eligible Employees will be offered the opportunity to apply for up to \$1,000 worth of Shares at no cost.</li> <li>Applications under the Priority Offer must be for a minimum of \$2,000 worth of Shares and in multiples of \$500 worth of Shares thereafter. There is no maximum value of Shares that may be applied for under the Priority Offer.</li> <li>Viva Energy and the Joint Lead Managers reserve the right to treat any Applications in the Broker Firm Offer that are from persons who they believe may be Institutional Investors as bids in the Institutional Offer, or to reject or scale back Applications.</li> </ul>	<ul style="list-style-type: none"> <li>For more information, please refer to Section 7.2, Section 7.3.2, Section 7.4.2, Section 7.5.2 and Section 7.6.2.</li> </ul>

Topic	Summary	
When will I receive confirmation that my Application has been successful?	<ul style="list-style-type: none"> <li>• It is expected that initial holding statements will be dispatched by standard post on or around Thursday, 19 July 2018.</li> <li>• Refunds (without interest) to Applicants who make an Application and are scaled back (or otherwise receive Shares having a lesser value than the amount of Application Monies they have paid) will be made as soon as possible after Completion.</li> <li>• No refunds will be made where the overpayments relate solely to rounding at the Final Price.</li> <li>• Applicants may contact the Viva Energy Offer Information Line for details of their final allocation from Thursday, 12 July 2018 until Completion.</li> <li>• Broker Firm Offer Applicants should contact their Brokers to confirm their allocation.</li> </ul>	<ul style="list-style-type: none"> <li>• For more information, please refer to Section 7.2.</li> </ul>
Can the Offer be withdrawn?	<ul style="list-style-type: none"> <li>• Viva Energy and Viva Energy Holding reserve the right not to proceed with the Offer at any time before the successful completion of the Institutional Offer bookbuild.</li> <li>• If the Offer does not proceed, Application Monies will be refunded.</li> <li>• No interest will be paid on Application Monies refunded as a result of the withdrawal of the Offer.</li> </ul>	<ul style="list-style-type: none"> <li>• For more information, please refer to Section 7.2.</li> </ul>
What should I do with any enquiries?	<ul style="list-style-type: none"> <li>• All enquiries in relation to this Prospectus should be directed to the Viva Energy Offer Information Line on 1800 129 431 (within Australia) and +61 1800 129 431 (outside Australia) from 8:30am until 5:30pm (AEST), Monday to Friday (excluding public holidays).</li> <li>• All enquiries in relation to the Broker Firm Offer should be directed to your Broker.</li> <li>• If you are unclear in relation to any matter or are uncertain as to whether Viva Energy is a suitable investment for you, you should seek professional guidance from your stockbroker, accountant, lawyer, financial adviser or other independent professional adviser before deciding whether to invest in Shares.</li> </ul>	<ul style="list-style-type: none"> <li>• For more information, please refer to Section 7.2.</li> </ul>





## Section 2:

# Industry overview



2. Industry overview

This Section 2 is intended to provide an overview of the Australian downstream market in which Viva Energy operates. This Section deals with the whole industry and is not Viva Energy specific. The information in this Section 2 has partially been derived from a market study by Wood Mackenzie that was commissioned by Viva Energy for the purposes of the Offer.

2.1 Introduction to the Australian downstream petroleum industry

The Australian downstream petroleum industry encompasses the process by which crude oil is sourced, transported, stored and manufactured into refined products, as well as the importation and sale of refined products to retail and commercial customers (see Sections 2.2 and 2.5).

Products manufactured from crude oil are termed “refined products” and include petrol (or gasoline), diesel (or gasoil), jet fuel, marine fuel oil, as well as specialty products such as aviation gasoline, bitumen, lubricants and solvents. Refined products have many end-uses but are mostly consumed in the transport sector, which includes commercial and private motorist transport, aviation, marine and other transport demand. The Australian Government estimates that the Australian downstream petroleum industry sold 59.6<sup>1</sup> billion litres of refined products to retail and commercial customers in 2017.

Chart 2.1: Australian refined petroleum demand by product (2017)

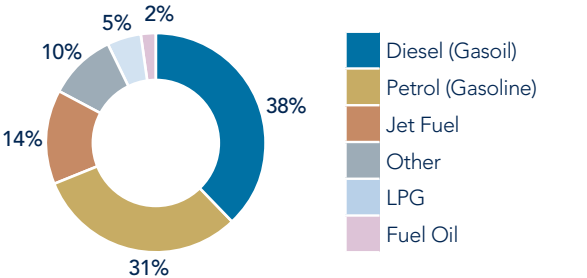
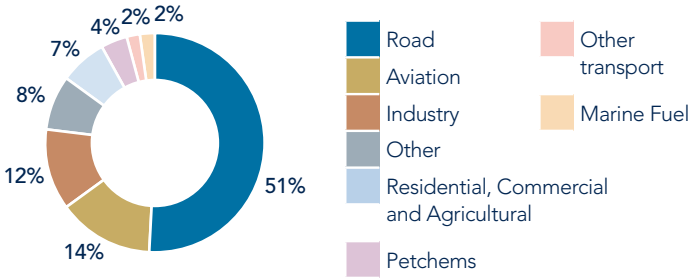


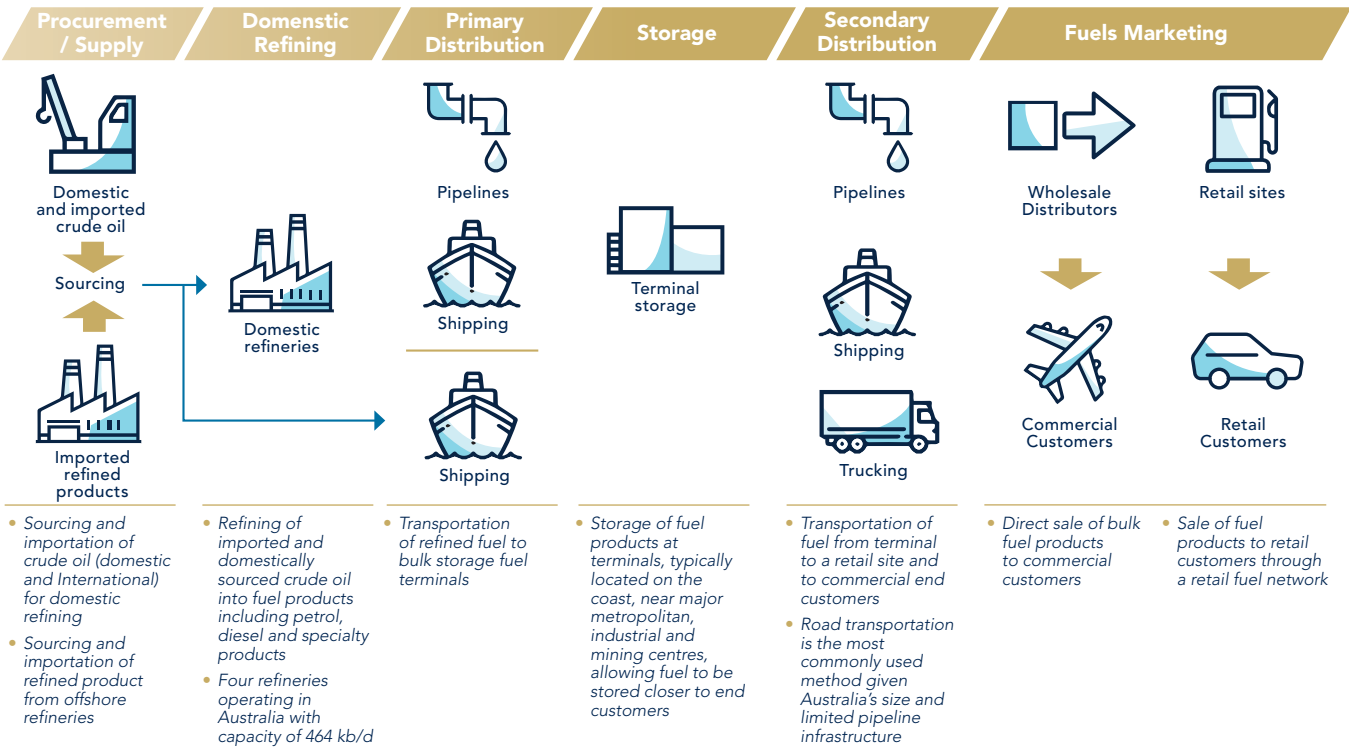
Chart 2.2: Australian refined petroleum demand by Sector (2017)



Source: Wood Mackenzie.

2.2 Overview of industry value chain

Table 2.1: Stages of the refined product value chain



1. Australian Petroleum Statistics – the Department of the Environment and Energy, issue 257 December 2017.

## 2.3 Key market participants

Participants in the Australian downstream petroleum industry compete across differing segments of the refined product value chain. Major participants are outlined in Table 2.1.

Table 2.1: Key domestic market participants

Business model	Players	Description
Integrated Refiner/Marketers	<ul style="list-style-type: none"><li>Viva Energy</li><li>BP</li><li>Caltex</li><li>ExxonMobil</li></ul>	Own and operate refining assets and national supply and distribution networks, import and sell refined product into wholesale and commercial markets and participate in the retail market, through control, supply or branding of Retail Sites.
Importers	<ul style="list-style-type: none"><li>Puma Energy</li><li>United Petroleum</li><li>Freedom Fuels</li></ul>	Import and buy domestically refined products for on-sale to commercial customers and to their retail network.
Retailers	<ul style="list-style-type: none"><li>Coles Express<sup>2</sup></li><li>Woolworths<sup>3</sup></li><li>7-Eleven<sup>4</sup></li><li>AA</li><li>Liberty Oil<sup>5</sup></li><li>Peregrine Corporation (On the Run)</li></ul>	Sell retail fuels (petrol, diesel, liquefied petroleum gas) to consumers at Retail Sites as part of a broader offering including convenience goods and additional value-add services. Fuels are often procured under supply arrangements with Integrated Refiner/Marketers and, in some cases, are also sold to retail customers under brands associated with the supplier.

Source: Wood Mackenzie.

Note: The above table (Table 2.1) is not intended to be a comprehensive overview of all participants who compete within the Australian downstream petroleum industry.

## 2.4 Market dynamics

This Section 2.4 discusses the principal market dynamics and themes that are important in understanding the Australian downstream petroleum industry in a global context.

### 2.4.1 Refined product demand outlook

Australia has historically exhibited strong demand for refined products, recording the sixth highest growth rate of any Organisation for Economic Cooperation and Development (“OECD”) country from 2010-2017 (CAGR of 0.9%)<sup>6</sup>. Australia’s refined product demand is underpinned by its robust economy, energy intensive industries such as mining, large landmass which necessitates long distance travel by road and air and reliance on commercial road freight<sup>7</sup>. In 2017, Australia ranked 12<sup>th</sup> in petrol and 19<sup>th</sup> in diesel demand globally by volume consumed<sup>8</sup>.

2. Coles Express is a party to an Alliance with Viva Energy, pursuant to which Viva Energy supplies fuel to Coles Express for sale at Retail Sites (referred to in this Prospectus as Alliance Sites). The vast majority of such Retail Sites are Company Controlled Sites of Viva Energy, meaning that Viva Energy holds the freehold or a leasehold interest in such sites. Refer to Section 3.2.1.3 and 9.1 for more information.
3. Woolworths is a party to an arrangement with Caltex, pursuant to which Caltex supplies fuel to Retail Sites operated by either Woolworths or Caltex. In December 2016, Woolworths announced the proposed sale of over 500 of those Retail Sites (and certain committed development sites) to BP. If completed, the transaction would result in the end of the arrangement between Woolworths and Caltex. In December 2017, the Australian Competition and Consumer Commission (“ACCC”) announced its intention to oppose the transaction on the basis that it is likely to substantially lessen competition in the retail supply of fuel. Refer to Section 2.5.4.1 for more information.
4. 7-Eleven is a party to a long-term agreement with ExxonMobil pursuant to which Mobil-branded fuels are supplied to, and sold at, 7-Eleven Retail Sites, and the Mobil brand is used at such sites.
5. Viva Energy has a 50% non-controlling shareholding in Liberty Oil. Refer to Sections 3.2.1.4 and 9.1 for more information.
6. Wood Mackenzie.
7. Wood Mackenzie.
8. Wood Mackenzie.

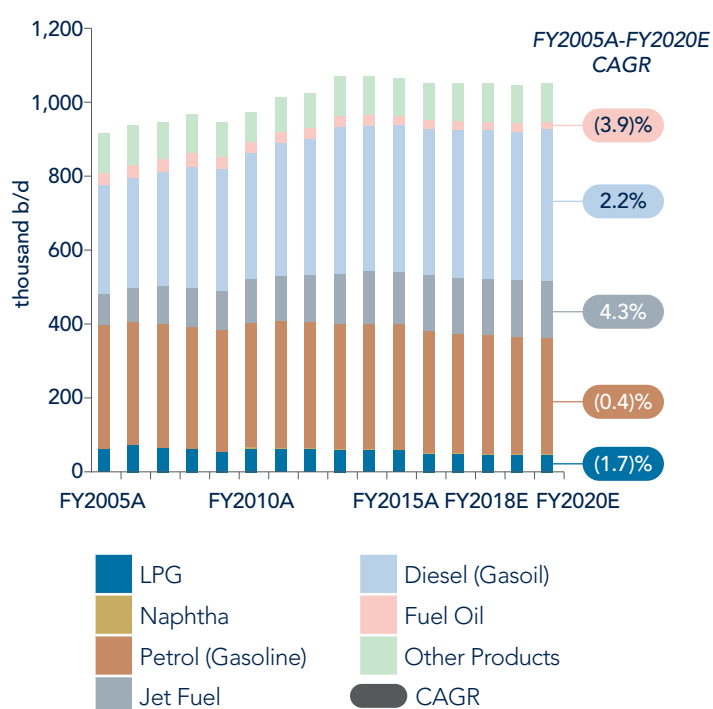
## 2. Industry overview

The majority of refined product demand in Australia comes from the transport sector (road, aviation and marine), which, according to Wood Mackenzie, accounted for approximately 70% of demand in 2017. Petrol (31% of total refined product demand in 2017), diesel (38%) and jet fuel (14%) are the key products consumed in Australia<sup>9</sup>.

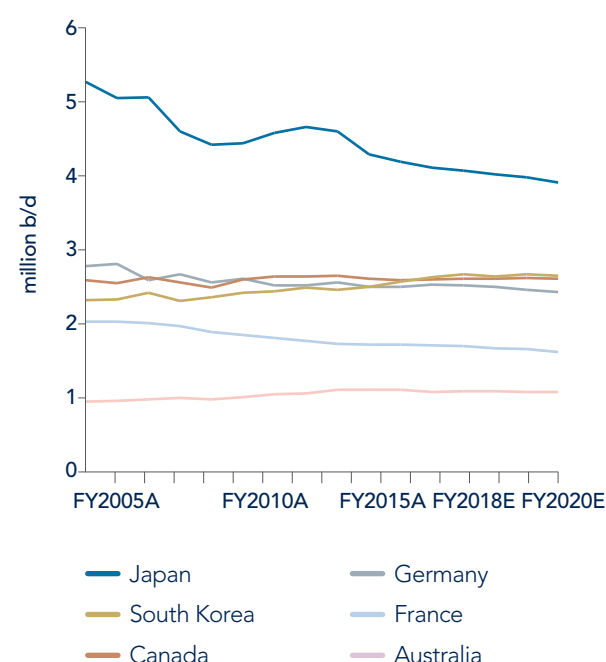
Wood Mackenzie identifies a number of trends that it believes support an outlook for steady demand for refined fuels over the short to medium term. These include a continuing robust macroeconomic environment and growing population (Section 2.4.2) and favourable vehicle usage trends (Section 2.4.3). These trends contrast with those in many OECD countries where refined product demand appears to be in structural decline due to less robust economic conditions, lower population growth, increased engine efficiency and greater forecast penetration of electric vehicles<sup>10</sup>.

The following charts show Wood Mackenzie's assessment of historic refined product demand in Australia between 2006 and 2017 and its forecast demand between 2018 and 2020.

**Chart 2.3: Australian refined petroleum demand by product<sup>11</sup>**



**Chart 2.4: Selected OECD countries' total refined products demand<sup>12</sup>**



Source: Wood Mackenzie.

### 2.4.2 Robust macroeconomic environment

Australia has experienced steady GDP growth over the past decade, having not suffered a recession since 1991<sup>13</sup>. This has in part been supported by an expanding population, with the population growing at a 1.6% CAGR between 2011 and 2017<sup>14</sup>. Looking forward, the OECD expects this positive trajectory to continue, forecasting Australia's GDP to grow by 3.0% in each of 2018 and 2019<sup>15</sup>, ranking sixth amongst G20 member countries for forecast growth (Chart 2.5).

9. Wood Mackenzie.

10. Wood Mackenzie.

11. Calculation excludes refinery fuel and losses.

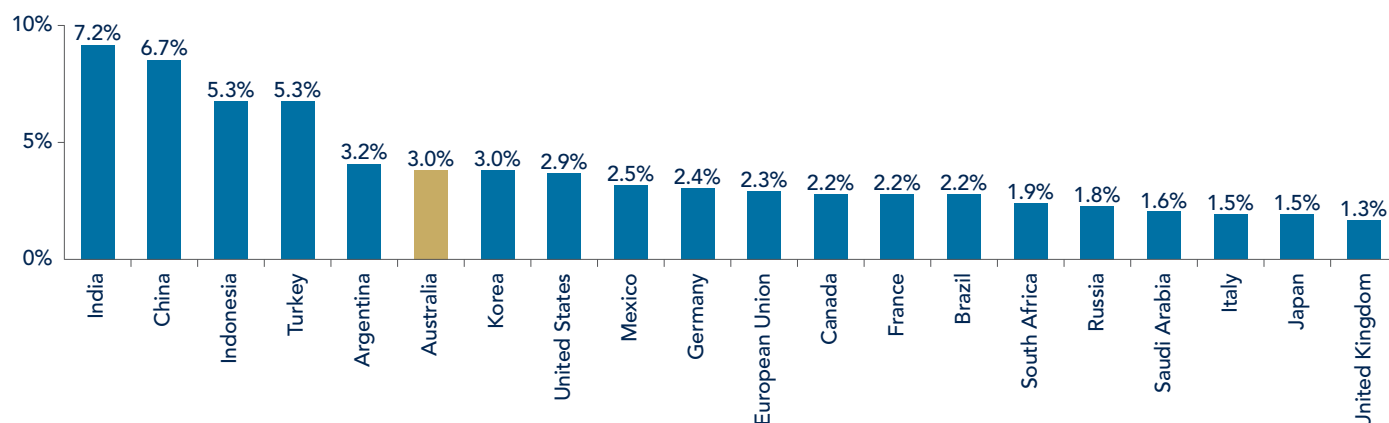
12. Calculation includes refinery fuel and losses.

13. Wood Mackenzie.

14. Compound annual growth rate (CAGR) calculated on the basis of an estimated resident population of 22,435,600 as at September 2011 and 24,702,900 as at September 2017 according to ABS Australian Demographic Statistics (3101.0).

15. OECD Interim Economic Outlook, March 2018.

Chart 2.5: G20 country's GDP growth forecasts (2018 year-on-year %)



Source: OECD Interim Economic Outlook, March 2018.

Note: Percentages refer to calendar years except for India, which has been calculated with reference to fiscal years (April).

### 2.4.3 Favourable vehicle usage trends

Australia's robust economic and demographic environment (as discussed above in Section 2.4.2) supports continued demand for passenger vehicles and commercial transportation services<sup>16</sup>. The size of the Australian vehicle fleet grew by 1.6 million vehicles or at 2.4% CAGR from 2012 to 2016<sup>17</sup>, supporting growth of 1.8%<sup>18</sup> in total vehicle kilometres travelled over the same period to over 249.5 billion kilometres (Charts 2.6 and 2.7).

Chart 2.6: Australian vehicle fleet by fuel type<sup>19</sup>

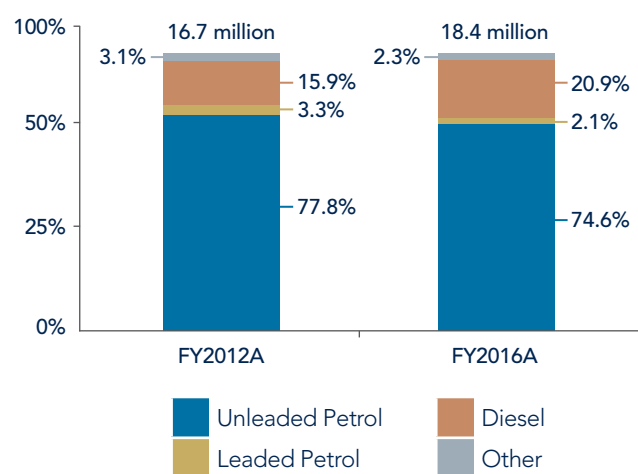
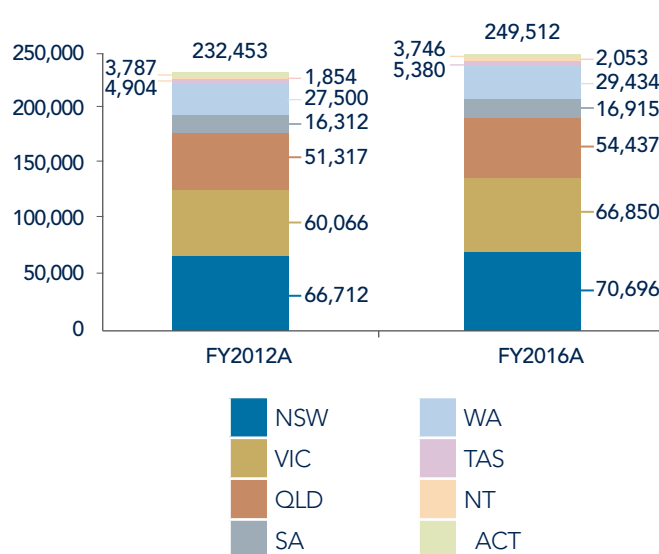


Chart 2.7: Total vehicle kilometres travelled (millions)<sup>20</sup>



Source: Wood Mackenzie.

16. Wood Mackenzie.

17. CAGR calculated on the basis of estimated motor vehicles on register of 16,741,644 as at January 2012 and 18,387,136 as at January 2016 according to ABS Motor Vehicle Census (9309.0).

18. CAGR calculated on the basis of estimated total kilometers travelled of 232,453 million as at June 2012 and 249,512 million as at June 2016 according to ABS Survey of Motor Vehicle Use (9208.0).

19. See footnote 17 above.

20. See footnote 18 above.

## 2. Industry overview

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Wood Mackenzie expects vehicle ownership rates in Australia to continue increasing over the medium term and, together with population growth, lead to an increase in the total number of cars on the road. These trends are expected to increase total vehicle kilometres travelled in Australia, supporting demand for refined products and partially mitigating the impact of increased fuel efficiency and electric vehicle penetration<sup>21</sup>. Wood Mackenzie expects that the penetration of electric vehicles in Australia will occur more slowly and at lower levels than in much of the OECD, as discussed in Section 2.6.2.

A change in the fuel mix is expected to continue, with diesel powered passenger cars becoming more common in recent years and increasing engine complexity and sophistication expected to underpin growing demand for premium fuels<sup>22</sup>.

### 2.4.4 Leveraging integrated supply chains

Competitiveness in the Australian retail and commercial sectors is supported by supply chain integration including ownership of, and access to, established infrastructure assets. Integrated Refiner/Marketers benefit from a number of competitive advantages including<sup>23</sup>:

- reliable access to international markets for competitive supply of crude oil and refined products across Australia;
- diversified and secure supply of refined product, supported by refinery ownership;
- ownership or control of storage facilities, which supports competitive import economics; and
- pipeline connectivity to key demand centres, which increases distribution efficiency.

A high degree of supply chain integration represents a competitive advantage due to Australia's large land mass and the substantial capital investment required to build new infrastructure. As such, it is more difficult for market participants without supply chain integration to supply fuel to retail and commercial customers on a nationwide basis (versus those market participants with supply chain integration)<sup>24</sup>. Typically, Wood Mackenzie expects non-integrated players to have a stronger presence in specific markets where they have invested or secured access to infrastructure.

### 2.4.5 Concentrated fuel marketing sector

The Australian wholesale fuel marketing sector has undergone a period of transition over the past decade, with three refineries closing between 2012 and 2015 (see Section 2.5.2). Following these closures, Wood Mackenzie notes that domestic competition from Importers is likely to have increased, with imports accounting for a greater proportion of domestic refined product sales. Notwithstanding this, the Australian fuel marketing sector remains relatively highly concentrated, with Integrated Refiner/Marketers supplying a majority of the downstream petroleum market. This competitiveness in the Australian market is supported by ownership of, and access to, established infrastructure assets as discussed above in Section 2.4.4.

The Australian retail fuel marketing landscape has seen a reduction in site numbers in recent periods. The total number of Retail Sites declined from approximately 20,000 in 1970 to approximately 6,000 to 6,500<sup>25</sup> sites in the mid-2000's. The downward trend in the total number of Retail Sites has abated and, since that time, site numbers have increased to around 7,300<sup>26</sup>. The five largest retail market participants (by number of Company Controlled Sites, see Section 2.5.4.1), supply fuel to over 65% of the total number of Retail Sites in Australia. As the number of Retail Sites has declined, sites located in busy areas or adjacent to major roads have accounted for an increasing proportion of total volumes.

### 2.4.6 Pricing dynamics

The amount of refined product produced by Australian refineries is significantly less than the amount required to meet the needs of Australian consumers, with the balance satisfied by imports of refined products (see Section 2.5.1)<sup>27</sup>.

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21. Wood Mackenzie.

22. Wood Mackenzie.

23. Wood Mackenzie.

24. Wood Mackenzie.

25. ACCC monitoring of the Australian petroleum industry, December 2014.

26. ACCC: Petrol prices are not the same: report on petrol prices by major retailer in 2017, May 2018.

27. Wood Mackenzie.



Refined product prices in net-import markets like Australia are typically set with reference to the landed price of imports, termed the import parity price<sup>28</sup> ("IPP"). This price reflects the prevailing export price in key regional hubs (in the case of Australia, principally Singapore) adjusted to reflect the incremental freight, insurance and import duties incurred in bringing the product onshore<sup>29</sup>.

The geographic isolation of Australia, together with its broadly distributed population, means that the freight costs associated with imports are relatively high, elevating the costs of imported products and thereby increasing the price at which products are sold in the domestic market. Refined products destined for Australia also attract a "product premium" associated with the cost of producing petrol made to Australian specifications, further increasing the price of imported products relative to regional benchmarks<sup>30</sup>.

The factors identified above contribute to a situation whereby the price at which refined products are sold within Australia is higher than prevailing prices in the broader Asia Pacific region. These dynamics support margins for locally produced refined products in Australia<sup>31</sup>. Wood Mackenzie expects this favourable pricing environment to be sustained over the foreseeable future due to sustained import requirements.

## 2.5 Industry value chain

The Australian downstream petroleum industry value chain extends from crude oil procurement and processing to the ultimate delivery of refined products to end-users for consumption (see Figure 2.1). A description of the key stages of the refined product value chain are discussed in greater detail below.

### 2.5.1 Procurement

The majority of Australia's refined product requirements (62% in 2017 according to Wood Mackenzie) are met directly by refined product imports. These refined product imports are sourced primarily from Asian refineries and distributed around Australia via a network of import terminals, pipelines and tankers. The remainder of Australia's refined product requirements are satisfied by Australian refineries processing crude oil, which is either imported or produced domestically. According to Wood Mackenzie, Australian refineries primarily source crude oil from the Asia Pacific region, which accounted for 51% of the total crude supply in 2016, with the remainder mainly sourced from domestic production, the Middle East, and West Africa. Access to domestic supply can provide pricing advantages for local refineries, through the purchase of domestically produced crude oil at a discount to the cost of imported substitutes<sup>32</sup>.

Chart 2.8: Refined product imports by product in 2017

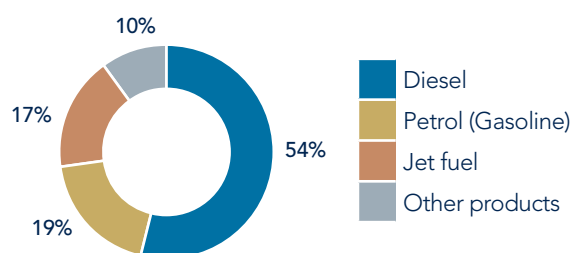
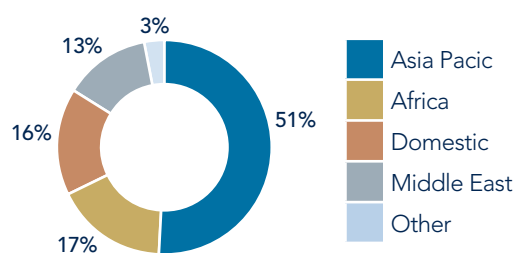


Chart 2.9: Crude oil supply by location in 2017



Source: Australian Petroleum Statistics, Commonwealth of Australia 2017.

28. The price in local currency that a purchaser pays or can expect to pay for an imported good. Measured as the cost of the product, insurance, freight, tariff and secondary mode of transport associated with the purchase.

29. Wood Mackenzie.

30. Wood Mackenzie.

31. Wood Mackenzie.

32. Wood Mackenzie.

## 2. Industry overview

### 2.5.2 Refining

Australian refining capacity has moved from surplus to significant deficit over the past decade as a result of the closure of three refineries, representing a capacity reduction of approximately 40%<sup>33</sup>. According to Wood Mackenzie, this resulted in a rebalancing of the Australian market, leading to more positive market dynamics for the remaining refineries. There are now four refineries in Australia, and Wood Mackenzie does not expect any material investments in new refining capacity in the near term.

Domestic refineries differ on a number of key factors, including capacity throughput and Nelson Complexity Index ("NCI")<sup>34</sup>. NCI is a formula-based measure of the sophistication of an oil refinery, where more complex refineries are able to produce more valuable products from a barrel of oil. A higher NCI means that a refinery typically has greater configuration-driven flexibility, enabling the product mix to be shifted towards higher margin products in order to optimise for varying market conditions. The location and the level of integration of infrastructure with key end markets also affect the competitiveness of refineries, with closer proximity to and greater integration with major markets lowering supply and distribution costs<sup>35</sup>.

Table 2.2: Australian refineries

Refinery	Owner	Location	Local market	Capacity (barrels /day)	NCI
Geelong	Viva Energy	Victoria	Melbourne	120,000 <sup>36</sup>	9.44
Altona	ExxonMobil	Victoria	Melbourne	90,000	8.98
Lytton	Caltex	Queensland	Brisbane	108,000 <sup>37</sup>	6.76
Kwinana	BP	Western Australia	Perth	146,000	6.05

Source: Wood Mackenzie. Note that capacity of oil refineries may be reported on different bases, and may be affected by many factors, including design changes, upgrades to facilities and the type of crude or feedstock being processed.

Market participants regularly assess the economic viability of maintaining refining activities. This is primarily done with reference to<sup>38</sup>:

- the outlook for refining margins and operating costs<sup>39</sup>;
- the impact of changes in refined product specifications<sup>40</sup>; and
- the capital costs associated with regular refinery unit major maintenance turnarounds<sup>41</sup>.

Domestic refining margins are affected by margins in Asia Pacific's key export hubs from which refined product imports are sourced (Sections 2.5.1 and 4.3.1)<sup>42</sup>. Wood Mackenzie expects that regional refiner margins will further strengthen slightly in 2018 and 2019 as the global product surplus draws down while demand remains robust. In 2020, margins are expected to further increase as regulations on the sulphur content of marine fuel come into effect (Section 3.8.1), leading to an increase in compliant marine fuel crack spreads<sup>43,44</sup> as shippers seek to secure compliant fuels. Following this, Wood Mackenzie expects margins to soften as the market transitions to the new status quo. However, over the longer term, margins are expected to be supported by demand growth in the region, which may support incremental investment in refining capacity<sup>45</sup>.

33. Wood Mackenzie.

34. Wood Mackenzie.

35. Wood Mackenzie.

36. Represents estimated useable capacity of the Geelong Refinery. The total "nameplate" or design capacity of the Geelong Refinery is 128.7 thousand barrels per day. See Section 3.3 for further details.

37. Caltex has separately published in its 2016 Annual Report that, as at 31 December 2016, the total "nameplate" or design capacity of the Lytton refinery is 116 thousand barrels per day.

38. Wood Mackenzie.

39. Wood Mackenzie.

40. Wood Mackenzie.

41. Wood Mackenzie.

42. Wood Mackenzie.

43. Crack spreads represent the dollar value differential between the cost of crude and the price at which the product is sold.

44. Wood Mackenzie.

45. Wood Mackenzie.

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Over the past several years, the Australian Government has been actively involved in a Ministerial Forum on Vehicle Emissions, with a major implication of this process being a potential reduction in mandated sulphur levels in gasoline. The introduction of a low sulphur gasoline specification is likely to require a one-off capital cost to refiners, as well as an ongoing increase in operating costs. In light of these proposed specification changes, market participants have advocated to Government that sufficient lead time be allowed to make the necessary investments.

Refining operations are typically most profitable when operating at full capacity as fixed costs can be spread over a larger volume of manufactured refined product<sup>46</sup>. Maintenance turnarounds (i.e. planned downtime for repair and maintenance) not only impact capacity, making duration and cycle time between turnaround events critical, but represent a significant proportion of capital investment for a refining operations (see Section 3.3 for an overview of the Geelong Refinery's most recent turnaround). Extensive forward planning is undertaken by market participants to maximise the efficiency of turnarounds<sup>47</sup>.

### 2.5.3 Supply and infrastructure

#### 2.5.3.1 Storage

A network of storage terminals, primarily located in coastal locations across Australia, facilitates the storage and movement of both imported and locally produced refined product and is a competitive advantage for owners and operators of this infrastructure<sup>48</sup>. Access to storage terminals is typically secured through direct ownership or control of terminal infrastructure or lease arrangements with independent terminal operators<sup>49</sup>. Refiners and importers may also utilise each other's terminal storage networks by entering into "hosting" arrangements and/or "exchange" agreements for refined products in areas where they lack sufficient infrastructure of their own, facilitating a more cost-effective supply of refined products nationally.

#### 2.5.3.2 Distribution

Typical methods for the movement and distribution of refined products within the Australian market are via pipelines, road tankers, coastal shipping, rail tankers and marine barges<sup>50</sup>. Market participants contract third-party rail and road transport operators (such as Toll and Linfox) to provide these distribution services, but some also own and operate their own transport fleets.

Access to pipeline networks between storage terminals and to major airports is the most efficient method of transporting fuels for aviation use, and provides a source of competitive advantage over competitors that have not invested in, or have access to, these networks<sup>51</sup>. Given the large volumes of fuel involved, the transportation of refined product from import terminals and refineries to airport storage facilities represents an important link in the fuel supply chain of that sector.

At large airports, fuel is delivered to an on-site storage facility, before being transported through a hydrant network (or via refuelling trucks) to aircraft refuelling points. This storage and distribution infrastructure is typically owned by joint ventures at each major airport (e.g. the Joint User Hydrant Installation and Joint Aviation Fuelling Systems), with suppliers requiring equity participation in the joint venture in order to sell fuel to airlines. In Australia, key participants in the jet fuel market include Viva Energy, BP, ExxonMobil and Caltex, all of whom have invested in key fuelling infrastructure joint ventures domestically.

Jet fuel to Sydney Airport, the largest airport in Australia, is supplied from import terminals via two dedicated pipelines owned separately by Viva Energy and Caltex; while in Melbourne, Australia's second largest airport, Viva Energy and ExxonMobil maintain pipeline connectivity from their refineries and fuel terminals.

### 2.5.4 Fuel marketing

The fuel marketing sector can be split into a retail market, consisting primarily of fuel sales to private motorists, and a commercial market, consisting of sales of fuel and specialty products such as lubricants, bitumen and solvents to commercial enterprises.

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46. Wood Mackenzie.

47. Wood Mackenzie.

48. Wood Mackenzie.

49. Wood Mackenzie.

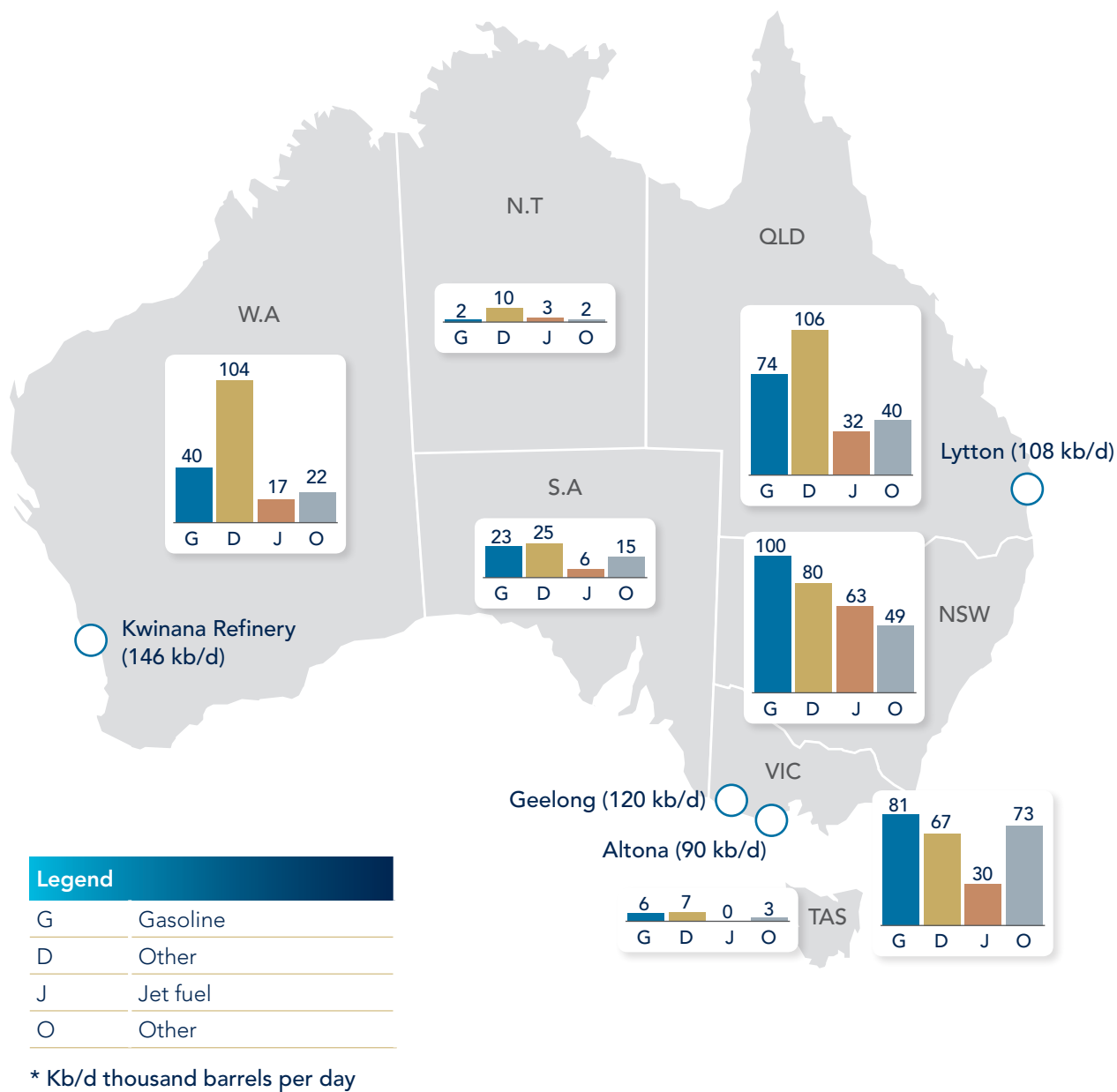
50. Wood Mackenzie.

51. Wood Mackenzie.

## 2. Industry overview

Australia's refined product demand is heterogeneous, with metropolitan areas (i.e. New South Wales and Victoria) demonstrating a different demand profile from the mining areas (i.e. Western Australia)<sup>52</sup>. Integrated Refiner/Marketers have the necessary infrastructure required to cater to the varying demands of retail and commercial customers across Australia<sup>53</sup>.

Figure 2.2: Refined product demand by state in 2017 (thousand barrels per day)



Source: Wood Mackenzie.

52. Wood Mackenzie.

53. Wood Mackenzie.

### 2.5.4.1 Retail

The retail sector focuses on the sale of two main fuel products: petrol and diesel. Some market participants also sell convenience store goods and provide auxiliary services, such as a car wash, which supplement fuel sales. Australia has around 7,300<sup>54</sup> Retail Sites, which are typically located in high population density, high demand areas. As a result, there is a concentration of Retail Sites across the eastern seaboard of Australia where approximately 79% of Australia's population is located.

Within the retail sector, market participants adopt a variety of operating models. Table 2.3 below provides an overview of the main operating models adopted by each of Viva Energy, Caltex, Woolworths, 7-Eleven and BP in their respective retail businesses. These market participants control the largest number of Retail Sites in Australia (through freehold or leasehold interests)<sup>55</sup>.

**Table 2.3: Overview of key operating models adopted by the largest market participants**

Company	Operating Model	Description	Total number of sites in Retail Network <sup>56</sup>
Viva Energy	• Coles Alliance	Viva Energy supplies fuel on a wholesale basis, and Coles Express operates the sites, including setting retail fuel prices and running the convenience offering. The Shell Card (administered by Viva Energy) is accepted at Alliance Sites. Viva Energy receives site lease and licence income from Coles Express, as well as royalties from convenience sales by Coles Express in excess of agreed sales thresholds. Viva Energy and Coles Express consult in relation to various matters related to the network of Alliance Sites (e.g. location of sites and some marketing campaigns).  As at 31 March 2018, there were 713 Alliance Sites in Viva Energy's Retail Network, 669 of which are controlled by Viva Energy (with the remaining 44 controlled by Coles Express).	1,165 <sup>57</sup>
	• Retail Agent	Viva Energy appoints third parties (i.e. Retail Agents) to operate the sites as its agent. Viva Energy sets retail fuel prices and pays the Retail Agents a commission on fuel sales, and the Retail Agents run the convenience offering and pay Viva Energy a commission on convenience sales. The Shell Card (administered by Viva Energy) is accepted at Retail Agent Sites.  As at 31 March 2018, there were seven Retail Agent Sites in Viva Energy's Retail Network, all of which are controlled by Viva Energy.	
	• Dealer Owned	Viva Energy supplies fuel on a wholesale basis. Third parties (i.e. independent dealers) control and operate the sites, including setting retail fuel prices and running any convenience offering. The sites are Shell-branded, and the Shell Card (administered by Viva Energy) is accepted.  As at 31 March 2018, there are 161 Dealer Owned Sites in Viva Energy's Retail Network.	

54. ACCC: Petrol prices are not the same: report on petrol prices by major retailer in 2017, May 2018.

55. Coles Express leases or licenses the Alliance Sites from Viva Energy pursuant to the Site Agreements and, during the term of those leases and licences (being, in most cases, the term of the Alliance Agreement), Coles Express has a right to use and occupy the sites. At the end of that term, the leases and licences to Coles Express would expire and, from that time, Viva Energy would have the right to use and occupy those sites or grant such rights to another third party.

56. For market participants other than Viva Energy, these are approximate numbers only and are based on publicly available information at the dates specified. Therefore, they may not accurately reflect the current Retail Networks of such market participants. Investors should note that, for the purposes of this Prospectus, Retail Sites forming part of a market participant's Retail Network include sites that are neither operated nor controlled by that market participant, but are supplied with fuel by that market participant.

57. As at 31 March 2018; Viva Energy also controls 18 Unmanned Truck Stops not set out in this table. Viva Energy has also agreed to acquire an interest in Westside Petroleum, which remains subject to regulatory approval – please see Section 3.2.1.4 of this Prospectus for further details.

## 2. Industry overview

Company	Operating Model	Description	Total number of sites in Retail Network <sup>56</sup>
	<ul style="list-style-type: none"> <li>Liberty Controlled/Supplied</li> </ul>	<p>Viva Energy has a 50% shareholding in Liberty Oil and supplies fuel to Liberty Oil on a wholesale basis. Liberty Oil supplies fuel to the sites in its Retail Network, the majority of which are Liberty branded and the remainder of which are Shell branded (see Section 3.2.1.4). The Shell Card (administered by Viva Energy) is accepted at all sites supplied by Liberty Oil.</p> <p>As at 31 March 2018, there were 266 Retail Sites in Liberty Oil's Retail Network.</p>	
Caltex	<ul style="list-style-type: none"> <li>Franchise</li> </ul>	Caltex supplies fuel, and the franchisee operates the site under the Caltex brand. The franchisee pays Caltex a franchise fee. As at 31 December 2017, there were approximately 433 franchise sites in Caltex's Retail Network <sup>58</sup> .	~1,900 <sup>59</sup>
	<ul style="list-style-type: none"> <li>Company Operated</li> </ul>	<p>Caltex supplies fuel to the sites and controls and operates them under the Caltex brand, including setting retail fuel prices and running the convenience offering.</p> <p>As at 31 December 2017, there were approximately 314 company operated sites in Caltex's Retail Network<sup>60</sup>.</p>	
	<ul style="list-style-type: none"> <li>Woolworths Operated</li> </ul>	See below in relation to Woolworths' company operated sites.	
	<ul style="list-style-type: none"> <li>Dealer Owned</li> </ul>	Caltex supplies fuel on a wholesale basis. Third parties (i.e. independent dealers) control and operate the sites under the Caltex brand, including setting retail fuel prices and running any convenience offering.	
Woolworths	<ul style="list-style-type: none"> <li>Company Operated</li> </ul>	<p>Woolworths controls and operates the sites, which are supplied with fuel by Caltex and which are co-branded with the Woolworths and Caltex brands.</p> <p>As at 10 August 2017, there were approximately 531 company operated sites in Woolworths' Retail Network<sup>61</sup>.</p>	~531
7-Eleven	<ul style="list-style-type: none"> <li>Franchise</li> </ul>	The franchisees operate the sites, which are supplied with fuel by ExxonMobil and which are co-branded with the 7-Eleven and Mobil brands. The franchisees pay 7-Eleven a franchise fee. 7-Eleven sets retail fuel prices.	~500 <sup>62</sup>
	<ul style="list-style-type: none"> <li>Company Operated</li> </ul>	7-Eleven controls and operates the sites, including setting retail fuel prices and running the convenience offering. ExxonMobil supplies fuel to the sites, and the sites are co-branded with the 7-Eleven and Mobil brands.	

58. As at 31 December 2017; Caltex annual report in respect of FY2017. Caltex has announced an intention to transition its franchise sites to company operated sites by mid-2020.

59. As at 31 December 2017; Caltex annual report in respect of FY20Y17. This number includes the Woolworths company operated sites, which are separately shown in Table 2.3.

60. As at 31 December 2017; Caltex annual report in respect of FY2017.

61. Woolworths site list as released by the ACCC on its website on 10 August 2017. In December 2016, Woolworths announced the proposed sale of its company operated sites to BP. If completed, the transaction would result in the end of the arrangement between Woolworths and Caltex. In December 2017, the ACCC announced its intention to oppose the transaction on the basis that it is likely to substantially lessen competition in the retail supply of fuel.

62. ACCC statement of issues dated 10 August 2017 in relation to BP's proposed acquisition of Woolworths' company operated sites.



Company	Operating Model	Description	Total number of sites in Retail Network <sup>56</sup>
BP	• Company Operated	BP supplies fuel to the sites and controls and operates them under the BP brand, including setting retail fuel prices and running the convenience offering.  As at 10 August 2017, there were approximately 334 company operated sites in BP's Retail Network <sup>63</sup> .	~1,400
	• Commission Agent	BP appoints a third party (i.e. commission agent) to operate the site under the BP brand. BP supplies fuel to the sites and sets both retail fuel and convenience prices.  As at 10 August 2017, there were approximately 35 commission agent sites in BP's Retail Network <sup>64</sup> .	
	• Dealer Owned	BP supplies fuel on a wholesale basis. Third parties (i.e. independent dealers) control and operate the sites under the BP brand, including setting retail fuel prices <sup>65</sup> and running any convenience offering.  As at 10 August 2017, there were approximately 1,031 Dealer Owned Sites in BP's Retail Network <sup>66</sup> .	

*Note: The above table (Table 2.3) is not intended to be a comprehensive overview of all participants and industry models. For example, ExxonMobil licenses the Mobil brand to 7-Eleven (as described above) and also has a smaller Dealer Owned network of less than 100 sites. The number of recorded stores is based on the last reported figures, and it is possible that these have changed from the date of publishing.*

Over the past decade, the emergence of supermarket chains as a participant has changed the traditional landscape of fuel retailing in Australia, with convenience store offerings growing in importance. This has led to the emergence of two contrasting types of supermarket retail operations.

Coles, one of Australia's largest supermarket operators, has participated in a retail alliance with Viva Energy since 2003 (see Section 3.2.1.3). The Alliance allows Viva Energy to benefit from Coles' core retail and convenience competencies through Coles Express' operational control over the retail fuel and convenience offerings for the duration of the Alliance, with Viva Energy taking responsibility for fuel supply and fuel infrastructure and retaining its proprietary right to occupy and control the Company Controlled Sites at the expiration of the Alliance. Woolworths, the other leading supermarket operator in Australia, operates its own sites and buys fuel from Caltex and sells it under the Caltex brand.

A key difference between the Coles Alliance and the arrangements between Woolworths and Caltex is that, in the case of the Coles Alliance, the fuel supplier (i.e. Viva Energy) controls the vast majority of Retail Sites in the Alliance (that is, they are Company Controlled Sites by reason of Viva Energy's proprietary interest in those sites), whereas in the Woolworths/Caltex arrangement, it is the supermarket operator (i.e. Woolworths) that controls the majority of Retail Sites in that sense. The party with long-term proprietary interests in the sites has certainty of use of the site for the sale of its and/or third parties' fuel and convenience products and goods in the longer term (subject to any agreements with partners or other third parties).

In December 2016, Woolworths announced the proposed sale of its Retail Sites (and certain committed development sites) to BP. If completed, the transaction would likely result in the end of the arrangements between Woolworths and Caltex. In December 2017, the ACCC announced its intention to oppose the transaction on the basis that it is likely to substantially lessen competition in the retail supply of fuel. As at the date of this Prospectus, it is not certain what actions the parties will take following the opposition of the ACCC.

63. BP site list as released by the ACCC on its website on 10 August 2017.

64. BP site list as released by the ACCC on its website on 10 August 2017.

65. According to the BP site list as released by the ACCC on its website on 10 August 2017, BP sets the price of diesel at approximately 33 of the approximately 1,031 Dealer Owned Sites in its Retail Network.

66. BP site list as released by the ACCC on its website on 10 August 2017.

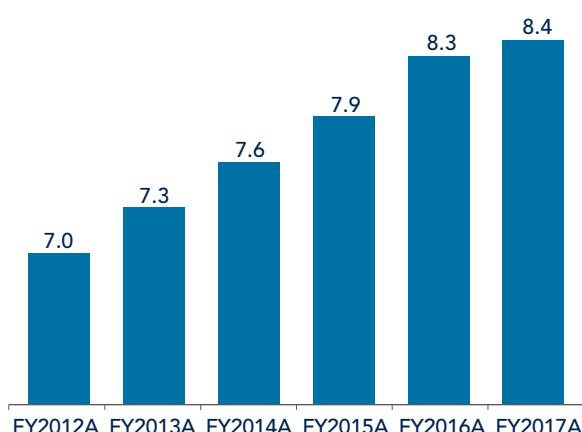
## 2. Industry overview

Historically, franchising has played a major part for a number of participants in the retailing market. However, certain market participants have previously transitioned (such as Viva Energy), or are currently transitioning away from a wide-scale franchise model. In March 2018, Caltex announced its decision to transition all of its franchise sites (433) to Company Controlled Sites as they seek to gain greater control of Retail Sites and greater exposure to the convenience sector. Caltex stated that it expects this process to take three years and cost \$100-120 million<sup>67</sup>.

### 2.5.4.1.1 Petrol convenience retail

The Australian petrol convenience industry is estimated to generate sales of \$8.4 billion per annum. The industry has experienced relatively strong growth in recent years, with sales growing at a CAGR of 4% from 2012 to 2017 as seen in Chart 2.10.

Chart 2.10: Aggregate petrol and convenience industry size (A\$ billion)<sup>68</sup>



While strategies vary, an increasing portion of the market is focused on improving store design and enhancing the quality and variety of the product offering with the aim of further driving the growth of non-fuel sales. For example, Caltex is rolling out its “Foodary” convenience retail format, which emphasises “fresh-food-to-go” and looks to expand its offering through partnerships with quick service restaurant businesses. In terms of supermarket players, Coles Express, as part of one of Australia’s largest supermarket operators has launched its “Big Yum” brand to target convenience and prepared food markets, offers additional fuel discounts for in-store purchases, and is expanding “click and collect” service across the network for pick-up of online grocery purchases. From the perspective of the fuel supplier, a significant benefit of an alliance with a major supermarket chain is that the operator of the Retail Site (i.e. the supermarket chain) is able to deliver a superior convenience offering through its economies of scale and efficient supply chain.

### 2.5.4.2 Commercial

The commercial market is serviced by refiners and importers. Domestically, it is largely supplied by the Integrated Refinery/Marketers and Importers, including Viva Energy, Caltex, BP and ExxonMobil.

Typically, commercial fuels are sold at a lower gross margin per litre than retail fuels of an equivalent product as a result of economies of scale and lower servicing costs when compared to retail networks. Specialty products often can generate stronger gross margins, reflecting the complexity in manufacturing and the smaller volumes transacted<sup>69</sup>.

Competitive advantage in the commercial segment is driven by a range of factors including the ability to reliably source a broad range of products, proximity to key markets and integration of distribution infrastructure into these markets (for example, connectivity to major airports and proximity to mine sites) (see Section 2.5.3.2)<sup>70</sup>. Furthermore, ownership of national infrastructure positions allows integrated operators to supply commercial customers with geographically diverse operations across Australia.

67. Caltex full year results announcement in respect of FY2017, released on 27 February 2018.






68. The data represented in this chart is based on third-party analysis, which analysis takes into account (among other things) information provided by certain retailers, projections in relation to the performance of certain other retailers, an industry survey conducted by a third party and other third-party data. This data shows convenience sales at fuel service stations; it does not include fuel sales.

69. Wood Mackenzie.

70. Wood Mackenzie.

### 2.5.4.3 Key commercial end markets

Table 2.4: Overview of key commercial end markets

Commercial sector markets	Description	Key products
<b>Aviation</b> 	Aviation fuel is supplied to major airlines. Aviation fuel has stringent specifications and is often more expensive per litre than road fuels as a result.	<ul style="list-style-type: none"> <li>• Jet fuel</li> <li>• Aviation gasoline</li> <li>• Lubricants</li> </ul>
<b>Resources</b> 	Australian demand for resource fuel is underpinned by the mining sector. Demand is strongest in Western Australia and Queensland.	<ul style="list-style-type: none"> <li>• Diesel</li> <li>• Lubricants</li> <li>• Solvents</li> <li>• Services</li> </ul>
<b>Transport</b> 	Australian demand for transport fuel is supported by the large distances freight is required to travel between cities in Australia.	<ul style="list-style-type: none"> <li>• Diesel</li> <li>• Petrol</li> </ul>
<b>Marine</b> 	Australian demand for marine fuel is supported by tourism, container shipping and the defence force requirements.	<ul style="list-style-type: none"> <li>• Marine diesel</li> <li>• Fuel oils</li> <li>• Lubricants</li> </ul>
<b>Industrial &amp; Commercial</b> 	Fuel and bitumen is supplied to construction companies involved in building roads and infrastructure. Demand is heavily impacted by State and Federal Government spending.	<ul style="list-style-type: none"> <li>• Diesel</li> <li>• Bitumen</li> <li>• Lubricants</li> <li>• Solvents</li> </ul>

Source: Wood Mackenzie.

Drivers of key commercial end markets are explored in further detail below.

**Aviation:** Australia's growing population and large landmass have historically supported demand for aviation fuel<sup>71</sup>, with total domestic aviation passenger movements growing at a 3.0% CAGR from 2010-2017. In turn, Australian aviation fuel volumes have grown at a CAGR of 3.5% over the same period<sup>72</sup>. Wood Mackenzie identifies aviation fuel as a key component of overall domestic commercial fuel volumes and expects demand to continue increasing, albeit at a slower rate, as forecast air passenger volume growth is expected to be partially offset by an increase in load factors and fuel efficiency.

**Marine:** Marine fuel contributes a small proportion of overall fuel demand in Australia, accounting for less than 2% of domestic refined product consumption by volume in 2017<sup>73</sup>. Over the past few years, substantial growth in the Australian cruise industry has helped to offset some of the declining fuel demand observed in the other marine end markets including the container shipping and oil and gas sectors<sup>74</sup>. Wood Mackenzie expects that changing sulphur regulations (see Section 3.8.1) are likely to have limited non-price-related impacts in Australia given the small volumes of high sulphur fuel consumed today, and that over the medium term, demand for marine fuels will remain largely flat.

71. Wood Mackenzie.

72. Wood Mackenzie.

73. Wood Mackenzie.

74. Wood Mackenzie.

## 2. Industry overview

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**Resources and transport:** Demand for resources and transportation fuels is underpinned by the mining and road freight sectors in Australia. Demand volumes have grown steadily at a 2.8% CAGR from 2010-2017, and are expected to continue to increase on the back of economic growth and continued consumption in the mining sector<sup>75</sup>. Notwithstanding growth in road freight movements will be partially offset by increases in fuel efficiency, Wood Mackenzie expects diesel demand in Australia to remain broadly stable going forward.

**Industrial and construction:** Refined product demand, including for fuels and specialty products, is supported by Australia's expanding population and resilient annual GDP growth (Section 2.4.2)<sup>76</sup>. Domestically, construction activity is largely underpinned by government investment in infrastructure projects, which is intended to support a growing population and increased urbanisation<sup>77</sup>. The Australian Federal Government's 2018-19 budget reaffirmed a \$75 billion commitment to a national infrastructure plan over the next decade, in addition to existing State Government infrastructure investment programs<sup>78</sup>.

### 2.6 Developments in the fuel marketing sector

Historically, transportation fuel demand in Australia has represented a significant portion of overall levels of domestic refined product demand<sup>79</sup>. Demand for transportation fuels is impacted by many market variables including, most notably, population growth, car ownership, economic activity, fuel efficiency, the uptake of hybrid and electric vehicles and the substitution towards alternative fuels (i.e. biofuels)<sup>80</sup>.

#### 2.6.1 Fuel efficiency

Vehicle fuel efficiency has improved significantly over the past decade<sup>81</sup>; however, according to Wood Mackenzie it remains lower in Australia than in other peer countries, in part due to Australia's lack of mandatory regulations on vehicle fuel efficiency.

Enhanced engine sophistication and improved fuel efficiency reduces the volume requirements for standard diesel and petrol. However, to an extent, this is counterbalanced by the fact that an increase in engine sophistication will be a driver of demand for premium fuels such as high octane fuel, as more advanced engines will likely require higher quality fuel products to run effectively<sup>82</sup>. Typically, premium products attract higher margins than standard diesel and petrol products.

#### 2.6.2 Hybridisation and electric vehicles

In Australia, electric vehicle ("EV") sales (including plug-in hybrids) have remained relatively limited to date, making up 0.06% of the passenger car fleet in 2017<sup>83</sup>. Wood Mackenzie identifies a number of factors that it believes inhibits the rate of uptake of EVs in Australia relative to other developed economies. These include the:

- absence of government policy support, such as subsidies or tax credits<sup>84</sup>;
- relatively high electricity costs<sup>85</sup> and the predominance of coal-fired power, the latter of which reduces the appeal of EVs on environmental grounds;
- early stage of development of charging infrastructure<sup>86</sup>; and
- long driving distances and associated "range anxiety" (i.e. the concern that the car battery will be exhausted)<sup>87</sup>.

In addition to these local factors, Wood Mackenzie sees limitations to the ongoing reduction of battery costs due to current manufacturing limitations and tight markets for metals such as zinc, cobalt, lithium and nickel.

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75. Wood Mackenzie.

76. Wood Mackenzie.

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84. Wood Mackenzie.

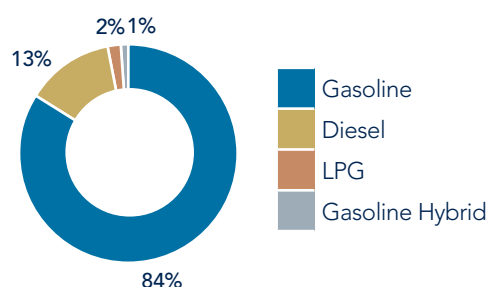
85. Wood Mackenzie.

86. Wood Mackenzie.

87. Wood Mackenzie.

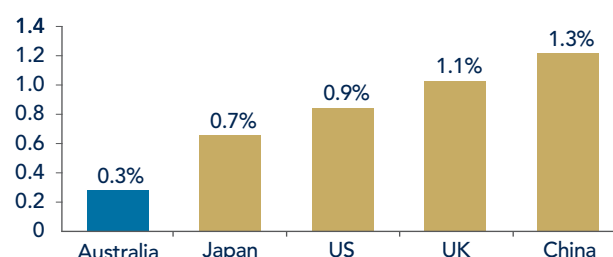
As a result of these factors, Wood Mackenzie believes that while EV penetration will increase over time, reaching 0.3% of the total vehicle fleet by 2020, the rate of penetration in Australia will be restrained, and will continue to be lower than penetration in other OECD countries during that period (see Chart 2.12). Furthermore, the effect of EVs on diesel demand is expected to be minimal, as diesel is primarily used as a fuel for commercial freight, which is expected to be less impacted by EVs<sup>88</sup>.

**Chart 2.11: Forecast Australian passenger car fleet composition in 2020**



Source: Wood Mackenzie.

**Chart 2.12: Forecast EV penetration rates in 2020 for selected OECD countries**



### 2.6.3 Biofuels

Biofuels are a substitute for refined products derived from crude oil. Several government policies supporting the use of biofuels have been implemented in Australia, including in New South Wales and Queensland; however, there is no federal biofuels mandate<sup>89</sup>. Wood Mackenzie expects consumer preferences to remain strongly in favour of refined fuels.

## 2.7 Retail fuels pricing

Transport fuels pricing is a function of three broad components: the international price of refined products as measured by IPP, domestic taxes (excise and GST) and wholesale and retail margins (as discussed below). Volatility of transport fuel prices is primarily driven by movements in the IPP, with industry participants generally able to pass through these costs to customers. According to Wood Mackenzie, in 2017, the IPP made up 45% of the retail price of fuel in Australia, while excise and GST made up 39%, with the balance of 16% comprising wholesale and retail margins.

Wholesale and retail gross margins represent the operating or gross margins downstream petroleum companies receive (before taking into account operating and distribution costs) for selling refined product to end customers. Wholesale gross margins are typically lower than gross retail margins, as a function of the lower costs associated with high-volume fuel sales<sup>90</sup>.

88. Wood Mackenzie.

89. Wood Mackenzie.

90. Wood Mackenzie.

## 2. Industry overview

The wholesale and retail margins presented in Charts 2.13 and Chart 2.14 are intended to be broadly representative of the gross margins earned by market participants for selling refined product volumes on a wholesale and retail basis. Notwithstanding this, the composition and split of the overall fuel margin between wholesalers and retailers will be dependent on the commercial arrangements between those parties, which may differ, including to reflect particular branding, exclusivity and /or other relationship arrangements.

Chart 2.13: Historical industry wholesale gross margins

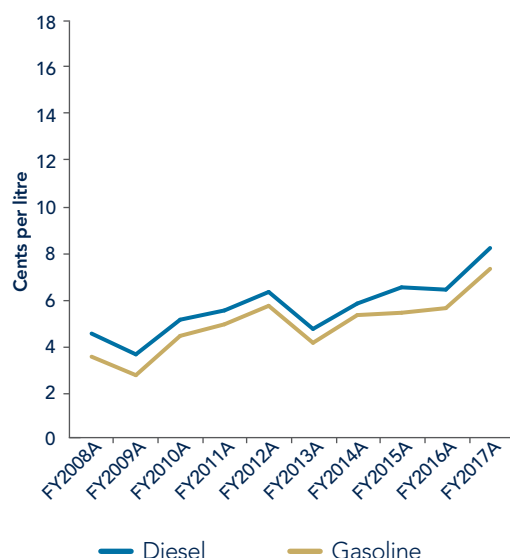
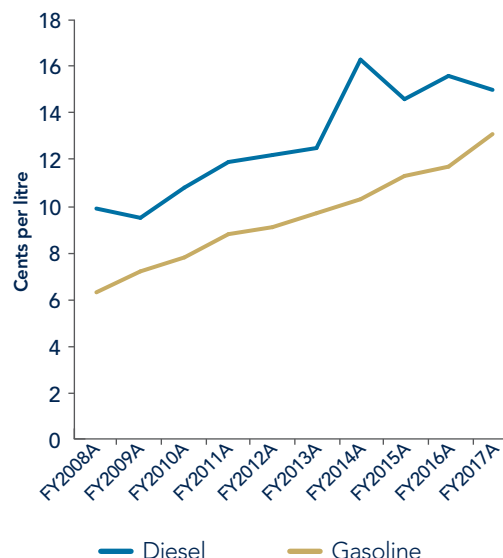


Chart 2.14: Historical industry retail gross margins



Source: Wood Mackenzie.

As illustrated in Charts 2.13 and 2.14, wholesale gross margins for petrol and diesel have been trending upward over the past decade, rising from an estimated 3.5 cents to over 7 cents per litre for petrol and 4.5 to 8.2 cents per litre for diesel between 2008 and 2017<sup>91</sup>. Retail margins have also risen materially between 2008 and 2017, increasing from an estimated 6 to 13 cents per litre for petrol and 10 to 15 cents per litre for diesel<sup>92</sup>.

The ACCC has historically addressed margin increases in published quarterly reports on the Australian market. These reports suggest that margin increases may be due to increased regulatory and compliance costs, as well as higher retail pricing strategies. Wood Mackenzie expects that refinery closures might also be a factor, as the closure of refineries may have resulted in higher distribution costs, as some of the increase in margins has likely arisen from the pass-through of cost increases.

91. Wood Mackenzie.

92. Wood Mackenzie.





## Section 3:

# Company overview

## 3. Company overview

### 3.1 Overview of Viva Energy

Viva Energy is one of Australia's leading integrated downstream petroleum companies. Over the past three years, Viva Energy has supplied over 14 billion litres of petroleum products annually, representing approximately a quarter<sup>1</sup> of Australia's fuel needs. Viva Energy supplies those products to a national network of 1,165 Retail Sites<sup>2</sup>, predominantly operated under a long-term alliance with Coles Express, as well as to other retail operators and wholesale and commercial customers. Viva Energy also manufactures and sells a range of specialty products such as bitumen and chemicals.

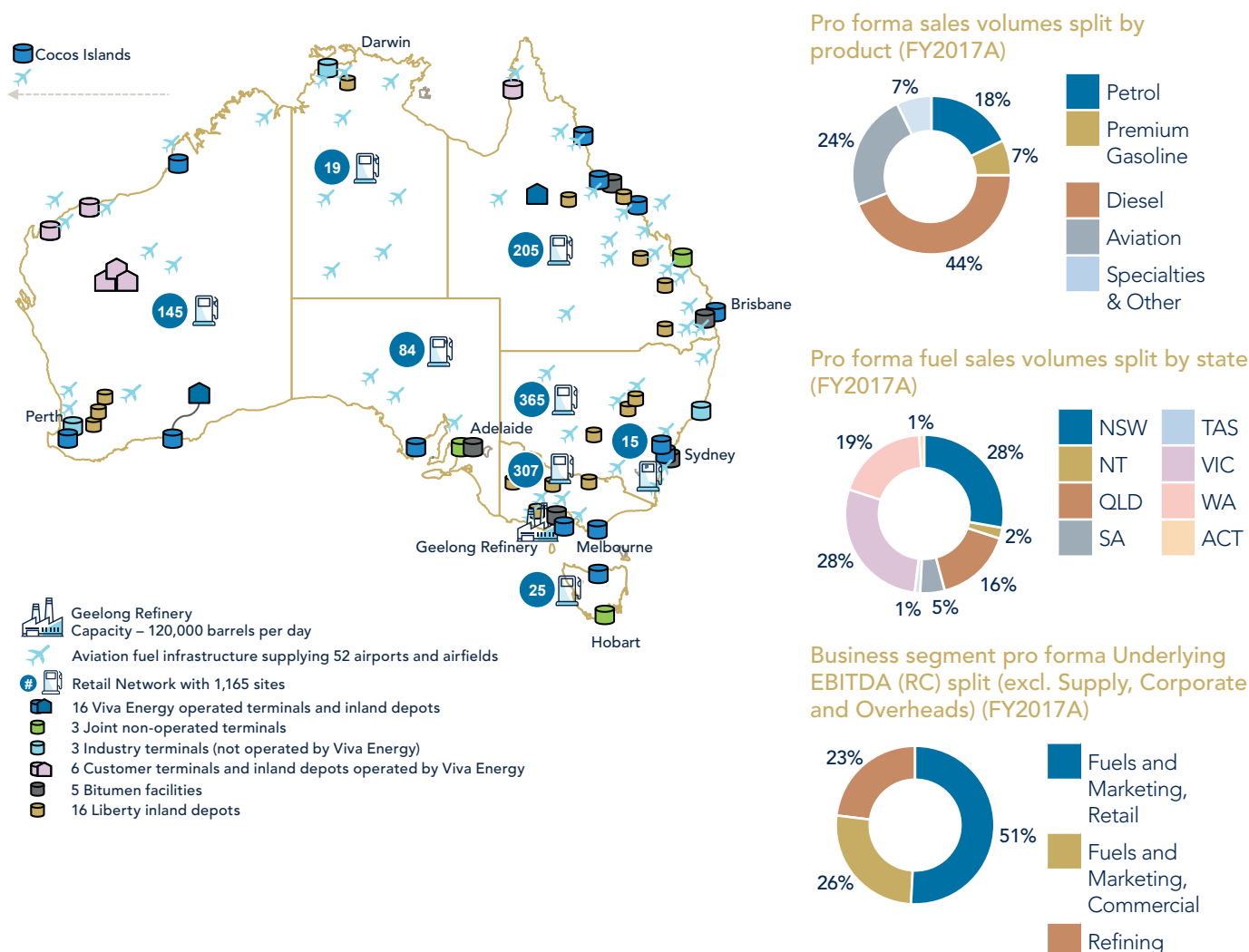
Viva Energy has the sole right to use the Shell brand in connection with the sale of automotive fuels in Australia<sup>3</sup> and generates revenue from fuel sales as well as non-fuel sources, including convenience store royalties, brand licence fees and site lease and licence fee income.

Viva Energy operates a nationwide fuel supply chain, including a strategically located refinery in Victoria, and an extensive import, storage and distribution infrastructure network, including a presence at 52 airports and airfields.

Viva Energy sources most of its crude oil and finished products through the extensive trading network and supply systems of Vitol, one of the world's largest independent energy commodity trading companies and one of the current Shareholders of Viva Energy through Vitol Investment Partnership.

Viva Energy also owns 50% of the Liberty Oil fuel distribution and marketing business and 38% of Viva Energy REIT, an ASX-listed company and property trust that owns service station property assets that it leases to Viva Energy and Liberty Oil.

Figure 3.1: Viva Energy Australian network summary



1. Market share data is based on total Australian market fuel volumes of 59.6 billion litres, as per Australia Petroleum Statistics in 2017, and in respect of Viva Energy, is based on total fuel volumes of 14.2 billion litres in the 2017 calendar year.

2. As at 31 March 2018.

3. Viva Energy has granted a sub-licence to Coles Express and certain other operators of Retail Sites in respect of the Shell brand.

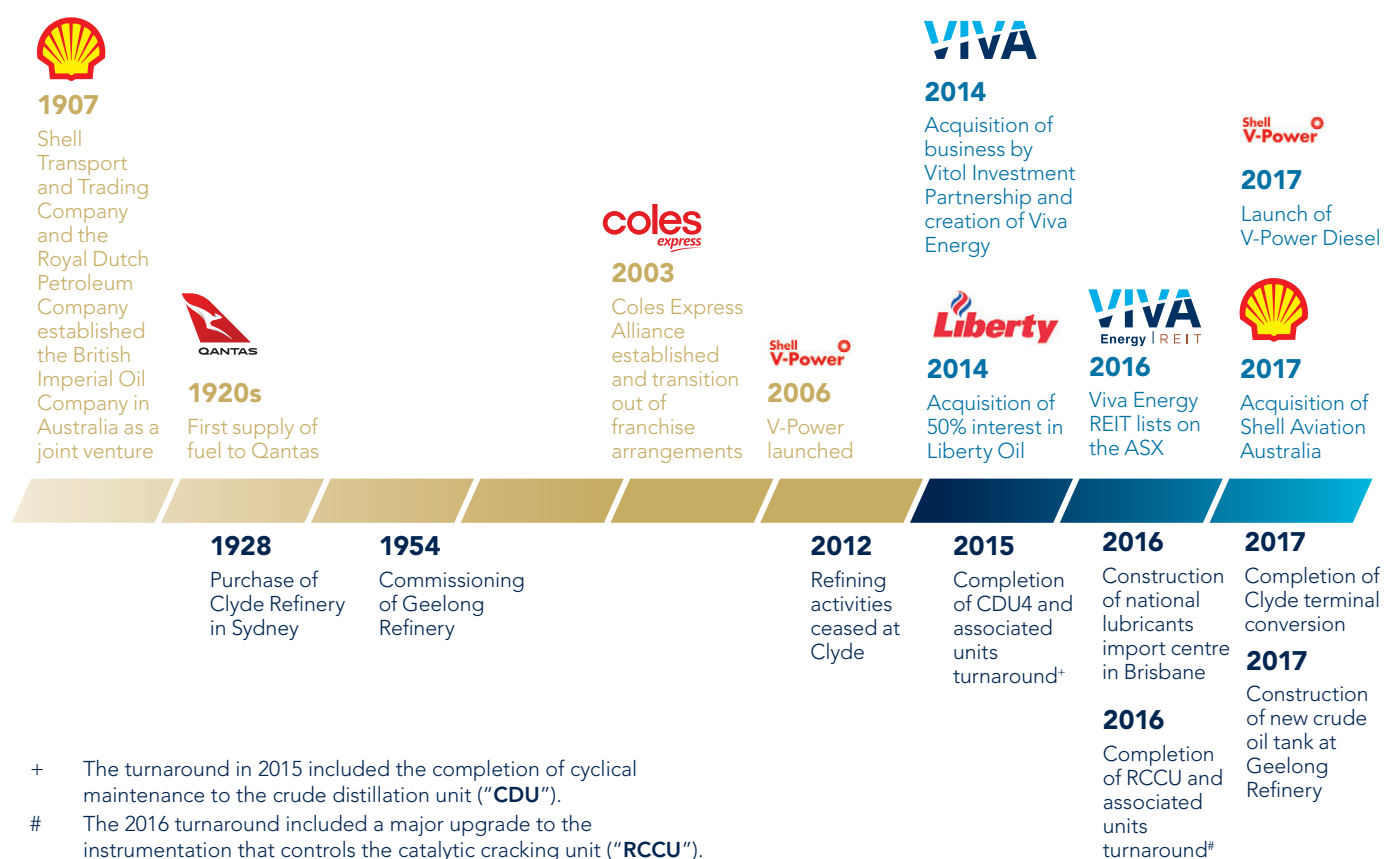
### 3.1.1 History

In 2014, a Vitol-led consortium, Vitol Investment Partnership, acquired the Shell Australia downstream business (excluding the aviation business) from the Shell group. The business has operated in Australia for over 110 years and is now known as Viva Energy. As part of the 2014 acquisition, Viva Energy entered into a long-term brand licence agreement with an affiliate of Royal Dutch Shell under which Viva Energy was granted the sole right to use the Shell brand in connection with the sale of certain petroleum products in Australia<sup>4</sup>.

Since its acquisition by Vitol Investment Partnership, Viva Energy has invested \$1.05 billion into its business to achieve greater efficiency, scale and operating flexibility. In particular, Viva Energy has:

- completed major maintenance turnarounds and improved production capability at the Geelong Refinery by increasing the capacity of the pipeline system servicing Melbourne markets, as well as expanded storage through the construction of a new 100 million litre crude oil tank;
- increased supply chain efficiency by completing the conversion of the Clyde refinery in New South Wales into an import terminal<sup>5</sup>, and by increasing pipeline pumping capacity to Melbourne and the Victorian market;
- expanded its business through the acquisition of Royal Dutch Shell's aviation business<sup>6</sup> in Australia and a 50% stake in Liberty Oil;
- sold (and leased back) a portfolio of Retail Sites to Viva Energy REIT and listed Viva Energy REIT on the ASX in 2016; and
- added a net total of 69 Company Controlled and Alliance Sites<sup>7</sup> to its Retail Network (which is 59 Retail Sites including closures) (as of 31 March 2018).

Figure 3.2: Corporate timeline



4. Viva Energy has granted a sub-licence to Coles Express and certain other operators of Retail Sites in respect of the Shell brand.
5. Viva Energy's capital expenditure on the Clyde terminal conversion amounted to approximately \$28 million in FY2015, \$42 million in FY2016 and \$45 million in FY2017.
6. Prior to the acquisition of the aviation business, Viva Energy enjoyed economic benefits from these operations through a margin sharing agreement with Shell.
7. Comprising seven Retail Agent Sites, 39 Alliance Sites that are Company Controlled Sites and 23 Coles Company Controlled Sites.

## 3. Company overview

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### 3.1.2 Vision and strategy

Viva Energy's vision is to:

- be one of Australia's most respected energy companies;
- focus on continued operational excellence and safe and reliable operations;
- expand its markets through innovation and a dedicated customer-centric focus;
- care for the environment and the communities in which it operates by dealing responsibly with all its stakeholders; and
- deliver attractive and sustainable shareholder returns and consistent operating cash flows.

Viva Energy seeks to achieve these aims by leveraging its strategic national infrastructure, focusing on continued operational excellence and safe and reliable operations, while expanding its markets through innovation and keen focus on the needs of its ultimate customers.

Viva Energy is focused on maximising long-term shareholder value and achieving industry-leading performance by leveraging the Group's competitive advantages. Key sources of competitive strength include:

- a national, integrated fuel supply network, which includes strategically located and difficult to replicate infrastructure;
- an experienced, responsible leadership team and a clear cultural focus across the organisation;
- strong, well-recognised brands and stakeholder relationships; and
- a commitment to innovate and reinvest in the business to deliver sustainable growth.

### 3.1.3 Business structure

Viva Energy operates across three business segments:

- **Retail, Fuels and Marketing:** The Retail, Fuels and Marketing segment consists of retail and commercial operations.
  - **Retail:** Viva Energy supplies and markets quality fuel products through a national network of over 1,100 Retail Sites comprising Alliance Sites, Retail Agent Sites, Unmanned Truck Stops, Dealer Owned Sites and through its investment in, and supply to, Liberty Oil, Liberty Sites. The majority of this network is Shell-branded, and 713 of the sites are operated by Coles Express under the Coles Alliance. Viva Energy also supplies other retail operators and wholesalers.
  - **Commercial:** Viva Energy is a leading supplier of fuel, lubricants and specialty products to commercial customers in the aviation, marine, transport, resources, and construction and manufacturing industries, underpinned by long-standing customer relationships with leading companies including Qantas, Toll, Carnival, Rio Tinto and Fulton Hogan.
- **Refining:** Viva Energy owns and operates a refinery in Geelong, Victoria (the "Geelong Refinery"), which converts imported and locally sourced crude oil into petroleum products including gasoline, diesel, jet fuel, aviation gasoline, gas, solvents, bitumen and other speciality products.
- **Supply, Corporate and Overheads:** Viva Energy owns or has contracted access to a national infrastructure network comprising terminals, storage tanks, depots and pipelines positioned across metropolitan and regional Australia in all states, and also uses three refuelling barges in Sydney and Melbourne. Viva Energy also contracts with a number of transport companies, providing for the efficient distribution of its products to market. Corporate functions and support services operate out of this segment.

Viva Energy sources the majority of its crude oil and refined products from Vitol. Viva Energy's business also includes investments in Viva Energy REIT, Liberty Oil and the potential investment in Westside Petroleum<sup>8</sup>.

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8. Viva Energy has recently agreed to acquire an interest in the Westside Petroleum retail business (which remains subject to regulatory approval). Please see Section 3.2.1.4 for further details.

Figure 3.3: Viva Energy business summary

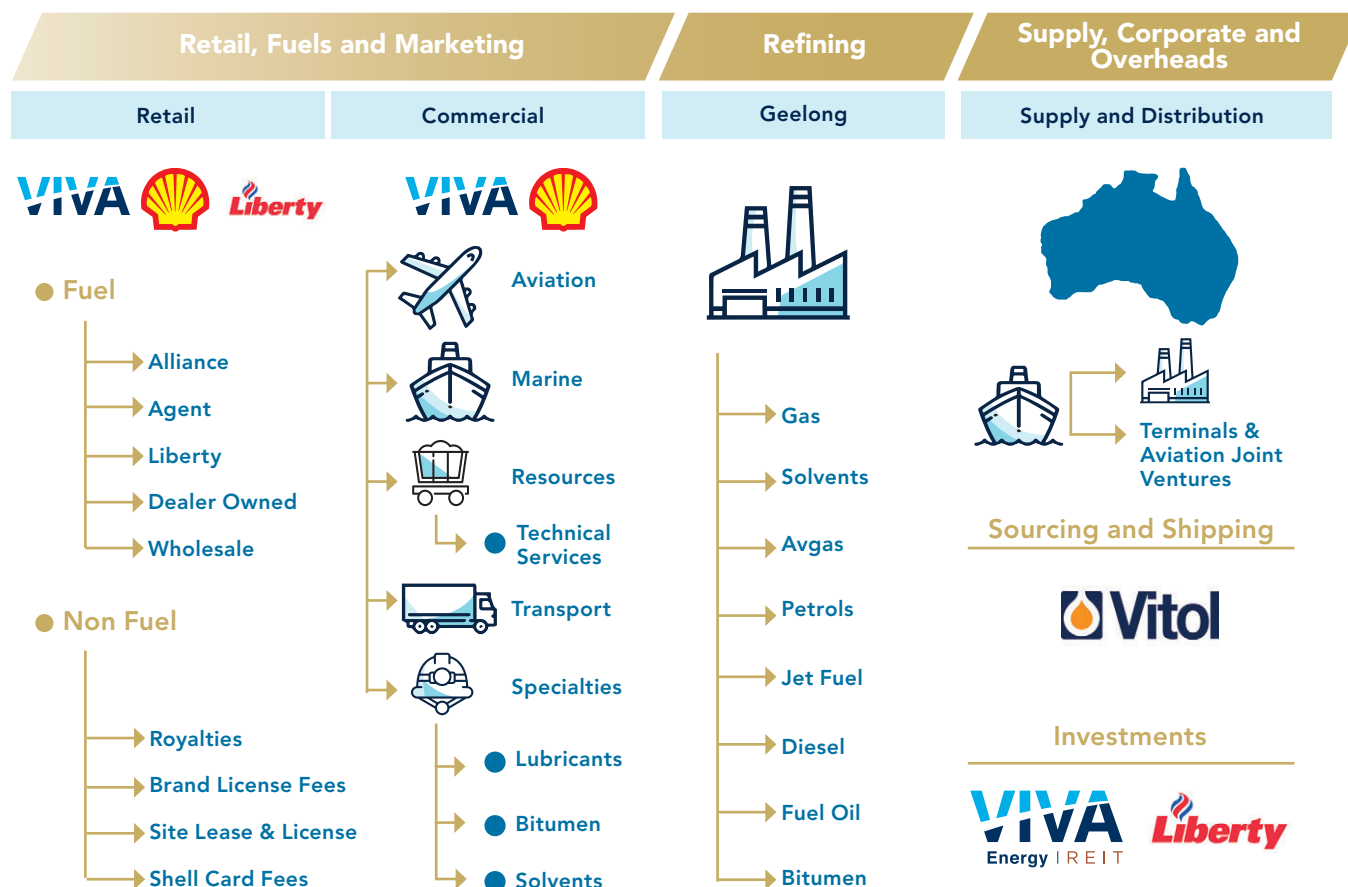


Chart 3.1: Viva Energy fuel volumes sold by product (million litres)

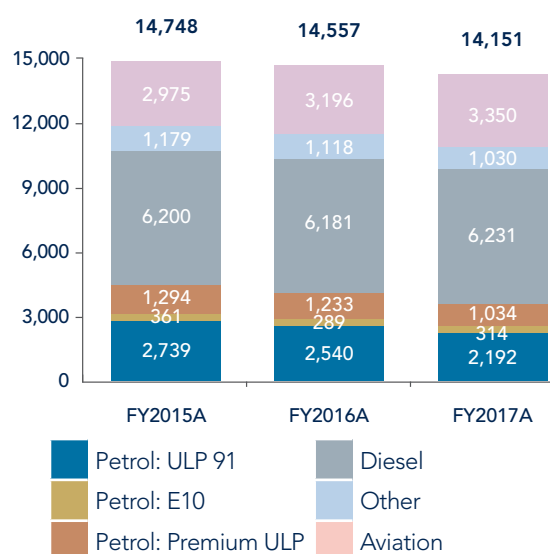
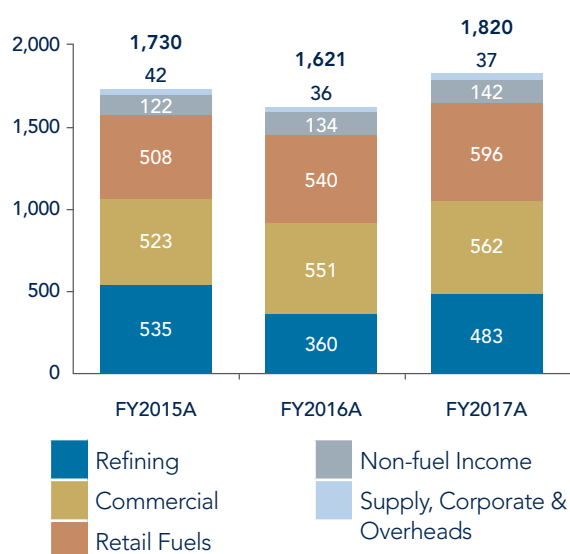


Chart 3.2: Viva Energy Gross Profit (RC)<sup>9</sup> contribution (\$ million)



9. Gross Profit (RC) is representative of Gross profit on a replacement cost basis, as further explained in Section 4.3.1.

## 3. Company overview

### 3.2 Retail, Fuels and Marketing

The Retail, Fuels and Marketing segment comprises retail and commercial operations.

#### 3.2.1 Retail

##### 3.2.1.1 Overview

Viva Energy's retail business generates income from fuel sales to the operators of Retail Sites in its network and from a range of other revenue sources, including the direct sale of petroleum products to customers at Unmanned Truck Stops and Retail Agent Sites and the sale of petroleum products on a wholesale basis to other fuel marketers. In addition, Viva Energy generates non-fuel income from fees for the use of the Shell Card at Retail Sites, together with convenience store royalty payments and site lease and licence fee income from Coles Express and brand licensing fees from the operators of Dealer Owned Sites.

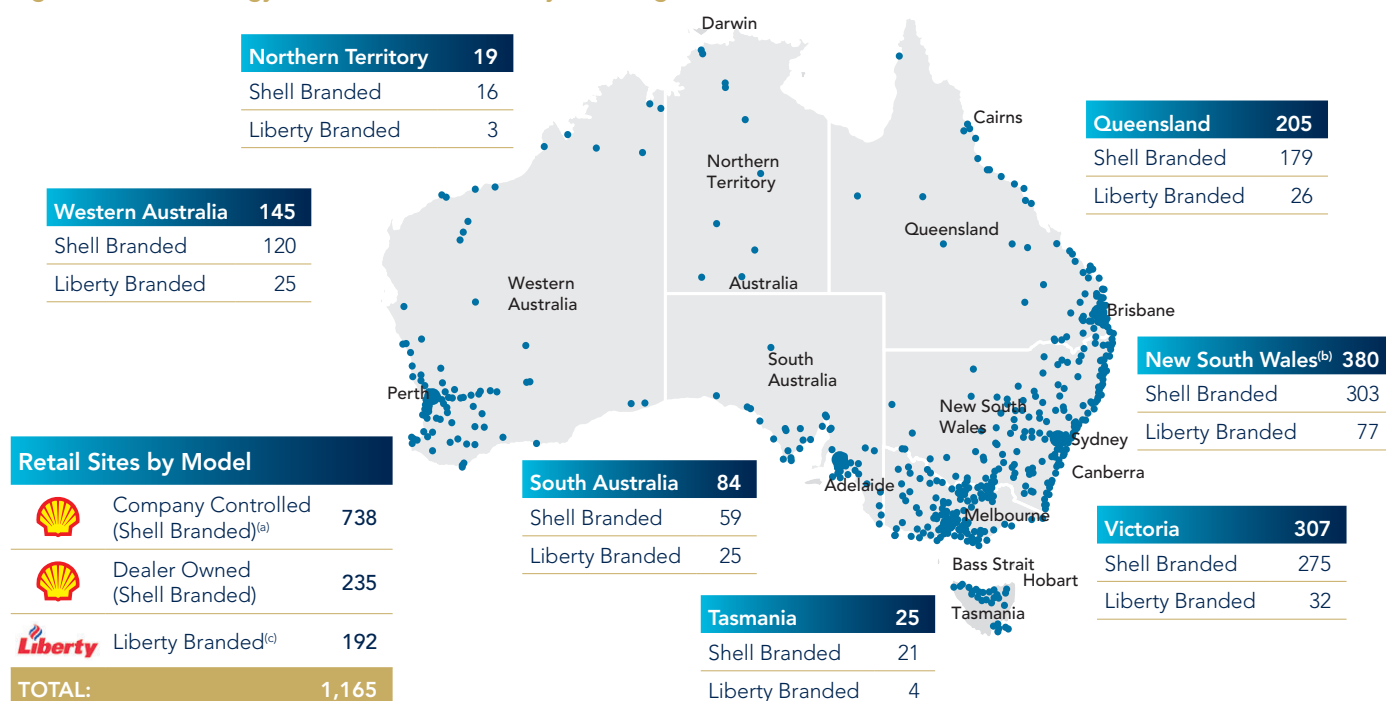
Viva Energy's approach to its retail business is centred on five key principles:

#### 1) Strategic locations

Viva Energy's network of 1,165 Retail Sites is located throughout Australia on main highways, metropolitan thoroughfares, suburban centres, and regional towns. The network has over 110 years of history and this is reflected in its size, geographic coverage and Viva Energy's control of Retail Sites in urban locations.

Company Controlled Sites within Viva Energy's network are weighted towards high density and high fuel volume metropolitan zones, particularly the Eastern seaboard of Australia, and the Sydney, Melbourne and Brisbane metropolitan areas. Viva Energy also supplies fuel to Dealer Owned Sites and, in line with its investment in Liberty Oil, to Liberty Sites, with this network typically being more regionally focused.

Figure 3.4: Viva Energy's national Retail Sites by branding and retail model<sup>10</sup>



The above map is illustrative of the national retail network and does not include all sites.

(a) 44 Sites in the Alliance network are not Company Controlled.

(b) New South Wales includes the Australian Capital Territory which has 15 Shell branded sites.

(c) There are 74 Shell branded Liberty Sites and 192 Liberty Branded Liberty Sites.

10. Viva Energy's national Retail Networks consists of Alliance Sites, Unmanned Truck Stops, Retail Agent Sites, Dealer Owned Sites and Liberty Sites. Viva Energy has also recently agreed to acquire an interest in the Westside Petroleum retail business (which remains subject to regulatory approval). Please see Section 3.2.1.4 for further details.



Viva Energy has one of the largest networks of Retail Sites in Australia. Viva Energy controls the right to occupy 694 (of 1,165 total Retail Sites in its network), the majority of which are controlled under long term leases with Viva Energy REIT, with the remainder leased from third party landlords<sup>11</sup>. Viva Energy's Retail Network also includes Retail Sites that are controlled and operated by third-parties and to which Viva Energy (directly or indirectly through Liberty Oil) supplies fuel for sale to retail customers and, in some cases, licenses them to use the Shell brand.

**Table 3.1: Retail Sites WALE<sup>12</sup>**

	Number of sites	Average WALE
Sites leased from Viva Energy REIT	434	13.6 years
Sites leased from other third parties	252	6.3 years
Sites owned by Viva Energy	8	n/a
<b>Total Company Controlled Sites</b>	<b>694</b>	

Under each lease with Viva Energy REIT, Viva Energy has seven options to renew the lease term for a period of 10 years per option. Many of the third-party leases also grant Viva Energy options to extend the term.

## 2) Well recognised brands

Viva Energy has aligned itself with brands that are well recognised and promote trust in its products and the services offered at Retail Sites. Of the 1,165 Retail Sites within Viva Energy's Retail Network, 973 Retail Sites carry the Shell brand, which is one of the most recognised global brands, synonymous with quality, high performing fuels that customers can trust. Shell V-Power is the premium Shell fuel brand, which is available in 98 octane petrol and more recently Shell V-Power Diesel.

The majority of Viva Energy's Company Controlled Sites are operated by Coles Express, which is part of the Coles group and aligned with the supermarket chain. Coles has been operating in Australia since 1914 and had approximately 2,500<sup>13</sup> supermarket and convenience stores nationwide at 31 December 2017. Coles Express is a leader in the convenience retail market in Australia.

Through its investment in Liberty Oil, Viva Energy also benefits from the Liberty brand at 192 Liberty-branded sites.

**Figure 3.5: Brands in the Viva Energy Retail Network**



Shell

One of the most recognised global brands



Coles Express

Specialist fuel and convenience retailer in Australia



Liberty Oil

Nationwide Liberty-branded retail station network

11. Viva Energy owns eight Retail Sites including five Unmanned Truck Stops.

12. WALE is the weighted average lease expiry of the portfolio of property sites, measured in years.





13. As per December 2017, including 806 supermarkets, 894 liquor stores, 88 hotels and 712 Coles Express sites, based on the Wesfarmers 2018 Half-year Report.

### 3. Company overview

#### 3) Extensive offering

Viva Energy has an extensive fuel products offering, which continues to evolve to meet changing consumer preferences and regulations.

Figure 3.6: Fuel products offered by Viva Energy

Premium		Premium petrols include Shell V-Power 98, Shell Premium Unleaded 98, and the Shell Unleaded 95 formula for high-performance vehicles. Premium diesel formulas are sold under the Shell V-Power Diesel and Shell Diesel Extra brands.
Regular		Regular petrols include Shell Unleaded 91, E10 (which contains up to 10% ethanol) and regular Shell Diesel.
Lubricants		Viva Energy is the sole distributor of mineral oil-based and synthetic Shell lubricants in Australia with key brands including Helix (auto), Advance (motorcycles), Nautilus (marine) and Rimula (trucks and heavy duty engines).
Other		Specialty products include Shell AutoGas LPG and AdBlue, a catalyst used in many modern diesel engines to reduce nitrogen oxide emissions.

Viva Energy's retailing partners provide a diverse non-fuel convenience offering including groceries, coffee, sandwiches, hot food, baked goods, gas bottles and various car products and accessories. Additional services are also offered at selected Retail Sites, including car washing and cleaning services, auto-repair services, mobile sim recharging, ATM machines and other convenience services, such as parcel pick-up and click-and-collect. The suite of services and products that Viva Energy and its retailing partners offer continues to evolve to meet the changing needs of its customers.

#### 4) Capital-light and operating expenditure-light platform

Particularly since the establishment of Viva Energy REIT in 2016, Viva Energy employs a "capital-light" operating model for its retail business. This operating model involves Viva Energy leasing a large proportion of its Company Controlled Sites from Viva Energy REIT and other third-party property owners. Establishing Viva Energy REIT also enabled Viva Energy to significantly reduce its external debt.

Viva Energy's responsibility for site infrastructure is typically limited. In the Coles Alliance, it is limited to the fuel equipment, signage, cleaning and forecourt infrastructure only, with convenience store fit-out, maintenance capital and responsibility for employees assumed by Coles Express. At Dealer Owned Sites, the third-party site operators have responsibility for the infrastructure at that site.

Additionally, with the majority of its Company Controlled Sites being Alliance Sites, Viva Energy is able to benefit from the scale and consistency of Coles Express's convenience offering and avoid the complexity and challenges associated with other industry operating models such as the franchisee retailing model.

#### 5) Loyalty

Viva Energy and Coles Express offer loyalty programs that help to develop a stronger relationship with customers and drive additional site traffic and fuel purchases from Retail Sites.

Viva Energy provides and administers the Shell Card, which is a fleet card targeted at commercial customers, with more than 500,000 individual card holders registered at 31 March 2018.

At Alliance Sites, Coles Express accepts shopper-docket discounts (generally a 4.0 cents per litre discount on eligible fuel purchases with a \$30 purchase from a Coles supermarket<sup>14</sup>, and up to 10 cents per litre for any customer who spends \$20 or more in-store at a Coles Express) and its FlyBuys reward program (Australia's most popular shopping loyalty points program with 8.1 million active members as at 31 December 2017), both of which promote customer loyalty to Coles Express outlets.

Figure 3.7: Viva Energy and Coles loyalty program offerings



**Shell Card** – Fleet card targeted at commercial customers



**FlyBuys** – Australia's most popular shopping loyalty points program



**Shopper dockets** – Fuel discount program

### 3.2.1.2 Viva Energy retail channels

A number of operating models are employed across Viva Energy's 1,165 Retail Sites that reflects decades of evolution. In 2003, Viva Energy simplified its retail model by transitioning away from its retail franchising arrangements with multiple parties and entering into an Alliance with Coles Express. This simplification saw Coles Express become the operator and sub-lessee or licensee of the majority of Viva Energy's Company Controlled Sites, enabling Viva Energy to benefit from the convenience competencies and branding of a large established retailer. Today, Viva Energy's retail models vary in terms of Viva Energy's level of operational control and responsibility to set fuel prices, as well as its exposure to non-fuel income.

Figure 3.8: Viva Energy retail model summary

		Company Controlled				Independent Dealer Owned		Total
		Alliance		Viva Energy		Dealer Owned	Liberty Sites*	
		Coles Controlled	Viva Energy Controlled	Retail Agent Sites	Unmanned Truck stops			
Viva Energy responsibilities	Fuel supply	✓	✓	✓	✓	✓	✓	
	Shell Card accepted	✓	✓	✓	✓	✓	✓+	
	Fuel/Forecourt infrastructure		✓	✓	✓			
	Setting board price			✓	✓			
	Convenience shop offer and infrastructure			Joint	N/A			
Number of sites		44	669	7	18	161	266	1,165
		713		694				

\* 74 sites in the Liberty Oil network operate under the Shell brand and a number of the Liberty Sites are controlled by Liberty Oil.

+ The majority of Liberty Sites accept Shell card.

✓ indicates Viva Energy involvement.

14. As of January 2014, Coles and Woolworths have undertaken to the ACCC that they will limit fuel savings offered to supermarket customers to 4 cents per litre.

### 3. Company overview

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#### 3.2.1.3 Company Controlled network

##### Alliance Sites

713 of the Retail Sites in Viva Energy's network are operated by Coles Express under a retail alliance which has been in place since 2003 ("**Coles Alliance**" or "**Alliance**"). Coles Express is part of the Coles group, one of Australia's largest supermarket retailers.

Figure 3.9: Illustrative Coles Alliance Retail Site



The Alliance Sites operate under joint Shell and Coles Express branding. Viva Energy supplies fuel and Shell-branded products to these sites on an exclusive basis. Coles Express undertakes the day-to-day operations of the Alliance Sites, including managing retail fuel sales and the convenience store offering, setting fuel prices and employing staff.

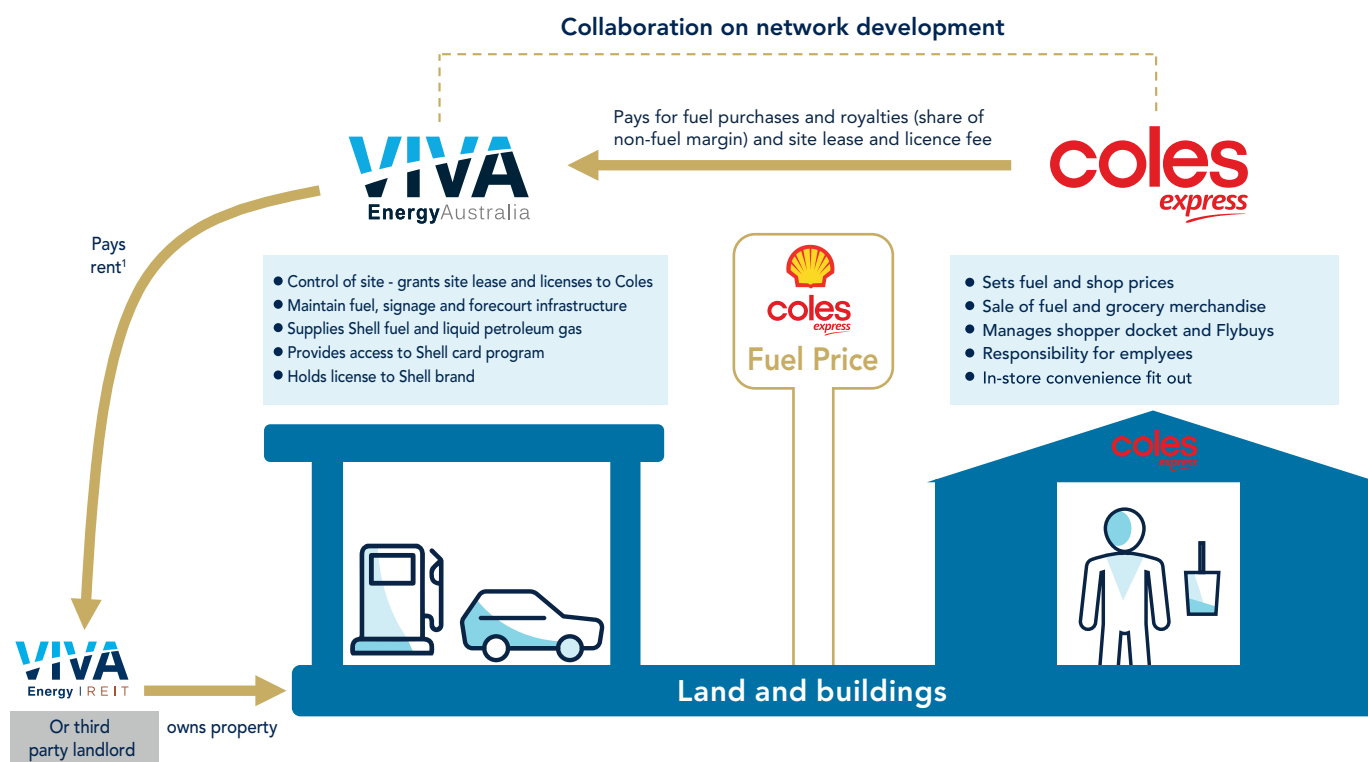
78% of Alliance Sites are located in the most populous Eastern seaboard states, and the majority of the Alliance Sites (669 out of 713) are Company Controlled Sites<sup>15</sup>. In respect of each of these Company Controlled Sites, Viva Energy holds a long-term lease from Viva Energy REIT or another third-party landlord, and Viva Energy grants a lease or licence to Coles Express that permits it to occupy that site. In respect of all Alliance Sites, Viva Energy also licenses Coles to market fuel under the Shell brand and receives royalties on convenience store sales in excess of agreed sales thresholds. Shell Card is accepted at all Alliance Sites<sup>16</sup>. Viva Energy is the exclusive supplier of fuel, gas and lubricants to Coles Express. Viva Energy is also, subject to certain constraints, permitted to establish new Shell-branded sites outside of the Alliance. For more information about the Alliance Agreement, please refer to the Section 9.1.

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15. Included in the Eastern seaboard site count are 15 Shell-branded sites located in the Australian Capital Territory.

16. Viva Energy administers Shell Card. Customers who acquire fuel through Shell Card purchase it directly from Viva Energy.

Figure 3.10: Coles Alliance illustrated



(1) Viva Energy owns three Alliance Sites.

44 Alliance Sites are leased directly by Coles Express and are typically located on or close to Coles supermarket sites. Coles Express is responsible for maintaining on-site fuel infrastructure on these sites with Viva Energy generating income from fuel sales to Coles Express and convenience store royalties. 23 such Coles Express sites have been rolled out since the end of 2014.

The Alliance brings Viva Energy's fuel supply and marketing capability together with Coles' retail expertise, marketing capability and convenience store offering. Coles Express' revenues have increased by 5% annually since the Alliance was formed in 2003<sup>17</sup>. This arrangement benefits Viva Energy by allowing the Company to benefit from the existing capabilities of an established nationwide retailer in areas such as inventory and people management. Both parties collaborate and drive growth initiatives, including through jointly planning and collaborating on network development, sharing some marketing investments and launching new products such as Shell V-Power Diesel.

### Retail Agent Sites and Unmanned Truck Stops

Viva Energy also operates a network of 18 Unmanned Truck Stops providing low-cost refuelling options for heavy vehicles, typically at regional or highway locations. The Shell Card is a key driver of fuel sales through this network.

Recently, Viva Energy has also developed a new retail offering at a small number of its Company Controlled Sites. At those Retail Sites, Viva Energy contracts with third-party retail agents ("**Retail Agents**") to operate the site on its behalf, in return for the payment of commissions. At these Retail Sites, Viva Energy sells fuel directly to retail customers and sets the retail price, rather than selling to the operator on a wholesale basis.

The Retail Agent Sites provide another channel through which Viva Energy can increase the breadth of its network of Retail Sites and pursue its own fuel retailing and convenience strategies. The first Viva Energy Retail Agent site was opened in March 2017, with seven sites in operation by the end of 2017, and the Company intends to have a total of 20-25 operational by the end of 2018, with a pipeline of sites identified for further expansion.

17. Based on Coles Myer Ltd United States Securities and Exchange Commission Form 20-F, 2004 and Wesfarmers' 2017 Full-year Results Briefing Presentation, August 2017.



## 3. Company overview

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### 3.2.1.4 Independent Dealer Owned and wholesale

#### Dealer Owned Sites

There are 161 Shell-branded Dealer Owned Sites at which independent operators are licensed to trade under the Shell brand, accept the Shell Card, and are supplied fuel products by Viva Energy. Viva Energy derives a wholesale margin from fuel supply, fees from Shell Card sales, and branding fees. Viva Energy has no ownership interest in convenience stores or associated infrastructure at Dealer Owned Sites, and each dealer is required to maintain its sites.

#### Liberty Sites and wholesale

Viva Energy acquired a 50% shareholding in Liberty Oil in 2014.

Liberty Oil is an independent fuel retailer and distributor in Australia, with a strong presence in regional markets, countrywide. Liberty Oil maintains a company-operated transport fleet that distributes fuel to its customers through its network of inland depots as well as through distribution arrangements with other third parties. Liberty Oil supplies a network of Retail Sites, as well as on a wholesale basis to fuel resellers and commercial customers. As of 31 March 2018, there were 266 Retail Sites in the Liberty Oil network, of which 192 are Liberty Oil branded and 74 Shell branded under a licence from Viva Energy. Liberty Oil operates multiple retail models, including Dealer Owned sites which are controlled by third parties, and its own retail network where it has acquired or leased Retail Sites directly. Viva Energy supplies the majority of Liberty Oil's fuel requirements, and Shell Card is accepted at most Liberty Sites.

The founders of Liberty Oil are board members of New World Holdings ("**NWH**"), which holds the other 50% stake in Liberty Oil. These founders continue to manage the business on a day-to-day basis, with Viva Energy having representation on the board of directors of Liberty Oil. Liberty Oil has a pipeline of over 25 identified sites that it is working to add to its retail network and which are located throughout Victoria, South Australia, Queensland, Western Australia and New South Wales. Over the 12 months ended 31 December 2017, Liberty Oil generated revenues of \$1.29 billion, and EBITDA of \$16.7 million.

The 50% shareholding that Viva Energy does not own is subject to a put and call option that is exercisable in certain circumstances. For further information on the investment in Liberty Oil refer to Section 9.5.

#### Wholesale fuel business

In addition to supplying fuel to the operators of Retail Sites in its network, Viva Energy also sells fuel to a number of other retail operators and wholesale distributors that supply a range of Dealer Owned, non-Shell branded service stations. Viva Energy receives a wholesale margin on fuel products supplied to these customers.

#### Potential Westside Petroleum investment

In May 2018, Viva Energy agreed to acquire a 50% non-controlling interest in Westside Petroleum, an independently owned and operated retail fuels business, with more than 50 Retail Sites across New South Wales, Victoria and Queensland. The Retail Sites in Westside Petroleum's network operate under a variety of models displaying predominantly Shell or Westside Petroleum branding. Viva Energy is currently a major supplier of refined product to Westside Petroleum, and the acquisition, if completed, will contribute to the growth, and geographical diversity of sites, in Viva Energy's retail fuel network. If the transaction completes, Westside Petroleum will continue to operate independently, with Viva Energy having a right to board representation. The acquisition remains subject to regulatory approvals, and if approved, is expected to complete in the second half of 2018. The initial cash purchase price in respect of the 50% interest is \$15,000,000, which amount may be increased by reference to an earn-out mechanism in respect of the 12 months to 30 September 2019. Viva Energy has also been granted a call option to acquire the remaining 50% interest in Westside Petroleum, with the exercise price being an amount determined by reference to an earnings-based formula.

### 3.2.2 Commercial

Viva Energy supplies fuel and specialty products, such as bitumen, lubricants and solvents, to commercial customers in the aviation, marine, transport, resources and construction sectors. Viva Energy particularly targets medium-to-large customers, focusing on key relationships and providing an integrated offer comprising cost-effective and competitive supply through strategic infrastructure and technical support.



Supply contracts vary by customer and segment; however, they typically provide for Viva Energy securing relatively stable margins per litre, passing through impacts from changes in oil market pricing, as well as some elements of freight costs, to the customer.

Viva Energy has longstanding relationships with several high volume customers across each of its commercial operating segments, reflecting the business' wide national coverage, competitive supply chain and long-term history of reliable service in these markets.

Figure 3.11 provides information about certain longstanding relationships with large commercial customers.

Figure 3.11: Select longstanding customer relationships

								
Aviation	✓					✓		
Marine		✓	✓	✓				
Transport			✓		✓			
Resources							✓	
Specialities	✓		✓	✓		✓	✓	✓

### 3.2.2.1 Aviation

Viva Energy is a leading provider of aviation fuels to the airline sector in Australia. It supplies fuel products at 52 airports and airfields across the country and accounted for approximately 37% of the national aviation fuel supply market by volume in 2017. Viva Energy's primary product in this segment is jet turbine fuel. The remaining volume represents sales of aviation gasoline, a highly refined form of gasoline used in smaller propeller aircraft. Most of Viva Energy's aviation fuel is sold at the airports located in five major cities: Sydney, Melbourne, Perth, Adelaide and Brisbane.

Viva Energy supplies aviation fuel to a diverse range of customers, including international and domestic airlines, special carriers, general aviation users and the military. In 2017, the aviation gross profit split was approximately 39% domestic, 33% international, 25% general aviation and 3% other. Viva Energy services approximately 50 airlines in Australia, and has strong relationships with key global airlines such as Virgin Australia and Emirates, including a 90+ year relationship with Qantas.

Viva Energy has a team of approximately 200 aircraft refuellers, providing a customer delivery model that aims to ensure both flexibility and consistent quality services. Viva Energy acquired its aviation fuels business from the Royal Dutch Shell group in 2017 and is currently undertaking a rebranding of the business to Viva Energy Aviation. Through this acquisition, Viva Energy secured access to refuelling and storage infrastructure at a number of airports. Viva Energy's access to this infrastructure is important, as it enables Viva Energy to supply its aviation customers in a cost-effective manner. In addition, Viva Energy has ownership of, or access to, infrastructure (via pipelines and storage) that facilitates the transportation of aviation fuel products to each of the major airports in Australia.

Figure 3.12: Viva Energy aircraft refuelling truck



### 3. Company overview

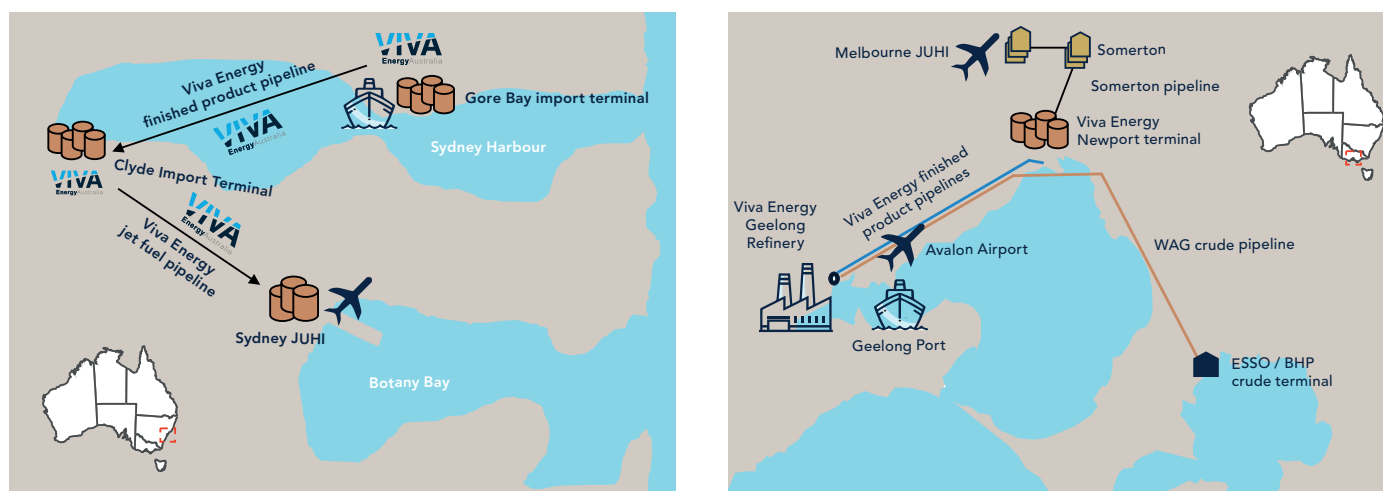
Viva Energy is party to a number of agreements with other large oil companies regarding the storage and supply of aviation fuels (including Jet A-1 and aviation gasoline) at major airports across Australia, including Sydney, Melbourne and Brisbane. The fuel infrastructure at major airports (including Sydney, Melbourne and Brisbane) is jointly owned and operated by fuel suppliers who trade at that airport. This infrastructure is often referred to as a joint user hydrant installation ("JUHI").

At Sydney Airport, the largest airport in Australia, Viva Energy is one of the three major fuel providers, and has an independent supply chain to the Sydney Airport JUHI. Viva Energy imports jet fuel at its Gore Bay Import Terminal in Sydney Harbour through international ocean tanker deliveries. That jet fuel is then transported to the Clyde Storage Terminal via a pipeline connecting the two facilities. From its Clyde Storage Terminal, Viva Energy then delivers jet fuel to the Sydney Airport JUHI through its own 32 kilometre pipeline.

The Department of Infrastructure and Regional Development forecasts that demand for aviation services in Sydney will double over the next 20 years, resulting in capacity constraints at Sydney Airport. The Federal and NSW Governments have announced plans to construct a new airport in Badgerys Creek, Western Sydney. Viva Energy's existing infrastructure, including the Clyde Import Terminal, makes it well placed to benefit from the expected increase in air-traffic demand, including servicing the proposed new airport.

In Melbourne, Viva Energy is one of four major suppliers to Tullamarine Airport and the only supplier to Avalon Airport. Viva Energy supplies these airports with jet fuel refined at the Geelong Refinery as well as imported product. Viva Energy operates a storage terminal at the Newport Terminal that receives fuel by pipeline from the Geelong Refinery. The Newport Terminal is connected to Tullamarine Airport by a chain of infrastructure that Viva Energy co-owns with joint venture partners, comprising a 34.2 kilometre pipeline to a depot at Somerton and a 10.5 kilometre pipeline from Somerton to the Tullamarine Airport JUHI. Viva Energy supplies Avalon Airport by truck from the Geelong Refinery distribution gantry and Newport Terminal.

Figure 3.13: Viva Energy Sydney and Melbourne aviation infrastructure



#### 3.2.2.2 Marine

Viva Energy is a major supplier of marine fuel oil and marine diesel throughout Australia, representing approximately 48% of the marine fuel oil market by volume in 2017, and supplies a significant volume of fuel to the cruise industry in Australia.

The Company's marine business utilises three refuelling barges located in Sydney and Melbourne, which in Sydney primarily supply fuel to the cruise liner industry, and in Melbourne primarily service container shipping lines and coastal vessels operating between Victoria and Tasmania. Large customers include Carnival Corporation, Spirit of Tasmania and the Australian Defence Force.

Viva Energy's Gore Bay Import Terminal is the only marine fuel oil supply terminal inside Sydney Harbour. The terminal's proximity to the Sydney Cove Passenger and White Bay Cruise terminals is a significant advantage given that its nearest competitor is based at Port Botany, three hours' sailing time away. Additionally, because Viva Energy owns and operates its own dedicated berth at Gore Bay, it further benefits from lower costs for wharf usage and flexibility of fuel supply. As the Company enjoys exclusive usage of that berth for refuelling, it largely has uninterrupted access to fuel, meaning that it is better able to service clients notwithstanding difficult weather conditions or traffic.

Figure 3.14: Sydney marine infrastructure

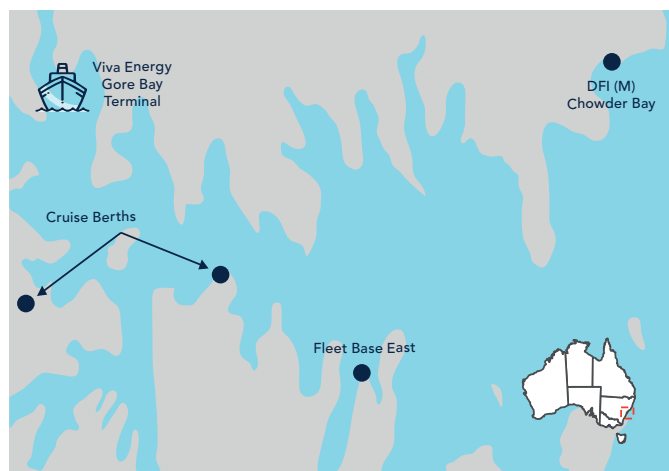
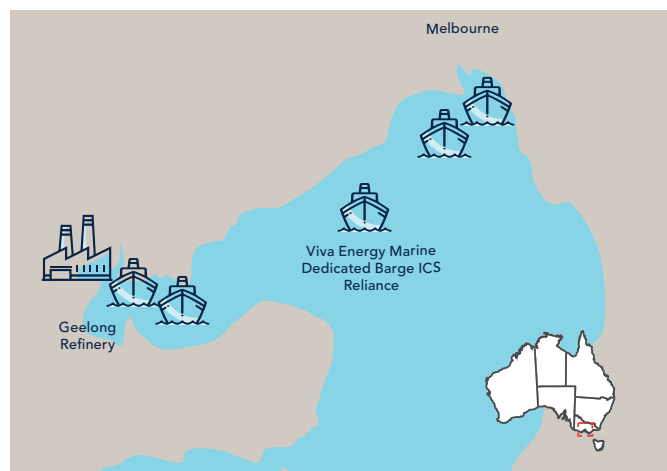


Figure 3.15: Melbourne marine infrastructure



New marine emissions regulations will come into force from 1 January 2020. The effect of these changes is that all ships and vessels will be required to reduce their sulphur emissions. While the impact of these regulatory changes on Viva Energy's marine business cannot be fully assessed at this time, Viva Energy considers that the scale of its operations and certain aspects of its manufacturing and supply infrastructure, including the ability to blend both low and high sulphur fuel oil at the Geelong Refinery and its ability to store and deliver both fuel oil and marine diesel, result in it being well placed to adapt to these changes in the operating environment.

For further information, please refer to Section 5.2.23.

Figure 3.16: Viva Energy refuelling barge



### 3.2.2.3 Resources

Viva Energy is a major distributor of fuel and lubricant products to mining and industrial customers throughout Australia, supported by a nationwide network of fuel terminals, secure product sourcing and import capabilities.

Business performance in the resources division is generally correlated to the commodity and mining cycle; however, a number of Viva Energy's customers own high quality mines that historically have been able to continue production throughout the cycle. Viva Energy's strategy is to retain and support resource and industrial customers through the market cycle and to grow alongside its customers over the long term.

Viva Energy has long-term relationships with substantial customers, including Rio Tinto, Whitehaven Coal, Peabody Energy, and Newmont Mining, many of which require service capability in remote locations. Wholesale supply to the resources sector in these locations also provides operating efficiencies to the Company's regional retail network and transport businesses, as increased volume throughput in regional terminals assists to reduce unit costs in those areas.

In addition to supplying fuel products, Viva Energy also offers a suite of value-added services to its mining and industrial customers, including technical services designed to assist customers to optimise fleet fuel efficiency, advisory services related to supply chain financing, and terminal management.

## 3. Company overview

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### 3.2.2.4 Transport

Viva Energy supplies bulk diesel to a wide range of customers, including large, established customers such as Toll, Fulton Hogan and ComfortDelGro. Viva Energy can supply bulk fuel directly to customers' on-site refuelling facilities or even directly into equipment such as locomotives and cranes. Viva Energy's strong nationwide supply infrastructure provides transport customers with the reliability and supply security of being able to refuel at truck stops and retail service stations across the country. Viva Energy's fuels, lubricants and specialty products business units work together to ensure that the Company's customers enjoy the benefits of a "one-stop-shop" offering from Viva Energy.

Viva Energy's Shell Card offer complements the bulk fuel offer, allowing businesses to purchase fuel at Retail Sites without cash, and generate fuel consumption, transaction and exception reports as well as receive, store and share invoices electronically. This provides customers with the ability to manage their fuel consumption and costs. Viva Energy generates income through Shell Card in the form of merchant service fees, card fees and wholesale fuel margins.

Viva Energy also offers Shell Diesel Extra, which is a special purpose light distillate fuel for use in high speed diesel engines that maintains fuel economy and reduces refuelling time to improve fleet efficiency.

### 3.2.2.5 Specialties

Specialties represents a relatively small proportion of Viva Energy's sales by volume but is an important part of both the commercial and the refining businesses. Viva Energy's competitive strength in this segment follows from its wide product suite manufacturing capability at its Geelong Refinery, including its position as the only refiner that manufactures bitumen in Australia, as well as being the sole distributor of Shell-branded lubricants and associated products in Australia<sup>18</sup>.

#### 3.2.2.5.1 Bitumen

Viva Energy is the only refiner in Australia that manufactures and supplies a range of bitumen products. Compared to Australian bitumen importers, its manufacturing capabilities allow Viva Energy to benefit from supply chain efficiencies and greater control over service and quality. The bitumen division has experienced approximately 8% annual volume growth over the 2015 to 2017 period. Large customers include Fulton Hogan, Downer, Boral, and Sprayline.

Viva Energy's supply of bitumen into Victoria is generally met by product manufactured by the Geelong Refinery, with other states supplied through a network of import terminals. Viva Energy currently has excess capacity at the Geelong Refinery for bitumen production and a strategy to build capabilities that will allow for the export of hot bitumen products via ship from the Geelong Refinery to meet growing demand in Southern and Eastern Australia. Bitumen demand is linked to infrastructure project spending, with the Company well placed to capture additional volumes from expected growth in road construction and road maintenance, supported by public spending in this sector.

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18. Viva Energy has appointed certain third parties as authorised resellers of Shell lubricants in Australia.



### 3. Company overview

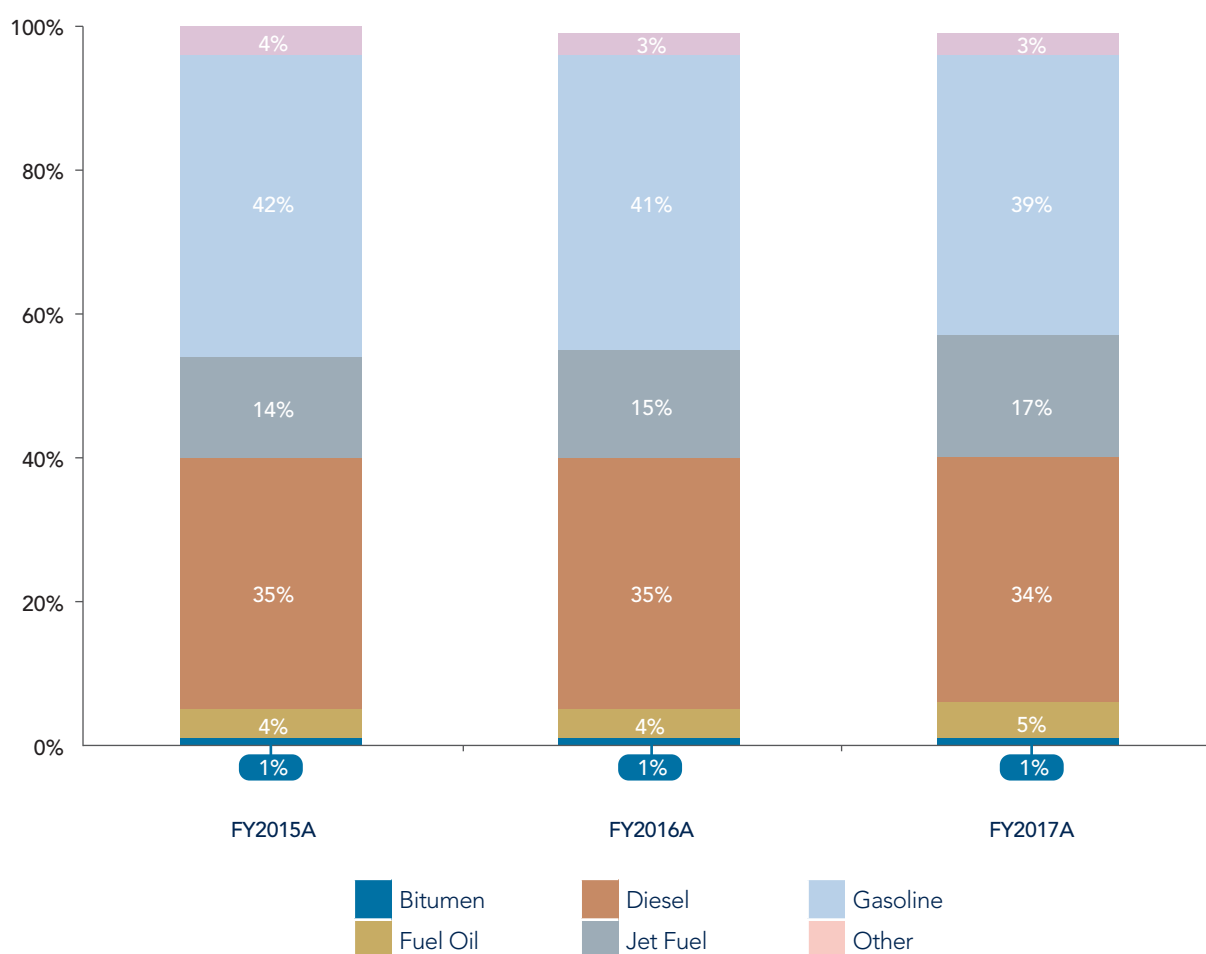
The refining process involves the fractional distillation of crude oil through two crude distillation trains whereby oil is heated and separated into hydrocarbon molecules with varied properties and a range of molecular weight. These products or "fractions" from the top, middle, and bottom of the distillation column then travel to different processing units for further upgrading to more valuable molecules through catalytic conversion processes such as catalytic reforming or catalytic cracking, or further treatment for the removal of impurities and the production of useable components or on-specification products. Components are ultimately blended to saleable product. These processes collectively yield higher value "white barrel" products such as gasoline, jet fuel and diesel, as well as heavier black oil products such as fuel oil and bitumen. Viva Energy targets 90% of the total production of refined product (by volume) at the Geelong Refinery to be in the form of "white" products, being products with a higher value than other outputs from the refining process.

In 2017, white barrel products made up over 90% of the refinery's production, including a wide range of specialty products such as low aromatics gasoline, aviation gasoline, a range of hydrocarbon solvents and petrochemical feedstocks, enabling the refinery to achieve higher margins.

Table 3.2: White barrel product production<sup>21</sup>

Indicator	Unit	FY2015A	FY2016A	FY2017A	Three Year Average
White barrel production	thousand barrels/day	95.1	97.2	102.2	98.1

Chart 3.3: Geelong Refinery output product split<sup>22,23,24</sup>



21. Table 3.2 is subject to rounding differences.

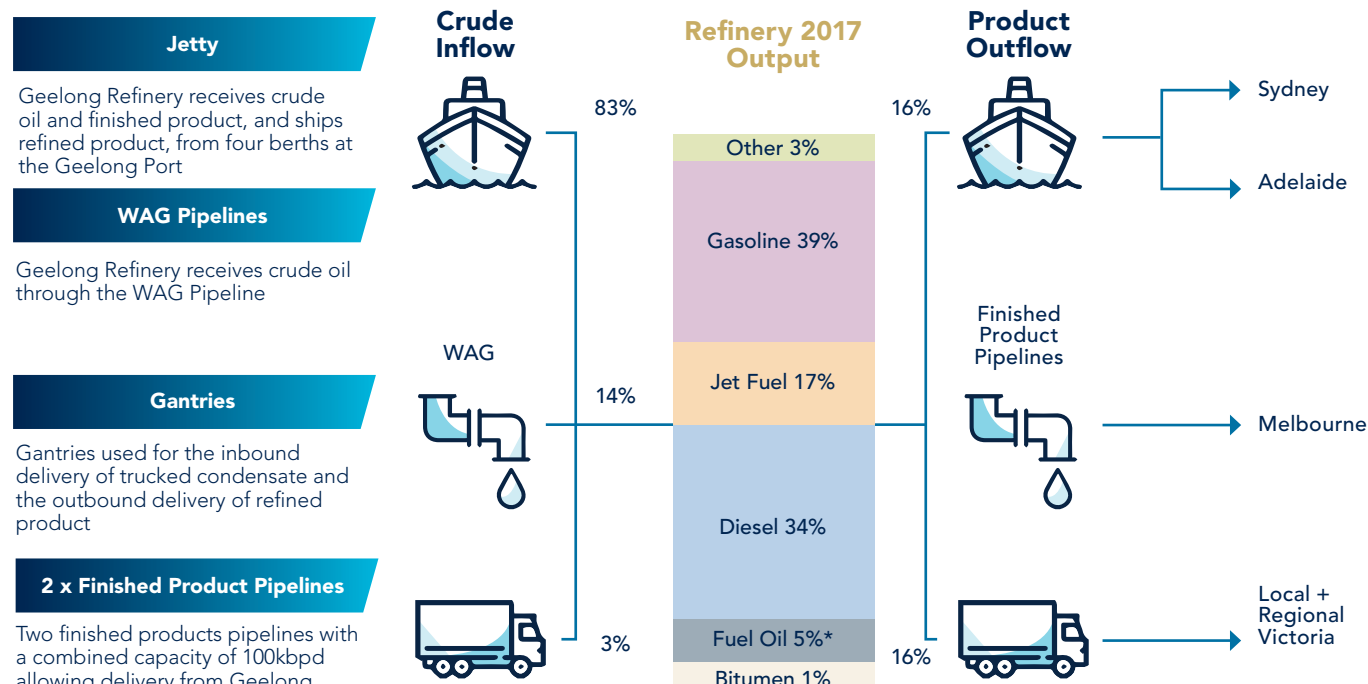
22. "Other" includes specialty products such as aviation gasoline, solvents and gas.

23. Fuel oil output includes blend component.

24. Chart 3.3 is subject to rounding differences.



Figure 3.18: Illustrative Geelong Refinery process flow (based on 2017 operating metrics)



\*Fuel oil output includes blend component.

Crude oil and feedstock for the refinery are sourced internationally from Asia, the Middle East and occasionally Africa, as well as from local suppliers with operations in Bass Strait and the Otway and Cooper Basins. Viva Energy sources the majority of its crude oil and feedstock under fuel supply arrangements with Vitol (see Section 3.4 for further details).

The following table shows the sources of Viva Energy's crude oil and refined product during 2017.

Table 3.3: 2017 Crude and refined product (million barrels)<sup>25</sup>

Source	Crude	Refined product	Total sourced
Australia and New Zealand	14.7	23.2 <sup>26</sup>	38.0
Sourced internationally	26.1	50.2	76.3
<b>Total crude oil and refined products sourced</b>	<b>40.9</b>	<b>73.4</b>	<b>114.3</b>
Percentage crude and refined product	35.7%	64.3%	
Percentage product sourced from Australia	36.0%	31.6%	33.2%

Fuel products manufactured by the Geelong Refinery are transported by pipelines, trucks and ships. Refined products are transported to Viva Energy's Melbourne terminal at Newport via two 55 kilometre finished product pipelines which have a combined capacity of 100,000 barrels per day. Viva Energy also uses these pipelines to supply other fuel wholesalers. The Geelong Refinery is the only supplier of marine fuel oil into Melbourne.

25. The tabled information is subject to rounding differences.

26. Australian-sourced refined products are typically sourced under supply arrangements with other Integrated Refiner/Marketers and operating companies in Australia, whereby Viva Energy receives petroleum products from these parties mainly in locations outside of Victoria in exchange for providing Geelong-refined products in Victoria.



### 3. Company overview

#### History and recent investment

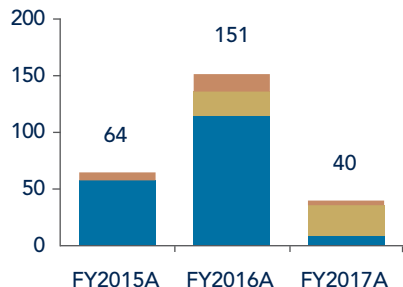
The Geelong Refinery was built by Shell Australia and commissioned in 1954. Since Vitol Investment Partnership acquired Viva Energy in 2014, significant capital investment has been made with the key objective of delivering safe and reliable operations together with sustainable profitability. During this period, Viva Energy has invested \$307 million on key initiatives in respect of major processing units, as well as the construction of a new 100 million litre crude storage tank<sup>27</sup>. These initiatives have contributed to improved process safety, increased white barrel production, reduced manufacturing costs and improved operating efficiencies.

The Geelong Refinery regularly undertakes planned major turnarounds on its processing units. Major turnarounds are cyclical maintenance that require a complete unit shutdown, are scheduled well in advance and have an interval greater than one year between scheduled turnaround events. Turnarounds are undertaken to ensure continued reliability and operating efficiency. Most major processing units at Geelong Refinery undertake a major turnaround every four to six years, including the crude distillation unit ("CDU4") as completed in 2015<sup>28</sup> and the catalytic cracking unit ("RCCU") as completed in 2016<sup>29</sup>. These major turnarounds were undertaken at a total investment of \$180 million<sup>30</sup>, with the next major turnaround expected in 2020.

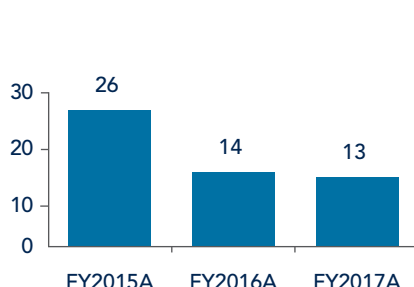
#### Operational and financial performance

The ability of a refinery to process crude oil is impacted by outages resulting from both planned shutdowns of refinery units for maintenance and upgrades ("**Planned Downtime**") as well as from unplanned shutdowns from a variety of unforeseen causes ("**Unplanned Downtime**"). Planned Downtime at the Geelong Refinery has averaged 3.9% per annum from 2015 to 2017, with Unplanned Downtime at the Geelong Refinery averaging 4.1% over the same period. This results in an average operational availability percentage of 92% over the three years. Whilst lower Planned and Unplanned Downtime leads to greater availability and contributes to greater intake and production capabilities, the turnarounds in 2015 and 2016 removed a number of process unit constraints which resulted in increased intake and production volume in 2017 as illustrated in the graph below.

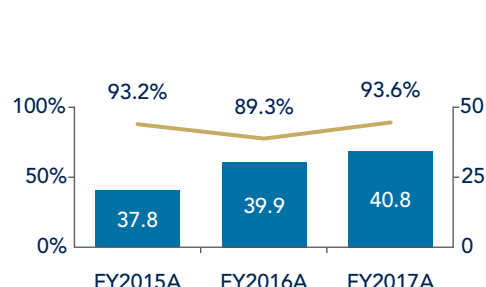
**Chart 3.4: Capex excl. Maintenance (FY2015A-FY2017A) (\$ million)**<sup>31</sup>



**Chart 3.5: Maintenance Capex (FY2015A-FY2017A) (\$ million)**



**Chart 3.6: Availability and refinery intake (FY2015A-FY2017A)**



■ Turnarounds ■ Tanks ■ Other

■ Refinery Intake (mmbbl) ■ Availability (%)

Table 3.4 below summarises certain operating key performance indicators monitored by Viva Energy, including its operational availability after taking into account Planned and Unplanned Downtime.

27. Viva Energy spent \$21 million on the construction of the new crude tank in 2016, and a further \$21 million on the completion of this tank in 2017.

28. The turnaround in 2015 included the CDU4 and associated units.

29. The turnaround in 2016 included the RCCU and associated units.

30. In addition to other capital expenditure, the total turnaround cost of \$180 million included \$49.7 million spent on the CDU4/Platformer 3 turnaround in 2015, and \$111 million on the RCCU/Alkylation turnaround in 2016.

31. Total turnaround capital expenditure (excluding stay-in-business maintenance spend) amounted to \$57 million in 2015, \$114 million in 2016 and \$9 million in 2017.

Table 3.4: Operational availability and Unplanned Downtime three year history

Indicator	Unit	FY2015A	FY2016A	FY2017A	Three Year Average
Operational availability	%	93.2%	89.3%	93.6%	92.0%
Unplanned Downtime	%	2.3%	4.1%	5.8%	4.1%

From 2015 to 2017, the Geelong Refinery was profitable, generating \$276.1 million of Underlying EBITDA (RC)<sup>32</sup> in FY2017.

Viva Energy measures the financial and operating performance of the Geelong Refinery through the analysis of five key drivers of EBITDA:

- (1) The Geelong Refinery's hydrocarbon margin (calculated based on a notional internal sales price which is referable to an import parity price<sup>33</sup> for the relevant refined products, less the crude, freight and feedstock costs associated therewith. This driver is typically expressed in US\$/bbl) ("**Refining Margin**" or "**Geelong Refining Margin**").
- (2) The Geelong Refinery's gross refining margin (being the Geelong Refining Margin less energy costs directly associated with refining operations. This driver is typically expressed in US\$/bbl) ("**Geelong Gross Refining Margin**").
- (3) Fixed and variable operating costs associated with refining operations.
- (4) Crude and feedstock intake expressed in millions of barrels.
- (5) The A\$/US\$ currency exchange rate.

Table 3.5 below summarises these five drivers of EBITDA over the previous three financial years:

Table 3.5: Summarised drivers of EBITDA<sup>34</sup>

Description	Metric	FY2015A	FY2016A	FY2017A	Three year Ave
<b>Refining Margin</b>	<b>US\$/bbl</b>	<b>11.8</b>	<b>7.9</b>	<b>10.2</b>	<b>10.0</b>
<i>Less: Energy costs</i>	US\$/bbl	1.0	0.9	1.1	1.0
<b>Geelong Gross Refining Margin</b>	<b>US\$/bbl</b>	<b>10.8</b>	<b>7.0</b>	<b>9.1</b>	<b>9.0</b>
<i>Less: Operating costs (excl. energy costs)</i>	US\$/bbl	4.4	4.3	3.9	4.2
<b>Refining Underlying EBITDA (RC)</b>	<b>US\$/bbl</b>	<b>6.4</b>	<b>2.7</b>	<b>5.2</b>	<b>4.8</b>
<i>Divided by: A\$/US\$</i>	Ratio	0.75	0.74	0.77	0.75
<b>Refining Underlying EBITDA (RC)</b>	<b>\$/bbl</b>	<b>8.5</b>	<b>3.6</b>	<b>6.8</b>	<b>6.3</b>
<i>Multiplied by: Crude and feedstock intake</i>	mmbbls	37.8	39.9	40.8	39.4
<b>Refining Underlying EBITDA (RC)</b>	<b>\$ million</b>	<b>325.9</b>	<b>143.6</b>	<b>276.1</b>	<b>248.6</b>

Chart 3.7: FY2017A Refining bridge to Underlying EBITDA (RC)

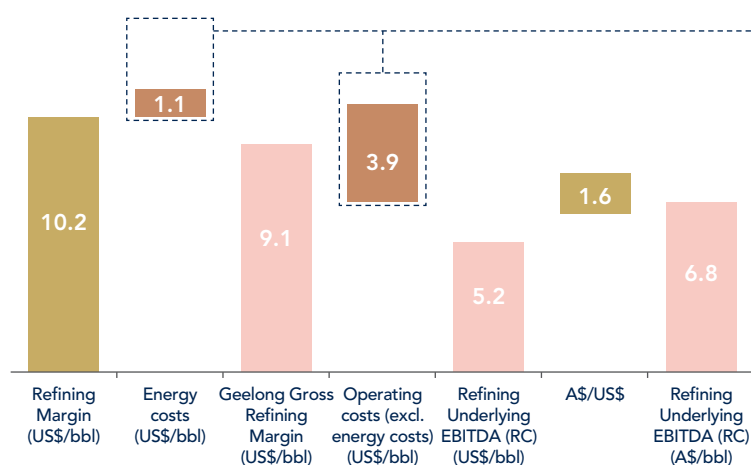
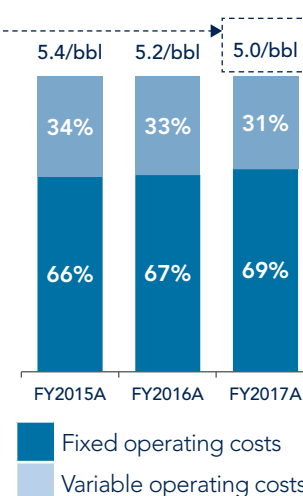


Chart 3.8: Operating cost breakdown (US\$/bbl)



32. Underlying EBITDA (RC) is representative of Underlying EBITDA on a replacement cost basis, as further explained in Section 4.3.1.

33. Refer to Section 4.3.1.

34. Energy and operating costs are generally expressed in A\$; however, for purposes of the analysis included in Chart 3.7, Chart 3.8, Chart 3.9 and the break-even cost analysis described thereafter, these costs have been converted into US\$. Table 3.5 is subject to rounding differences.

### 3. Company overview

To assist management in its assessment of the financial performance of the Geelong Refinery, Viva Energy compares the Geelong Gross Refining Margin on a US\$ per barrel basis to an industry benchmark, being the Singapore Fluid Catalytic Cracker Gross Refining Margin ("Singapore Gross Refining Margin" or "Singapore GRM"). A description of how and why the comparison against the Singapore Refining Margin is conducted, is included in Section 4.3.1.

Table 3.6: Geelong Refinery – margin benchmarking<sup>35</sup>

Description			FY2015A	FY2016A	FY2017A	Three year Average
Refining Margin (excl. energy costs)	US\$/bbl	A	11.8	7.9	10.2	10.0
Geelong Gross Refining Margin (incl. energy costs)	US\$/bbl	B	10.8	7.0	9.1	9.0
Singapore Gross Refining Margin	US\$/bbl	C	6.1	4.6	6.0	5.5
Implied Gross Refining Margin premium	US\$/bbl	=B-C	4.7	2.4	3.2	3.4

The below graph charts the Geelong Refinery's Gross Refining Margin against the Singapore Gross Refining Margin over 1 January 2013 to 31 December 2017. On a monthly average basis the Geelong Refinery has achieved approximately a US\$3.5 per barrel premium to the benchmark over the five year period. The Geelong Refinery achieved a premium to the benchmark in 57 out of the 60 months as highlighted below.

Chart 3.9: Geelong Gross Refining Margin vs Singapore Gross Refining Margin (January 2013 to December 2017 (the "Period")) (US\$/bbl)

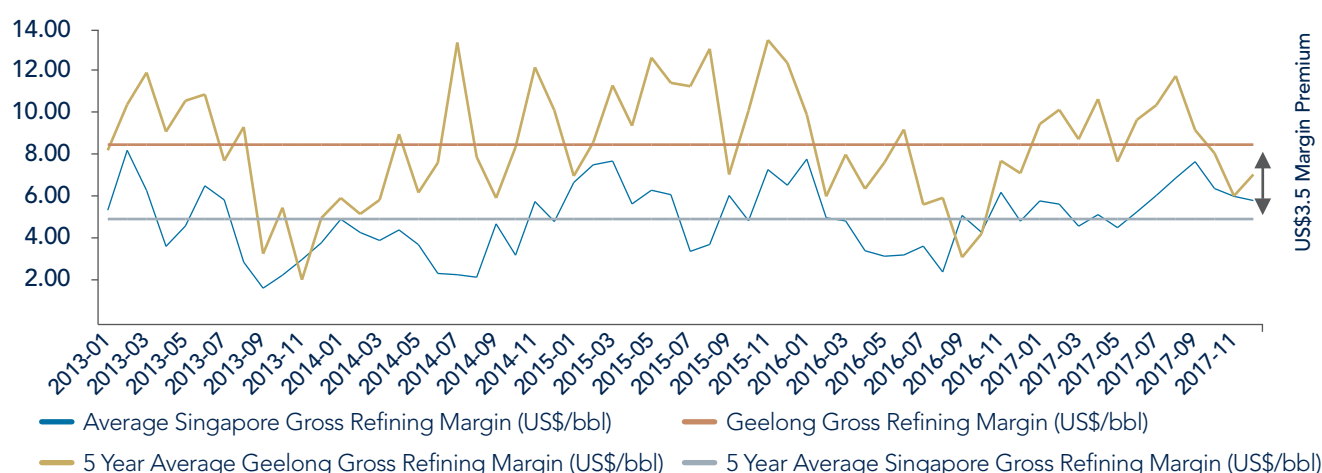


Chart 3.10: Geelong Gross Refining Margin premium/ (discount) to Singapore Gross Refining Margin across the Period

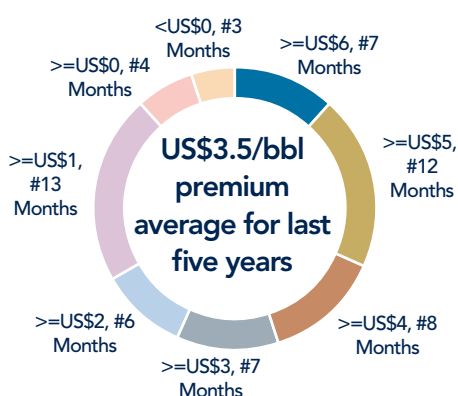
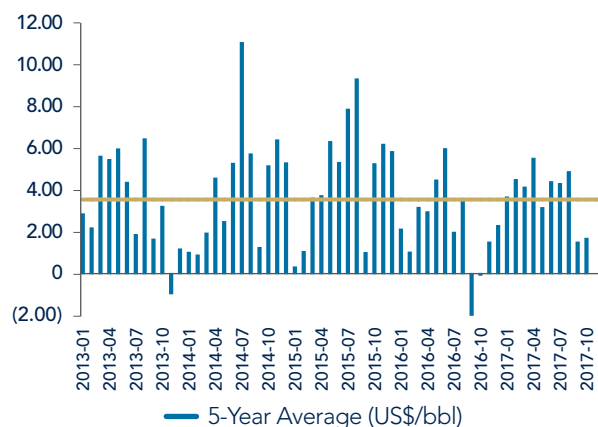


Chart 3.11: Geelong Gross Refining Margin premium/ (discount) to Singapore Gross Refining Margin across the Period (US\$/bbl)



35. The tabled information is subject to rounding differences.

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As summarised in Table 3.5 above, the Geelong Refinery has over the past three financial years operated at an average operating cost (excluding energy costs) of US\$4.2/bbl<sup>36</sup>. On the basis that the Geelong Refinery achieved an average margin of approximately US\$3.4/bbl<sup>37</sup> (refer to Table 3.6) in excess of the Singapore Gross Refining Margin across this period, it (on average) covered its operating costs (i.e. achieved a break-even state prior to capital expenditure) when the Singapore Gross Refining Margin exceeded US\$0.8/bbl (assuming a steady state in A\$/US\$ exchange rates). Over the Period, the monthly average Singapore Gross Refining Margin did not fall below US\$1.0/bbl.

### 3.4 Supply, Corporate and Overheads

Viva Energy's supply chain function sources, stores, transports and distributes refined petroleum products to the Company's retail and commercial customers in an efficient and cost-effective manner.

The Company's supply and distribution network reflects over 110 years of capital investment in Australia, focused on owning or securing contracted capacity for terminals, storage tanks and pipeline infrastructure in geographically strategic locations.

#### 3.4.1 Sourcing and shipping

Viva Energy refines domestically sourced and imported crude oil at its refinery at Geelong and imports crude oil and refined petroleum products from offshore markets through its relationship with Vitol.

In 2017, Viva Energy purchased approximately 41 million barrels of crude oil and 73 million barrels of refined product. Most of these requirements are met via a long-term supply agreement with Vitol. Vitol is one of the world's largest independent energy commodity trading companies, with a turnover of US\$181 billion in 2017, currently trading over 7 million barrels of crude oil and refined products per day on average, representing approximately seven times all of Australia's demand and approximately 7% of global trading. In 2017, Viva Energy sourced approximately 40 million barrels of crude oil and 50 million barrels of refined product from Vitol. Viva Energy sources its remaining requirements of refined product and crude oil from local crude oil suppliers and local refiners.

The benefits of the Vitol Fuel Supply Agreement for Viva Energy include obtaining access to a diverse range of crudes and sourcing refined product through Vitol's vast global trading platform at competitive market-based prices. The shipping and logistics expertise of Vitol also enables Viva Energy to achieve competitive freight pricing. Viva Energy has a procurement team in Singapore which works closely with Vitol's global traders to deliver reliable and competitive sourcing. This arrangement provides Viva Energy with a dedicated team focused on meeting Viva Energy's needs, while at the same time providing access to the broader Vitol network.

Vitol will retain a significant investment in Viva Energy immediately following its listing on the ASX.

#### 3.4.2 Infrastructure and distribution

##### 3.4.2.1 Terminals and distribution

Viva Energy has access to a national import terminal and distribution infrastructure network that supports the Company's sourcing and shipping activities. As at 31 March 2018, Viva Energy owns or has contracted access to 23 import terminals with pumpable capacity in excess of 1.2 billion litres, five inland depots and over 290 kilometres of key pipelines across Melbourne, Sydney and Brisbane. In 2017, Viva Energy sold 79% of volume through company-controlled terminals.

Viva Energy typically outsources its road and rail transportation to major carriers that together operate a fleet of railcars and in excess of 250 trucks. Viva Energy supplies the Goldfields-Esperance region of Western Australia by transporting product via rail between its coastal terminal in Esperance and Kalgoorlie.

Viva Energy also engages with transport companies that specialise in the bulk transport of dangerous goods and sets out in its agreements strict obligations in regard to safety, service delivery, efficiency and innovation.

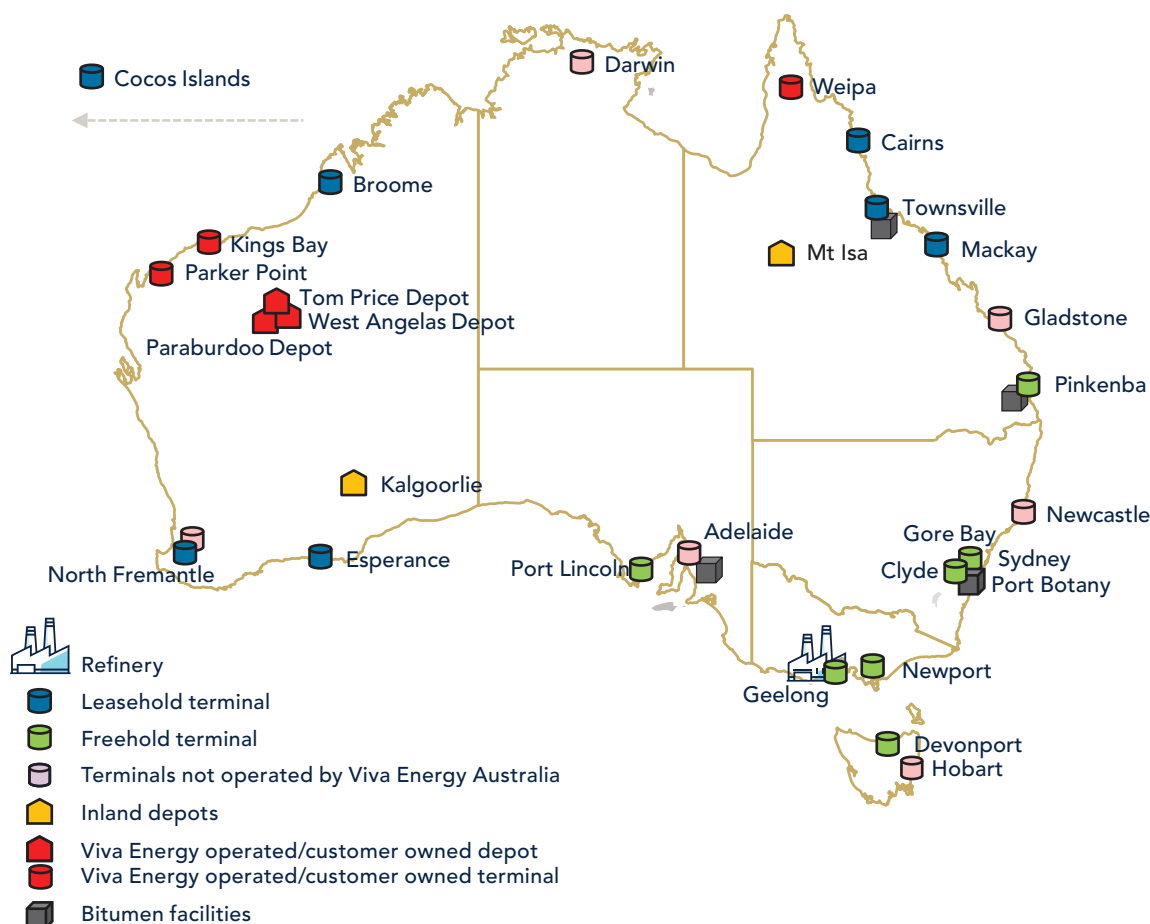
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36. Operating cost per barrel analysis excludes energy costs, as this cost has been included in the Geelong Gross Refining Margin.

37. Margin premium includes energy costs.

### 3. Company overview

Figure 3.19: Viva Energy's national terminal and depot network



Viva Energy receives imported crude oil at the Geelong Refinery via the WAG Crude Pipeline (see further below) or through one of its four fuel import berths, and stores it in bulk storage tanks at the refinery. Viva Energy recently completed the construction of a new 100 million litre crude oil tank, which increased Geelong Refinery's crude storage capacity by 40% to 350 million litres. The new tank allows Viva Energy to more efficiently discharge crude oil from ships, resulting in lower demurrage costs as well as increasing the refinery's processing flexibility by increasing the site's ability to blend different kinds of crude oil and allowing for a more consistent flow of crude oil intake.

Viva Energy imports refined petroleum products at 23 locations across Australia through 14 facilities that it controls (either freehold, or through long-term leases) and operates, and nine facilities that are either owned or operated by third parties but to which Viva Energy has access. Key owned and operated import terminals are located in Sydney and Melbourne, supplemented by mostly leased and third-party operated facilities in other states.

In New South Wales, Viva Energy imports refined products through its Gore Bay Terminal, which is connected by pipeline to the Clyde Terminal for further inland storage and distribution capacity. Viva Energy supplies Sydney Airport via its owned jet fuel pipeline, and connects with its Retail Network and commercial customers via road transport carriers. The Clyde Terminal is well situated to service the proposed Western Sydney Airport at Badgerys Creek by either truck or pipeline (should a pipeline system be established). Viva Energy also has access to storage facilities in Newcastle through contracted capacity at the Stolthaven Terminal. It was a foundation customer of that terminal, supplying its mining customers from this facility.

In Victoria, Viva Energy manufactures and imports fuel at its refinery in Geelong. Refined product is transferred to Viva Energy's storage facility at Newport, via two company owned finished product pipelines. Jet fuel is then transferred to Tullamarine Airport by pipeline or truck, and petrol and diesel are delivered to Retail Sites and commercial customers by truck. Truck loading facilities are also available at Geelong, which provides competitive supply for customers in the West of the state, and efficient supply of jet fuel to Avalon Airport.

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In Queensland, fuel is stored at Viva Energy's terminal in Pinkenba, near Brisbane Airport. Fuel can be delivered to that terminal by pipeline from Caltex's Lytton refinery or imported directly from other domestic and overseas ports. Jet fuel is delivered by pipeline to the Brisbane Airport, and other fuels are delivered directly to customers by truck.

The Parramatta and Pinkenba terminals are capable of storing and blending ethanol and biodiesel<sup>38</sup> to meet mandates and supply customers requiring these products.

Viva Energy has continued to invest in its terminals business in recent years, including projects to construct new tankage at the Cairns, Newport, Esperance and Clyde terminals.

### 3.4.2.2 Pipeline infrastructure

As highlighted in Section 3.2.2 and above, Viva Energy's pipeline infrastructure is an important part of its distribution network. In particular, the pipeline infrastructure in Sydney and Melbourne provides Viva Energy with a cost-efficient distribution solution to service those key markets. In Sydney, Viva Energy's Gore Bay Terminal in Sydney Harbour is connected via pipeline to its inland Clyde Terminal, from which it supplies the New South Wales market. The Clyde Terminal is then also directly connected to Sydney Airport via Viva Energy's Mascot Pipeline, supplying jet fuel to its aviation customers. In Victoria, the Geelong Refinery is connected into the Melbourne metropolitan area (using storage at Viva Energy's Newport Terminal) by two finished product pipelines. From the Newport Terminal, product can be pumped directly into the pipeline system servicing Melbourne airport. In addition, Viva Energy is a joint venture partner in the WAG Crude Pipeline which transports crude oil to the Geelong Refinery from the Western Port.

## 3.5 Viva Energy REIT

Viva Energy has a 38% security holding in Viva Energy REIT and is its largest security holder. Viva Energy REIT is an ASX-listed stapled entity which owns a portfolio of 438 Retail Sites across Australia. The portfolio is geographically spread across all Australian states and territories. It is Australia's largest listed REIT that solely owns service station properties. Viva Energy REIT's investment objective is to own a portfolio of high quality and strategically located service station sites throughout Australia, subject to long-term leases to tenants with strong financial credit profiles.

Viva Energy REIT was formed in 2016 when Viva Energy transferred the freehold title to 425 Retail Sites to Viva Energy REIT and sold an approximately 60% interest in Viva Energy REIT to new investors through an initial public offering and listing on the ASX.

The majority of Retail Sites in Viva Energy REIT's portfolio are occupied by Coles Express under the terms of the Alliance Agreement (and related site leases/licences) between Viva Energy and Coles Express (refer to Section 9.1). 99% of these Retail Sites are Coles Express and Shell branded.

Viva Energy REIT generates income by collecting rental payments under lease agreements (refer to Section 9.4 for a summary of such agreements). At inception (in 2016), the terms of the leases of Retail Sites in the portfolio between Viva Energy REIT (as landlord) and Viva Energy (as tenant) ranged between 10 and 18 years, and the portfolio had a WALE of 13.6 years as at 31 March 2018, and an average fixed rental increase of 3.0% per annum across the portfolio. The leases are typically structured as triple net leases, which means that the tenant (Viva Energy) is responsible for all property outgoings. Viva Energy has been granted seven options to renew each lease for a period of 10 years in respect of each renewal.

Since the listing of Viva Energy REIT in July 2016, Viva Energy REIT has acquired a further 13 Retail Sites which it has leased to Viva Energy and Liberty Oil. Viva Energy REIT's strategy is to continue to consider the acquisition of sites that are high quality and strategically located, that maintain the geographical diversification of the wider portfolio, exhibit strong lease characteristics, and provide security holders with potential capital growth<sup>39</sup>. As such, Viva Energy REIT represents a potential partner for capital investment and growth, enabling Viva Energy to expand its network of Company Controlled Sites in a capital-efficient manner.

In the 2017 calendar year, Viva Energy REIT generated distributable earnings of \$95.0 million<sup>40</sup> from its \$2.28 billion portfolio of 438 Retail Sites.

Refer to Section 9.4 for details on contractual arrangements between Viva Energy and Viva Energy REIT.

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38. Pinkenba's capability for blending biodiesel is only expected to be available from later in 2018.

39. Reference Viva Energy REIT 2017 Annual Report.

40. Reference Viva Energy REIT 2017 Annual Report.

## 3. Company overview

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### 3.6 Initiatives and developments

Over the period from 2015 to 2017, the Viva Energy management team has made capital investments and executed various growth initiatives across all business segments which the Company continues to benefit from. Going forward, there are five main pillars which management views as key avenues for growth.

#### 3.6.1 Extend the Retail Site network

The addition of Retail Sites to fill current network gaps and provide access to population growth corridors continues to be a key area for future growth of Viva Energy's Retail Network. Viva Energy actively monitors and maintains a register of potential locations for new Retail Sites, providing avenues for growth across Viva Energy's different retail channels. Viva Energy works with Viva Energy REIT, Coles Express and Liberty Oil to continue to optimise its network and drive growth. At this time, Viva Energy is seeking new sites in numerous locations where the network is currently under-represented. 16 sites have already been secured and will be developed and added to the Viva Energy Company Controlled network over the next two years.

Viva Energy has also recently agreed to acquire an interest in the Westside Petroleum retail business, which has a network of more than 50 Retail Sites. This transaction remains subject to regulatory approval, but evidences Viva Energy's capacity to expand the network of Retail Sites in which it has an interest. See Section 3.2.1.4 for further details.

#### 3.6.2 Grow fuel margin

Management believes there is further opportunity to grow Viva Energy's market share within the retail fuels market through delivering a continually improving value proposition, including providing improved loyalty offers, delivering a diverse range of fuel products, and operating under premium branding. Extensive brand refresh works have been carried out in recent years to the Shell-branded network, including upgrades to signage, price board and site pump replacements, and general site maintenance.

Viva Energy enjoys a strong reputation for quality fuels through the Shell brand and, in particular, the premium Shell V-Power sub-brand. Viva Energy launched Shell V-Power Diesel in 2017, and has since rolled this product out to 69 sites as of 31 March 2018, with the potential to roll out to more than 250 Retail Sites over the next two years, so that customers have a choice between a standard and premium diesel offering.

In time, and as technology matures, Viva Energy's network is well positioned to respond to new technologies in the retail fuel and energy sector, depending on what customer demand emerges. These services may include charging electric vehicles, replenishing hydrogen fuel cells, and compressed natural gas or liquefied natural gas refuelling services.

#### 3.6.3 Grow convenience and non-fuel margin

The Viva Energy Company Controlled network is ideally located to provide a wide range of convenience products and services. The convenience market continues to enjoy strong growth as offerings evolve to meet customers' changing behaviour and expectations. The convenience offering in Australia continues to be developed, and there is considerable opportunity to expand the product offerings at Retail Sites to include products and services such as pre-prepared meals, quick service retail and "last mile delivery". Viva Energy seeks to participate in this growth through continuing to work with Coles on the offering at Alliance Sites, through which it can earn convenience store royalties, and through the expansion of its Retail Agent network.

Due to its Retail Network's position throughout the densely populated, metropolitan areas of Eastern Australia and the operational and product offering benefits gained through its relationship with Coles Express under the Alliance, Viva Energy believes that it is well positioned to grow with these emerging sectors of the convenience offering market. The development of the Retail Agent platform will allow Viva Energy to develop its own convenience offers, which can be deployed in locations where the Coles Alliance offer may be less suited. At the end of 2017, there were seven sites in this network, and this is expected to grow to between 20 and 25 sites by the end of 2018, with a pipeline of sites identified for further expansion.

#### 3.6.4 Expand Commercial markets

The acquisition of Shell Aviation and a 50% interest in Liberty Oil have provided platforms for Viva Energy to expand its presence in Commercial market segments (as well as the retail business of Liberty Oil).



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Since acquiring the Aviation business from Shell, Viva Energy has decided to rebrand its on-airport refuelling offer to the Viva Energy brand and form a relationship with Vitol Aviation for access to international airlines and, in turn, provide Vitol with refuelling services for its customers in Australia. The local aviation market is profitable, and Viva Energy is well placed to grow fuel sales in this market through its presence at more than 50 airports and airfields around the country.

Liberty Oil has a significant presence in regional and rural markets, which presents a growth opportunity for Viva Energy. The addition of 12 regional depots to Liberty's portfolio in the last three years provides regional supply capability, and through Liberty Oil's own truck fleet, allows the supply of small and large commercial customers with direct fuels and lubricants deliveries. Liberty Oil's acquisition of Logicoil, another regional supplier, has also expanded its reach in some markets, and management continues to look for other similar opportunities to accelerate growth.

### 3.6.5 Improve Refining potential

Since 2014, Viva Energy has invested \$307 million at the Geelong Refinery to complete the major maintenance turnarounds and increase capacity through projects such as additional crude storage and increased utilisation of the pipeline system servicing Melbourne markets. Further projects are underway, including a bitumen export pipeline to improve access to other bitumen markets within and beyond Victoria, and an overhaul of one of the distillation units which will increase access to distillation capacity. The refinery also has a multi-year program targeted at improving reliability. This will reduce Unplanned Downtime and increase margin generation.

## 3.7 Corporate

### 3.7.1 Employees

Viva Energy's approach to its workforce is centred on a high performance culture of being "driven by people", seeking to attract employees with the right skills for each level, who enjoy purposeful work, are challenged to grow, and feel valued by and connected to the Company. As at 31 December 2017, Viva Energy employed 1,206<sup>41</sup> staff across its businesses, with 372 employed in Refining, 365 in Retail, Fuels and Marketing (93 in Retail and 272 in Commercial<sup>42</sup>), 469 in Supply, Corporate and Overheads (322 in logistics and supply, 83 reporting up to the Chief Financial Officer and 64 reporting up to the Chief Executive Officer)<sup>43</sup>. Viva Energy currently has 11 active enterprise agreements covering 432 employees. Those employees are involved in operations including the Geelong Refinery, the Clyde and Gore Bay Terminals, the bitumen operations and operations at various airports (including Sydney and Melbourne).

Viva Energy prides itself on the gender diversity it fosters in its workforce, with women comprising 25% of the total workforce and approximately 40%<sup>44</sup> of the senior leadership group. Viva Energy was delighted to be granted the Employer of Choice for Gender Equality citation for 2017-18. This citation is a voluntary leading practice recognition program that is designed to encourage, recognise and promote active commitment to achieving gender equality in Australian workplaces.

### 3.7.2 Insurance

Viva Energy has a suite of global and local insurance policies, covering all relevant aspects of business operations, including (but not limited to) cover for physical loss or damage to all real and personal property, liability to third parties for personal injury and/or property damage, workers' compensation, and directors and officers liability cover. Insurance coverage is part of the Viva Energy risk management framework and as such is reviewed periodically to ensure that coverage remains appropriate and sufficient.

### 3.7.3 Treasury

Viva Energy is committed to sound financial risk management practices. Viva Energy's business activities expose it to a variety of financial risks including market risk (such as foreign exchange, interest rate and commodity price risk), as well as credit and liquidity risk. Viva Energy is committed to identifying, measuring and monitoring financial risks wherever they may present a threat or an opportunity to business or strategic objectives. Viva Energy has established prudential limits and operational guidelines under which the financial risk management strategies are managed.

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41. Viva Energy has reduced its full-time employees from 1,666 at the end of 2013 to 1,206 as at 31 December 2017.

42. Includes 169 into-plane refuellers.

43. Figures stated are full-time equivalent employee numbers.

44. The senior leadership group includes 37 employees.

### 3. Company overview

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Viva Energy finances its operations through a variety of financial instruments including bank loans and finance leases. A summary of Viva Energy's US\$700 million debt facility is included in Section 9.7.

For more information on risks, please refer to Section 5.

#### 3.7.4 Health, Safety, Security, Environment and Community

Viva Energy operates under the philosophy that every incident is preventable. The Company is committed to pursuing "Goal Zero", an industry term meaning that it is Viva Energy's objective to cause no harm to people or the environment. As part of this commitment, Viva Energy has a focused approach to Health, Safety, Security, and Environment ("HSSE"), with a dedicated HSSE and environmental management team. Viva Energy also seeks to conduct its business in a sustainable manner, and consistent with the expectations of the community in which it operates. The group's HSSE, sustainability and community performance are overseen by a separate Board HSSEC Committee (see Section 6.6.3 for further details of that committee).

The Company manages HSSE within a HSSE control framework and management system, which have been collectively designed to achieve the objectives of Goal Zero and ensure compliance with applicable laws and regulations. Viva Energy has risk management systems and processes in place to identify risks and hazards present in the business, assess the risk of the identified hazard and identify the controls and recovery measures that need to be in place to manage that hazard.

The HSSE Management System references a number of policies, procedures and standards designed to ensure that HSSE risks are either eliminated or reduced to so far as reasonably practicable. A risk-based audit and assurance plan is in place, which reviews facilities and critical activities against the HSSE Management System and legislative requirements.

Viva Energy's major operations, including the Geelong Refinery and certain terminals, operate under environmental licences, authorisations or permits issued by various regulatory bodies. Viva Energy's major facilities are subject to audit and review under the major hazard facilities regulatory regime (as described in Section 3.8.4). In addition, Viva Energy has ongoing environmental remediation programs at a number of its sites and holds provisions for future remediation activities.

#### Cyber security

Under Viva Energy's assurance program, security risk assessments are regularly undertaken to assess security threats and verify that sufficient controls are in place to safeguard people and assets including information and reputation. Viva Energy also manages cyber security risks through technology, policy and procedures and regular vulnerability testing. Technology protection includes email protection, web filtering, device management and regular patching. Policies and procedures are in place to minimise the risk of an incident occurring, and contain the impacts of any breach; and the Company's systems regularly undergo independent vulnerability testing, and resultant findings are actioned as appropriate.

#### HSSE performance

Viva Energy is proud of its HSSE performance, which is reflective of the culture of the Company and its focus on HSSE. The Company records all incidents and seeks to identify and implement learnings, so as to continually improve its performance.

Viva Energy measures its HSSE performance against a number of key metrics, including the type of incident, frequency of its occurrence, severity of the incident and personal and process safety incident trends. The Company's safety performance reporting includes both company/employee incidents and contractor-related outcomes and metrics (i.e. contractor injuries are included in the Viva Energy injury statistics).

The charts below show the number of incidents involving a loss of product of greater than 1,000kg and the number of recordable injuries (lost time injuries, medical treatment cases and restricted work cases) per calendar year. There has been significant improvement in these trends over the last 10 years, including a more than 50% decrease in the annual number of recordable injuries between 2007 and 2017.

Chart 3.12: Loss of containment > 1,000kg

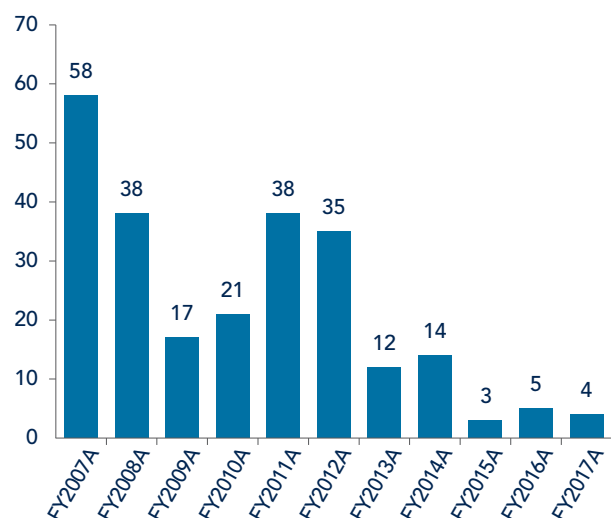
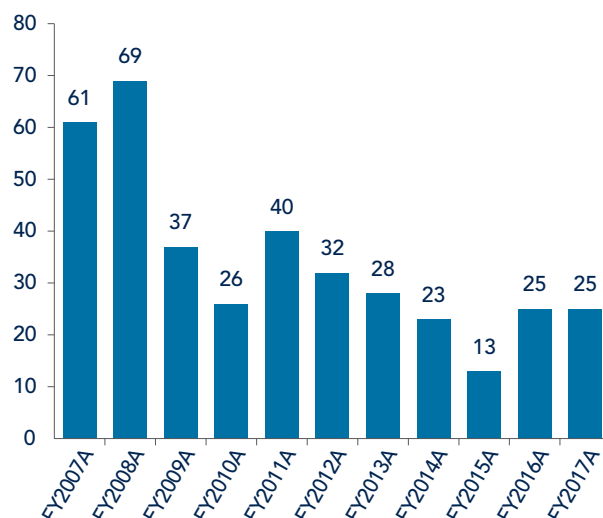
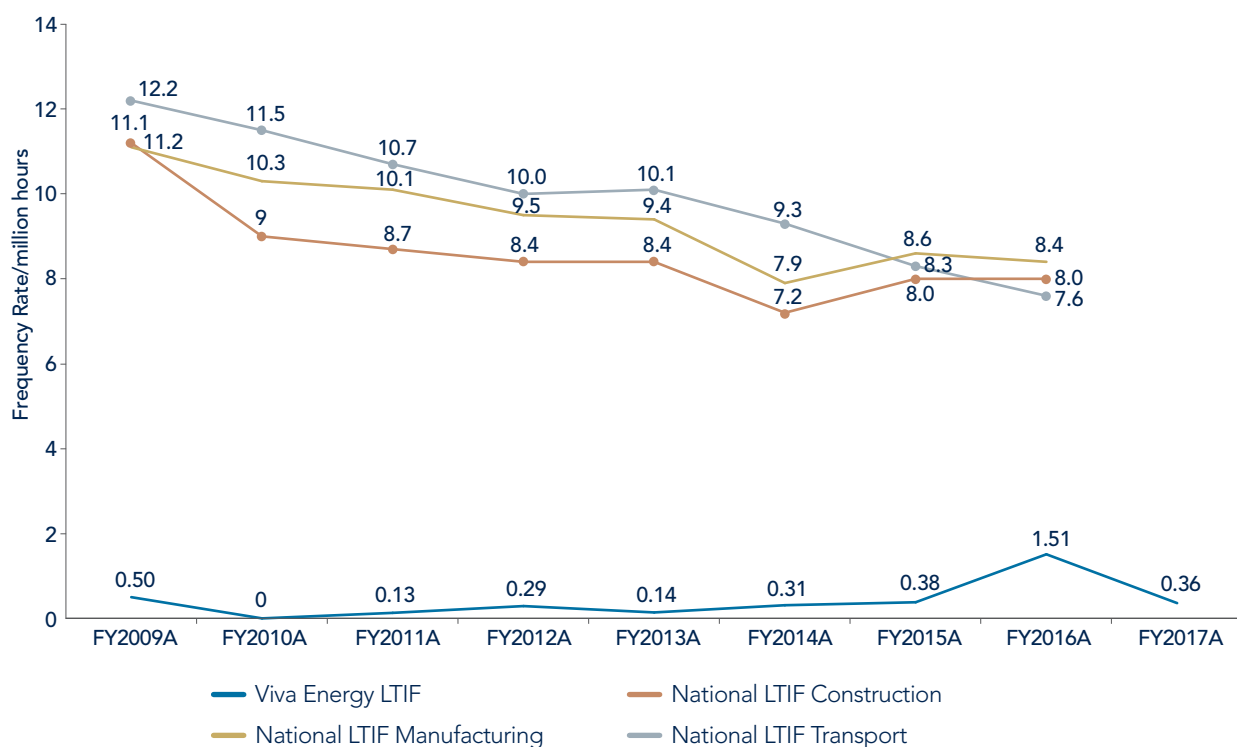


Chart 3.13: Recordable injuries (per calendar year)



In relation to injuries, national industry data is available for Lost Time Injuries ('serious' claims, meaning absence of one working week or more), and a comparison is made below in Chart 3.14 between Viva Energy's lost time injury rate and the rate from comparable industries (i.e. manufacturing, construction and transport industries). As can be seen from this data, Viva Energy's lost time injury frequency ("LTIF") rate compares very favourably to these industry rates.

Chart 3.14: Lost time injury frequency rate compared to national average and Australian industry rates 2009-2016



### 3.8 Regulation

Viva Energy is subject to a wide range of laws and regulations. This includes federal, state and territory laws and regulations covering various aspects of the refining, distribution and marketing of petroleum products, with no one regulator responsible for all industry matters. The following Section summarises key aspects of the regulatory framework.

## 3. Company overview

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### 3.8.1 Product quality standards

#### 3.8.1.1 Fuel Quality Standards Act 2000

Fuel quality is currently regulated in Australia through the *Fuel Quality Standards Act 2000* (the “**FQSA**”), the *Fuel Quality Standards Regulations 2001* and associated determinations. The Australian Government introduced the FQSA to provide a legislative framework for fuel quality and information standards across Australia. The fuel quality standards apply to petrol, diesel, biodiesel, autogas and ethanol E85. The FQSA brings Australian fuel quality standards into line with international standards, and is seen as an essential step in implementing the Australian Government’s commitment to facilitate the adoption of cleaner emission control technology, the more effective operation of engines and the reduction of pollution and vehicle emissions.

##### National standards for fuel quality

The national fuel quality standards (the “**Standards**”) regulate fuel parameters that have a direct impact on the environment. The Standards prohibit leaded petrol and reduce the level of sulphur in diesel fuel. A national fuel grade standard for ethanol that can be blended with petrol up to a maximum level of 10% was introduced in June 2009.

##### Monitoring and compliance

The FQSA, through petrol and diesel determinations, prohibits the supply of petrol and diesel fuel that does not meet the Standards. Corporations face a maximum penalty of \$275,000 for altering or supplying fuel that does not comply with the Standards.

##### Industry notification and reporting

Fuel suppliers are subject to disclosure obligations about the fuel being supplied and whether it meets the Standards. Fuel producers and importers are also required to report annually to the Australian Government’s Department of Environment and Energy about the fuel they produced and supplied the previous year. Failure to provide accurate information is an offence under the FQSA.

The Australian Government is given powers under the FQSA to inspect refineries, bulk storage terminals and service stations for the purpose of taking samples of any fuel. A team of inspectors in all states and territories conduct sampling across the fuel supply chain.

##### Review

The FQSA provides for an independent review of its operation to be undertaken at five-yearly intervals. The outcome of the 2015 review was a finding that the FQSA appears to have been effectively administered since it was introduced; however, it was recommended that the objects of the Act be extended to include consumer protection provisions.

The Australian Government has committed to maintaining the FQSA to ensure that the significant environmental and health outcomes arising from the use of high-quality fuel continue to benefit the Australian public.

##### Proposed amendments

###### (a) Vehicle emissions

In October 2015, the Australian Government established the Ministerial Forum on Vehicle Emissions to coordinate a whole-of-government approach to reducing motor vehicle emissions. As part of this work, the Ministerial Forum is considering reducing the sulphur limit in gasoline to 10 ppm<sup>45</sup>, potentially accompanied or followed by an increase in octane requirements. In the most recent (January 2018) draft impact statement published by the Australian Government’s Department of the Environment and Energy, the implementation dates considered range from 2022 to 2027. Any such changes may lead to further investment requirements at Australian refineries and/or a need to import different quality fuels and components.

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45. Parts per million.

#### (b) Marine vessel emissions

From 1 January 2020, all ships and vessels operating anywhere in the world will be required to comply with certain requirements under the *Protection of the Sea (Prevention of Pollution from Ships) Act 1983* (Cth). These changes are being introduced in an aim to reduce the impacts of sulphur oxide emissions on the environment and human health.

Under the new regulations, ships will be permitted to use:

- fuel oil with a sulphur content of less than 0.5% m/m<sup>46</sup>;
- alternative fuels including methanol liquefied natural gas, or compliant marine diesel oil for smaller vessels; and
- International Maritime Organisation ("IMO") approved equivalent methods to reduce sulphur oxide emissions, including an exhaust gas cleaning system, provided the resulting emissions are equivalent.

It is proposed that guidelines will be developed in July 2018 by an IMO intercessional working group, for the consistent implementation of the regulations. The use, and carriage for use, of non-compliant fuel following 1 January 2020 will be prohibited.

### 3.8.2 Fuel taxes

- The following fuel and petroleum products are excisable goods if they are produced or manufactured in Australia: petroleum fuels;
- gaseous fuels;
- biofuels;
- crude oil and condensate;
- solvents, such as white spirits and turpentine;
- lubricants, such as oils and greases; and
- recycled fuel and fuel products.

Companies that manufacture excisable fuel products require a licence from the ATO, and companies that deliver excisable fuel products into the Australian domestic market must lodge an excise return and pay excise duty.

Currently, excise rates on regular unleaded petroleum are set at 40.9 cents per litre. Excise rates on fuel and petroleum products (other than aviation fuels) are now indexed twice a year, generally on 1 February and 1 August. From 1 July 2016, excise duty rates also increased annually for biodiesel and fuel ethanol.

### 3.8.3 Biofuels mandates

State and territory governments have sought to encourage a transition to low emission energy sources through strategies including a mandate on the presence of biofuels such as ethanol and biodiesel as a percentage of all unleaded regular petrol. These mandates seek to give consumers the choice of using a sustainable product and to encourage the use of clean energy such as biofuels. Biodiesel mandates have been implemented in New South Wales and Queensland, and Viva Energy is currently in the process of applying for exemptions in both jurisdictions. Viva Energy is currently undertaking an infrastructure project at the Pinkenba Terminal in Brisbane, which will enable the business to operate in compliance with the biodiesel mandates. The expected completion of this project is August 2018.

There are currently no federal mandates for biofuel production, and a number of state and territory governments are still in consultation phases, as appropriate targets and mandates are determined.

### 3.8.4 Environmental regulation

Viva Energy is subject to environmental laws (including land use planning laws) in each state and territory of Australia. In general, environmental legislation aims to regulate the potential environmental impacts of the use and development of land – and any development that has the potential to impact the environment (which is not of a minor nature) will typically require some form of environmental approval (including planning approval).

Many of the Viva Energy operations require environmental licences or authorisations (including planning approvals). An overview of the environmental regulatory and licensing framework is provided below.

46. Mass by mass.

### 3. Company overview

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#### 3.8.4.1 Refining

The Geelong Refinery operates under an environmental licence issued by Environment Protection Authority Victoria ("**EPA Victoria**") under the *Environment Protection Act 1970* (Vic). The licence prescribes conditions and discharge limits for air emissions, water discharges, waste and other environmental aspects to seek to ensure that there is no adverse effect on the environment arising from the operations.

A monitoring program is implemented by Viva Energy to demonstrate licence compliance, and any non-compliance incidents are required to be reported to EPA Victoria. In addition, annual performance statements are lodged with EPA Victoria each year documenting the Geelong Refinery's compliance status.

#### 3.8.4.2 Distribution

##### (a) Terminals and depots

Most of Viva Energy's terminals are operated under licences, authorities or registrations issued by the applicable environmental regulator. Viva Energy is typically required to submit an annual report to the regulator in respect of these licensed facilities detailing their compliance status and any non-compliances with air emissions, water discharges, waste management or other conditions.

##### (b) Pipelines

Viva Energy's key pipeline assets are located in New South Wales, Victoria and Queensland. In these jurisdictions, the potential environmental and land use impacts of pipeline operations are regulated pursuant to licences granted under state-based legislation and corresponding regulations relating to high pressure transmission pipelines. The health and safety risks arising from pipelines are also addressed by way of the licensing framework under pipelines laws and work health and safety legislation. Typically, the legislation and regulations require that pipelines be operated in accordance with Australian Standard AS 2885 Pipelines – Gas and Liquid Petroleum.

The Viva Energy Pipelines Management System is designed to ensure all pipelines are managed in accordance with pipeline licences pursuant to applicable state and national standards. These licences typically include requirements for the pipeline operator to prepare, maintain and implement an Environment Management Plan.

##### (c) Retail

All state and territory governments in Australia have implemented a framework to regulate the construction and operation of service stations, and to mitigate potential environmental risks arising from underground petroleum storage systems ("**UPSS**").

In New South Wales and Tasmania, the regulatory framework comprises detailed regulations in relation to UPSS. In all other states and territories of Australia, the environmental risks arising from UPSS are regulated by way of specific mechanisms in dangerous goods or environment protection legislation, and supported by the adoption of specific guidelines in respect of service station construction and operation (including UPSS).

While there are certain differences between the regulatory regimes adopted by each state and territory government, in general, all new service stations and upgraded service stations are required to be designed and installed to meet accepted industry standards to mitigate the risks of leaks occurring. This includes an obligation to install specific types of infrastructure and equipment at service stations (including non-corrodible fuel storage tanks and piping, secondary containment of tanks and piping and overfill protection for storage tanks).

In addition, regulatory requirements for service station operations typically include:

- obligations to notify the regulator of certain service station/petroleum storage activities being carried out at the premises;
- product loss monitoring, detection, investigation and management procedures;
- installation and monitoring of groundwater wells at all service station sites in Australian Capital Territory and New South Wales, and at sensitive sites or sites in groundwater protection zones in South Australia, Tasmania and Victoria; and
- mandatory requirements for certain vapour recovery systems in New South Wales.

Environmental licences or permits are generally not required for the operation of service station sites. The two exceptions to this are:

- Tasmania, where sites are required to be registered with the EPA; and
- Australian Capital Territory, where the site operator must hold an environmental authority.

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### 3.8.4.3 Aviation

Aviation facilities (comprising a network of aircraft refuelling and fuel storage operations at major and regional airports) do not require environmental licences or authorities; however, site-specific local council development consents and/or airport lease conditions often include environmental conditions, such as groundwater monitoring and reporting obligations.

Airports on Commonwealth land are administered under the *Airports Act 1996* (Cth) and associated *Airports (Environmental Protection) Regulations 1997*, which generally supersede otherwise applicable state/territory environmental regulations. Notwithstanding this, state regulations still apply where the Commonwealth regulations are silent (e.g. the requirement in New South Wales legislation for installation and regular monitoring of groundwater wells for all underground tanks).

The airport regulations require that an airport environmental strategy be developed and implemented, and all those who carry out activities at the airport (such as Viva Energy) must comply with the strategy. Larger airports typically require infrastructure operators (such as Viva Energy) to undertake a periodic external third-party environmental audit of operations.

### 3.8.4.4 Pollution incidents

Viva Energy must comply with pollution laws in each state and territory in Australia. Regulation of pollution is typically achieved by way of a mix of regulatory controls and economic incentives, including broad powers for regulators to investigate and enforce pollution incidents. These powers range from the issuing of abatement orders to criminal prosecutions for serious offences.

Most state or territory jurisdictions in Australia require that the person carrying out an activity which gives rise to a pollution incident must report that incident to the regulator as soon as reasonably practicable.

Under pollution laws, the person responsible for causing any pollution incident will be primarily liable for any regulatory action in respect of such incident.

In certain jurisdictions in Australia, the occupier of land upon which a pollution incident occurs may be deemed liable for that pollution incident unless the occupier can establish that the pollution was caused by a third party, and the occupier took all reasonable steps to prevent the pollution.

Regulators have broad powers to investigate and enforce compliance with pollution laws, including commencing criminal prosecutions for offences against pollution legislation. If a corporation commits a pollution offence, then each person who is a director of the corporation is deemed liable for the same offence and is exposed to a risk of criminal prosecution.

### 3.8.4.5 Contaminated land legislation

Viva Energy must comply with contaminated land legislation in each jurisdiction in Australia in which the business operates. Such legislation varies between the states and territories, although in principal liability is generally based on the “polluter pays” approach. In circumstances where the polluter cannot be found, legislation generally establishes a hierarchy of responsibility for clean-up, with the owner or occupier of the contaminated site next in line to be allocated liability.

Any spills, losses of containment or known site contamination must be reported to environmental regulators in accordance with regulatory obligations (except in Victoria). The relevant regulator then typically issues a formal regulatory notice or enters into a voluntary agreement with the polluter that requires further investigation, remediation or management controls.

A nationally consistent risk-based approach is adopted by the various jurisdictions for contaminated site assessment. However, the standards and requirements for the clean-up of contaminated sites are variable and not necessarily risk-based.

### 3.8.4.6 Greenhouse gas and energy reporting

The *National Greenhouse and Energy Reporting (NGER) Act 2007* (Cth) requires Viva Energy to lodge an annual report on greenhouse gas emissions and the consumption and production of energy from facilities under operational control.

On 1 July 2016, new federal legislation known as the Emissions Reduction Fund Safeguard Mechanism commenced. It was designed to keep Australia’s largest emitters within baseline emissions levels to ensure that emissions reductions purchased by the Commonwealth Government are not offset by significant increases in business-as-usual levels elsewhere in the economy.



### 3. Company overview

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This legislation applies to facilities such as the Geelong Refinery that have direct emissions of more than 100,000 tonnes of carbon dioxide equivalence a year. The entity with operational control of the facility is responsible for meeting safeguard requirements, including ensuring that the facility keeps net emissions at or below baseline emission levels.

The Geelong Refinery was notified of its reported baseline by the regulator in May 2016. The Geelong Refinery was eligible to, and applied for, a calculated baseline to manage the excess emissions on the basis that historical emissions were a poor indicator of future emissions.

Viva Energy was advised by the regulator of its new calculated baseline on 22 February 2018, which will cover the three year period from 1 July 2016 to 30 June 2019. The new baseline is considered adequate to cover the refinery's projected emissions profile and production levels.

#### 3.8.5 Employment law framework

##### (a) Fair Work Act

Viva Energy is subject to the national workplace relations system established by the *Fair Work Act 2009* (Cth) ("**FW Act**"), which is administered by the Fair Work Commission ("**FWC**"). The FW Act sets out a wide range of matters which impact on the employment relationship and the resolution of employment-related disputes. The FW Act sets out various obligations or processes in relation to:

- minimum entitlements of employees, including annual leave, parental leave and personal/carer's leave entitlements and maximum hours of work; these are referred to as the National Employment Standards;
- minimum wages;
- awards and enterprise agreements;
- termination of employment;
- unfair termination;
- unlawful termination;
- adverse action and general protection claims;
- an application by workers to stop bullying; bullying means where an individual or group repeatedly behaves unreasonably towards a worker and that behaviour creates a risk to health and safety;
- transfer of business;
- industrial action, right of entry and freedom of association; and
- compliance and enforcement.

##### (b) Enterprise agreements

The FWC is responsible for, among other things, setting minimum terms and conditions of employment by way of making modern awards and approving enterprise agreements.

Viva Energy is subject to 11 enterprise agreements. Of these, three enterprise agreements have passed their nominal term.

Under the FW Act, enterprise agreements may have a nominal term of not more than four years. During the nominal term, a party to an agreement may not engage in protected industrial action whether in relation to matters covered by the agreement or otherwise. Protected industrial action may be taken by employees or their employer to advance their claims in relation to the negotiation of an enterprise agreement. It requires the person wanting to take the industrial action to give at least three days' notice of the intention to take the industrial action.

A person, whether an employee, trade union or employer, who is engaged in protected industrial action is immune from action under any law subject to limited exceptions. For example, without the immunity, a trade union involved in industrial action may risk being sued in tort by an employer for interfering in the contractual relationship with its employees.

Protected industrial action may therefore take place only after the expiry of the nominal term, subject to other conditions, including a ballot by employees approving the action.

### 3.8.6 Trade control

Viva Energy Australia is subject to import and export controls set out in the *Customs Act 1901* (Cth), the *Customs (Prohibited Imports) Regulations 1958* (Cth) and the *Customs (Prohibited Exports) Regulations 1956* (Cth). Most relevantly for Viva Energy, the Customs Act and regulations prohibit the import of sanctioned goods, which from time to time have included crude oil and petroleum products originating from particular countries or particular parts of countries.

Viva Energy Australia is also subject to sanctions laws set out in the *Autonomous Sanctions Act 2011* (Cth) and the *Autonomous Sanctions Regulations 2011* (Cth), which prohibit (among other things) the buying or importing of specified goods (which can include crude oil products or refined petroleum products) from specified counterparties or places.

### 3.8.7 Work, Health and Safety ("WHS")

Viva Energy operates across Australia and is therefore subject to Commonwealth, state and territory regulatory systems. Viva Energy's Health, Safety, Security and Environment Management System ("**HSSE Management System**") is designed to ensure compliance with both the national and state and territory-based regulatory regimes.

Viva Energy has a statutory duty of care in respect of the health and safety of workers. The concept of "workers" includes employees of Viva Energy, as well as the employees of contractors in some situations. Individual employees, directors and officers may face liability under work health and safety legislation. Key to the discharge of duties and obligations is consultation, cooperation and coordination at all levels of activity and management.

A small number of Viva Energy's major sites (e.g. the Geelong Refinery, Lara Terminal and Newport Terminal in Victoria, Clyde Terminal in New South Wales and Pinkenba Terminal in Queensland) are Major Hazard Facilities and, in addition to the general WHS laws, operate under the Major Hazard Facility regulatory frameworks applicable in the relevant jurisdictions. These frameworks regulate facilities where certain hazardous chemicals are present or likely to be present in prescribed quantities. All of these sites are licensed under the applicable regulations.

### 3.8.8 Dangerous goods

The Australian Dangerous Goods Code ("**DGC**") provides technical requirements for the land transport of dangerous goods in Australia. Dangerous goods are defined in the DGC to include gasses, flammable liquids, toxic substances, corrosive substances and environmentally hazardous substances, among others. The DGC sets out requirements in relation to the classification of substances, packaging and performance testing, the use of bulk containers, segregation and stowage, documentation, and emergency procedures. The DGC has been enacted in each Australian jurisdiction through state and territory legislation, and applies to the transportation of dangerous goods by both road and rail.

### 3.8.9 Competition and Consumer Act 2010

The *Competition and Consumer Act 2010* ("**CCA**") governs the relationships between suppliers, wholesalers, retailers and consumers. The objective of the CCA is to promote fair trading and competition and provide various consumer protections.

Broadly, the CCA applies in relation to:

- product safety and labelling;
- unfair market practices;
- petrol price monitoring;
- industry codes and regulation;
- anti-competitive conduct; and
- mergers and acquisitions.

The CCA can attract both civil and criminal penalties for non-compliance.

#### (a) Australian Consumer Law

Schedule 2 of the CCA contains the Australian Consumer law, which prohibits misleading or deceptive conduct, unconscionable conduct, unfair practices, and covers conditions and warranties, product safety, liability of manufacturers of goods and country of origin representations. Individuals and small businesses are given broad protections under the Australian Consumer Law.

The ACCC monitors retail prices of unleaded petrol, diesel and LPG in Australian capital cities and in more than 190 regional locations, to protect consumers against misleading and anti-competitive conduct by fuel retailers.

### 3. Company overview

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#### (b) Oil Code

The *Competition and Consumer (Industry Codes – Oil) Regulations 2017* (“**Oilcode**”) regulates the conduct of wholesalers and fuel resellers who are involved in the sale, supply or purchase of declared petroleum products, such as unleaded petrol and diesel. The Oilcode’s main objectives are to:

- improve transparency in wholesale pricing and access to declared petroleum products at a published terminal gate price;
- set minimum standards in relation to contract requirements and tenure;
- assist participants to make informed decisions when managing fuel re-selling agreements through the disclosure of specific information; and
- provide for access to a cost-effective and timely dispute resolution scheme as an alternative to litigation.

#### 3.8.10 Privacy laws

Viva Energy is subject to privacy legislation in Australia, primarily the *Privacy Act 1988* (Cth) (“**Privacy Act**”). The Privacy Act sets out a number of Australian Privacy Principles which govern the way in which Viva Energy may collect, use and disclose personal information. The Privacy Act has also been amended as of February 2018, to require the mandatory notification of certain types of data breaches.

The Privacy Act is relevant to Viva Energy primarily in relation to:

- certain Viva Energy staff information (while employee records are generally excluded from the operation of the Privacy Act, the legislation may still apply to Viva Energy staff who are contractors and job applicants prior to them becoming employees); and
- information relating to the staff of suppliers and customers, and members of the public, with whom Viva Energy interacts (including information obtained by Viva Energy through its administration of the Shell fuel card).

#### 3.8.11 Other regulation

The Australian downstream petroleum industry is also subject to other forms of regulation, including domestic energy policy, alternative energy source subsidies, corporate taxation and industrial relations policies, as well as those regulations described below.

##### (a) Weights and measures legislation

The *National Measurement Act 1960* establishes a national system of units and standards of measurement and provides for the uniform use of those units and standards throughout Australia to ensure uniformity and coordination of the national system. The *National Trade Measurement Regulations 2009* specify requirements for measuring instruments used for trade.

The *National Measurement Act 1960* contains mechanisms for enforcement of these national standards, including the giving of evidentiary certificates, a system of infringement notices, enforceable undertakings and Federal Court proceedings.

##### (b) National heavy vehicle law and chain of responsibility legislation

The National Heavy Vehicle Law (“**HVNL**”) and associated regulations apply to heavy vehicles over 4.5 tonnes gross vehicle mass. The HVNL has commenced in every state except Western Australia and the Northern Territory; however, the HVNL applies to vehicles from those jurisdictions when they travel across the border into one of the states or territories where the HVNL applies.

The HVNL imposes obligations on parties who are deemed to be in the heavy vehicle chain of responsibility, which includes consignors, consignees, schedulers, packers, loaders, operators and employees. Viva Energy may be subject to both inbound duties as consignees ordering goods to be delivered to their facilities, as well as outbound duties as consignors sending goods out. Parties in the chain of responsibility must ensure the safety of the party’s transport activities, so far as is reasonably practicable. This obligation requires Viva Energy to have in place risk assessment and management processes in relation to its transport activities, as it is responsible for determining compliance with its obligations under the HVNL.



## Section 4:

# Financial Information

## 4. Financial Information

### 4.1 Introduction

#### Background on historical reporting structure

Since 31 December 2014, annual financial reports have been lodged by Viva Energy Holding with ASIC that consolidate the financial performance, financial position and cash flows of Viva Energy Holding and its controlled entities.

In connection with the Offer, the following corporate restructure transactions (the “**Pre-IPO Restructure**”) have been or will be undertaken:

- certain real property assets that are, or will in the near term be, surplus to the Viva Energy Group’s operational requirements will be (and, in some cases, have already been) transferred to a wholly owned subsidiary of Viva Energy B.V. which does not form part of the Viva Energy Group. In each case, the transfer of land will have been completed, or a contract for sale of land will have been entered into, prior to Completion of the Offer. For more information about these real property transfers, and certain commercial arrangements that relate to them, please refer to Section 6.5;
- Viva Energy will acquire:
  - all of the shares in Viva Energy Holding from Viva Energy B.V. in consideration for the issuance of shares in Viva Energy, and the delivery of the Promissory Note, to Viva Energy B.V. Immediately following Completion of the Offer, Viva Energy B.V. will present the Promissory Note to Viva Energy for payment, which Viva Energy will satisfy out of the proceeds of the Offer. For more information about this sale and purchase arrangement, please refer to Section 9.6; and
  - all of the options over preference shares in Viva Energy Holding (“**Existing Options**”) from the participants in the Legacy LTIP in return for options over ordinary shares in Viva Energy (“**New Options**”). Immediately following Completion of the Offer, a portion of the New Options will be cancelled for a cash payment which will, in part, be immediately applied to satisfy the exercise price in respect of all vested New Options. For more information about these arrangements with participants in the Legacy LTIP, please refer to Section 10.4.2; and
- the Viva Energy Group will restructure a number of commercial arrangements to which it is a party with Vitol Investment Partnership, Vitol Holding B.V. and/or certain of their respective affiliates. For more information about these commercial arrangements, please refer to Sections 6.5 and 9.3.

As a result of the Pre-IPO Restructure, Viva Energy will hold 100% of the shares and options in Viva Energy Holding immediately prior to Completion of the Offer.

Following the Offer, it is expected that a new tax consolidated group will be formed. If, immediately following Completion of the Offer, Viva Energy B.V. holds less than 50% of the Shares, Viva Energy will, upon such formation, be required to reset the tax cost base of its assets to reflect the consideration paid by it for the Company. For the purposes of this Prospectus, that outcome has been assumed, but Vitol Investment Partnership (through Viva Energy B.V.) reserves the right to retain 50% or more of the Shares. If, however, Viva Energy B.V. holds at least 50% of the Shares immediately following Completion of the Offer, Viva Energy will not reset the tax cost base of its assets. Please refer to Section 5.2.30 for information on tax risks relating to the Offer.

The Pro Forma Historical Financial Information included in this Prospectus assumes the Pre-IPO Restructure is completed prior to Completion of the Offer and the outcomes of the formation of a new tax consolidated group post-Offer are applied as if they occurred prior to Completion of the Offer, and utilises predecessor accounting for the acquisition of Viva Energy Holding (as explained in Section 4.2.3 further below) and consolidates the financial performance, financial position and cash flows of Viva Energy and its controlled entities, which accordingly includes Viva Energy Holding and its controlled entities.

#### 4.1.1 Overview of financial information

The financial information contained in this Section 4 includes:

- statutory historical financial information for Viva Energy Holding comprising:
  - audited statutory historical consolidated income statements for the financial years ended 31 December 2015 (“**FY2015**”), 31 December 2016 (“**FY2016**”), 31 December 2017 (“**FY2017**”) (“**Statutory Historical Results**”);
  - audited statutory historical consolidated cash flow statements for FY2015, FY2016, and FY2017 (“**Statutory Historical Cash Flows**”);
  - audited statutory historical consolidated balance sheet as at 31 December 2017 (“**Statutory Historical Balance Sheet**”) (together, the “**Statutory Historical Financial Information**”);

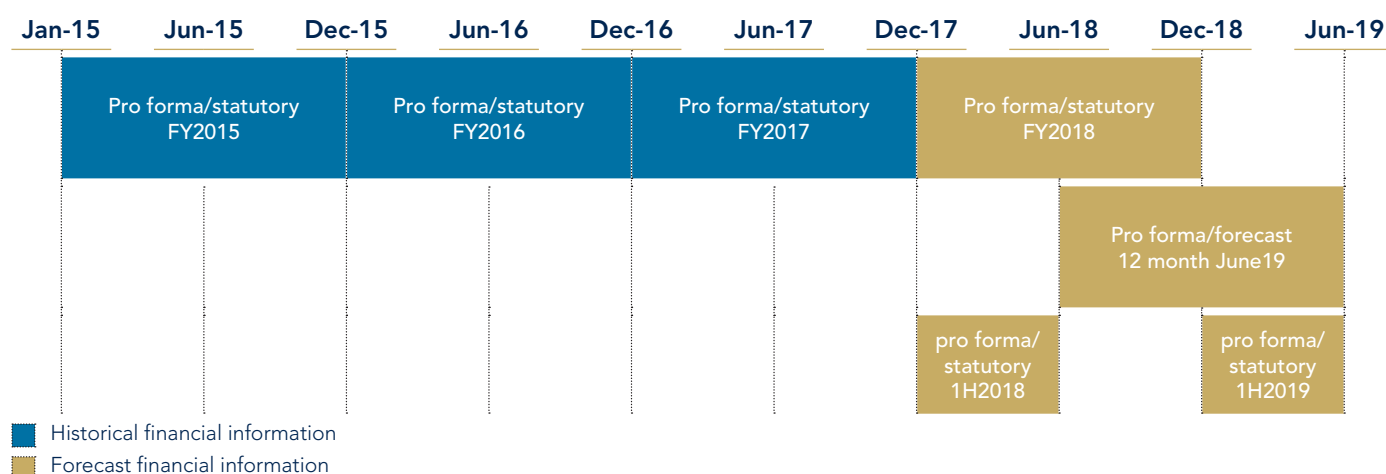
- pro forma historical financial information for Viva Energy comprising:
  - pro forma historical consolidated income statements for FY2015, FY2016 and FY2017 ("**Pro Forma Historical Results**");
  - pro forma historical consolidated cash flow statements for FY2015, FY2016 and FY2017 ("**Pro Forma Historical Cash Flows**"); and
  - pro forma historical consolidated balance sheet as at 31 December 2017 ("**Pro Forma Historical Balance Sheet**")
 (together, the "**Pro Forma Historical Financial Information**" and with the Statutory Historical Financial Information, the "**Historical Financial Information**");
- statutory forecast financial information for Viva Energy comprising:
  - statutory forecast consolidated income statement for the financial year ending 31 December 2018 ("**FY2018**") and the half years ending 30 June 2018 ("**1H2018**") and 30 June 2019 ("**1H2019**") ("**Statutory Forecast Results**"); and
  - statutory forecast consolidated cash flow statement for FY2018, 1H2018 and 1H2019 ("**Statutory Forecast Cash Flows**")
 (together, the "**Statutory Forecast Financial Information**");
- 12 month June forecast financial information for Viva Energy comprising:
  - forecast consolidated income statement for the 12 months ending 30 June 2019; and
  - forecast consolidated cash flow statement for the 12 months ending 30 June 2019
 (together, the "**12 month June Forecast Financial Information**");
- pro forma forecast financial information for Viva Energy comprising:
  - pro forma forecast consolidated income statements for FY2018, the 12 months ending 30 June 2019, 1H2018 and 1H2019 ("**Pro Forma Forecast Results**"); and
  - pro forma forecast consolidated cash flow statements for FY2018, the 12 months ending 30 June 2019, 1H2018 and 1H2019 ("**Pro Forma Forecast Cash Flows**")
 (together, the "**Pro Forma Forecast Financial Information**" and with 12 month June Forecast Financial Information and the Statutory Forecast Financial Information, the ("**Forecast Financial Information**").

The Historical Financial Information and Forecast Financial Information together form the "**Financial Information**".

Viva Energy has a 31 December financial year and the Financial Information (other than the 12 months ending 30 June 2019) has been presented on this basis. The 12 months ending 30 June 2019 period is only provided on a "forecast" basis (and is not referred to as "statutory" since the Company does not prepare annual statutory accounts for 12 months ending 30 June).

The 12 months ending 30 June 2019 period is included in order to present forecast financial information for Viva Energy for a full 12 month period following Completion.

#### Overview of the income statement and cash flow disclosures contained in this Section 4



## 4. Financial Information

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This Section 4 also sets out summaries of:

- the basis of preparation and presentation of the Financial Information (see Section 4.2);
- a discussion of Viva Energy's critical accounting judgements and estimates (see Section 4.2.6);
- an explanation of non-IFRS financial measures used in the Financial Information (see Section 4.3);
- pro forma adjustments and reconciliations of the Pro Forma Historical Financial Information to the Statutory Historical Financial Information and the Pro Forma Forecast Financial Information to the Statutory Forecast Financial Information (see Section 4.4.2);
- details of Viva Energy's indebtedness and capitalisation following the Pre-IPO Restructure and the offer as described in Section 4.5.2, a description of Banking Facilities entered into prior to the Offer (see Section 4.5.3) as well as information regarding liquidity and capital resources (see Section 4.5.2.1);
- management's discussion and analysis of the Pro Forma Historical Financial Information (see Section 4.7), including a discussion of the general factors and key drivers affecting the operating results of Viva Energy;
- management's discussion and analysis of the Pro Forma Forecast Financial Information and Statutory Forecast Financial Information, including the key assumptions underlying the Forecast Financial Information (see Section 4.8);
- a sensitivity analysis of the Pro Forma Forecast Result for FY2018, 1H2019 and the 12 months ending 30 June 2019 and 1H2019 to changes in certain key forecast assumptions (see Section 4.9); and
- Viva Energy's proposed dividend policy (see Section 4.10).

This information is supplemented by the following Appendices:

- Appendix A contains a series of reconciliations of the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information contained in this Section 4 to Viva Energy Holding's Statutory Historical Financial Information and to Viva Energy's Statutory Forecast Financial Information.
- Appendix B contains management's discussion and analysis of the Statutory Historical Financial Information.
- Appendix C contains a summary of Viva Energy's significant accounting policies.

All amounts disclosed in Section 4 are presented in millions of Australian dollars and, unless otherwise noted, have been rounded to the nearest \$0.1 million. Any discrepancies between totals and sums of components in tables and figures contained in this Prospectus are due to rounding.

The information in this Section 4 should be read in conjunction with the risk factors set out in Section 5 and the other information contained in this Prospectus.

### 4.2 Basis of preparation of the Financial Information

#### 4.2.1 Overview

The Financial Information has been prepared and presented in accordance with the measurement and recognition principles of the Australian Accounting Standards ("AAS") (including the Australian Accounting Interpretations) issued by the Australian Accounting Standards Board ("AASB"). Consistency with AAS also ensures that the Financial Information is consistent with IFRS and interpretations issued by the International Accounting Standards Board ("IASB").

The Financial Information is presented in an abbreviated form and does not include all the presentation and disclosures, statements or comparative information as required by the AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

Other than with respect to the new accounting standards discussed below, Viva Energy's accounting policies have been consistently applied throughout the financial periods presented and are set out in Appendix C of this Prospectus.

This Prospectus also includes Forecast Financial Information, which is based on numerous general and specific assumptions of the Directors. The Forecast Financial Information presented in this Prospectus is unaudited. Other than with respect to the new accounting standards discussed below, the basis of preparation and presentation of the Forecast Financial Information is consistent with the basis of preparation and presentation of the Historical Financial Information.



A number of new accounting standards have been issued, but had not taken effect in any of the financial periods to which the Historical Financial Information relates. Those accounting standards, which are listed below, will be adopted by Viva Energy at the date of mandatory adoption (as indicated below):

- AASB 9 *Financial Instruments*, which will be applied with respect to financial reporting periods beginning on or after 1 January 2018;
- AASB 15 *Revenues from Contracts with Customers*, which will be applied with respect to financial reporting periods beginning on or after 1 January 2018; and
- AASB 16 *Leases*, which will be applied with respect to financial reporting periods beginning on or after 1 January 2019.

The Directors have considered the impact of AASB 9 *Financial Instruments* and do not expect it to have a significant impact on the financial position or results of Viva Energy.

Viva Energy will only apply AASB 15 *Revenues from Contracts with Customers* with respect to financial periods commencing on or after 1 January 2018. As a result, the Statutory Forecast Results for FY2018, 1H2018, 1H2019 and the 12 months ending 30 June 2019 Forecast Result show the impact of that new standard, but the Historical Financial Information does not. The effect of AASB 15 *Revenues from Contracts with Customers* is discussed below in Section 4.2.5.

Viva Energy will only apply AASB 16 *Leases* prospectively with respect to financial periods commencing on or after 1 January 2019. As a result, the Statutory Forecast Result for 1H2019 shows the impact of that new standard, but the Statutory Forecast Result for 1H2018; the Forecast Result for 12 months ending 30 June 2019; and the Historical Financial Information do not. The effect of AASB 16 *Leases* is discussed below in Section 4.2.5.

The Historical Financial Information has been reviewed and reported on in accordance with the Australian Standard on Assurance Engagements ASAE 3450 "Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information" by PricewaterhouseCoopers Securities Ltd ("**PwCS**") as set out in the Independent Limited Assurance Report on Historical Financial Information set out in Section 8. The Forecast Financial Information has been reviewed and reported on in accordance with that same Australian Standard by PwCS as set out in the Independent Limited Assurance Report on Forecast Financial Information set out in Section 8. Investors should note the scope and limitations of the respective reports (refer to Section 8).

## 4.2.2 Segment reporting

In accordance with AASB 8 *Operating Segments*, and as reported in Viva Energy Holding's audited consolidated financial statements for FY2017, Viva Energy's results are reported in three segments:

- Retail, Fuels and Marketing;
- Refining; and
- Supply, Corporate and Overheads.

For more information about Viva Energy's reporting segments, please refer to Section 4.4.4.

## 4.2.3 Preparation of Historical Financial Information and Viva Energy's Financial Statements

There are no statutory historical financial results for Viva Energy. The Statutory Historical Financial Information reflects that of Viva Energy Holding. The Pre-IPO Restructure has been treated as a common control transaction and is therefore outside of the scope of AASB 3 *Business Combinations*. Accordingly, the Pro Forma Historical Financial Information presents financial results of Viva Energy using predecessor accounting for the acquisition of Viva Energy Holding. The principles of predecessor accounting are:

- no assets or liabilities are restated to their fair values. Instead, the acquirer adopts predecessor carrying values, i.e. the values used are those from the financial statements of the acquired entity;
- there may be a difference between the consideration given and the aggregate book value of the assets and liabilities (as at the date of the transaction) of the acquired entities. The differences are included in equity in retained earnings and in a separate reserve; and
- the acquired entities' results and balance sheet are incorporated into the consolidated financial statements as if all entities had always been combined. Consequently, the consolidated financial statements reflect all entities' full year's results, even though the business combination may have occurred part of the way through the year.

However, the Directors note that the IASB has agreed that the accounting treatment for transactions similar in nature to the Pre-IPO Restructure, as set out above, should be addressed through a broader project on accounting for common

## 4. Financial Information

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control transactions. One possible outcome of this project is that a new accounting standard could require common control business combinations to be accounted for in accordance with AASB 3 *Business Combinations*. This could require the restatement of the value of assets and liabilities to fair value as at their date of acquisition. If the transactions comprising the Pre-IPO Restructure were required to be recorded at fair value:

- the net assets of Viva Energy would be increased to reflect its market capitalisation immediately following Completion of the Offer. The Directors anticipate that the difference between fair value and book value of net assets would be primarily allocated to property, plant and equipment; and
- Viva Energy's reserves and retained profits would be reset to nil.

The impact of acquisition accounting, should this be retrospectively required by a new accounting standard, would be non-cash in nature and would not impact future cash flows and should not impact Viva Energy's ability to pay future dividends.

Subject to the matters described above and any other changes in accounting standards, the Company intends to use predecessor accounting for the current and all future financial reporting periods.

The Statutory Historical Financial Information has been extracted from the general purpose consolidated financial statements of Viva Energy Holding for FY2017 (the "**Annual Financial Statements**") which contain comparative financial information for FY2015 and FY2016. The Annual Financial Statements have been audited by PricewaterhouseCoopers ("**PwC**"). PwC issued an unqualified audit opinion in respect of the Annual Financial Statements.

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information and has been prepared solely for the purpose of inclusion in this Prospectus. In relation to the Pro Forma Historical Results and Pro Forma Historical Cash Flows, pro forma adjustments have been made to reflect:

- the new operating structure that is being put in place in connection with the Offer as if it had been in place since 1 January 2015;
- the outcomes assuming the formation of a new tax consolidated group;
- additional listed public company costs;
- business acquisitions and related transaction costs, including Shell Aviation Australia Pty Ltd;
- discontinued or divested operations, including the formation of Viva Energy REIT and the related sale and leaseback of real property assets; and
- a reversal of the impact of other one-off items.

The Pro Forma Historical Balance Sheet has been derived from the Statutory Historical Balance Sheet, adjusted to reflect:

- the impact of the Pre-IPO Restructure, which is explained in Section 4.1;
- the outcomes assuming the formation of a new tax consolidated group;
- the impact of drawing down under the Banking Facilities which occurred after 31 December 2017 but before the date of this Prospectus; and
- the retention of a portion of the Offer proceeds to fund payment of the costs of the Offer.

Investors should refer to:

- Section 4.4.3 for a reconciliation of the Pro Forma Historical Results to the Statutory Historical Results and Appendix A for a line by line reconciliation;
- Section 4.6.2 for a reconciliation of the Pro Forma Historical Cash Flows to the Statutory Historical Cash Flows; and
- Section 4.5 for a line by line reconciliation of the Pro Forma Historical Balance Sheet to the Statutory Historical Balance Sheet.

Investors should note that past results are not a guarantee of future performance.

### 4.2.4 Basis of preparation of Forecast Financial Information

The Forecast Financial Information has been prepared solely for inclusion in this Prospectus. The Directors are satisfied that the Forecast Financial Information has been prepared with due care and attention, and that all best estimate assumptions, when taken as a whole, are reasonable at the time of preparing this Prospectus. However, the information is not fact, and investors are cautioned not to place undue reliance on the Forecast Financial Information.

The Forecast Financial Information has been prepared on the basis of numerous assumptions, including the Directors' best estimate of general and specific assumptions set out in Section 4.8. This information is intended to assist investors in

assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. Investors should be aware that the timing of actual events and the magnitude of their impact may differ from that assumed in preparing the Forecast Financial Information, and that this may have a material positive or negative effect on Viva Energy's actual financial performance, cash flows or financial position. Accordingly, neither Viva Energy nor any other person can give investors any assurance that the outcomes presented in the Forecast Financial Information will occur.

Investors are advised to review the Directors' best estimate of the general and specific assumptions set out in Sections 4.8.1 and 4.8.2, in conjunction with the significant accounting policies included in Appendix C, the sensitivity analysis in Section 4.9, the risk factors set out in Section 5 and the other information set out in this Prospectus.

The Forecast Financial Information has been presented on a statutory and pro forma basis:

- The Statutory Forecast Financial Information for FY2018 reflects the Directors' best estimate of financial performance and cash flows that the Directors expect to report in Viva Energy's consolidated financial statements for FY2018, based on the actual results for the three month period to 31 March 2018 and the forecast results for the remaining nine months to 31 December 2018. The Statutory Forecast Financial Information for FY2018 assumes Completion of the Offer will occur prior to 31 July 2018, and include six months of costs associated with being a publicly listed entity.
- The 1H2018 Forecast Income Statement and Forecast Cash Flow Statement are based on the actual results for the three month period to 31 March 2018 and forecast results for the remaining three months to 30 June 2018.
- Forecast Financial Information for the period from 1 April 2018 to 30 June 2019 is based on the Directors' best estimate of specific and general assumptions for that period, as set out in Section 4.8.
- The Pro Forma Forecast Income Statement for 1H2018, FY2018, 12 months ending 30 June 2019 and 1H2019 has been derived from the Statutory Forecast Income Statements for those respective periods, adjusted to reflect the removal of the impact of AASB 15 *Revenues from Contracts with Customers* which becomes effective for periods commencing on or after 1 January 2018 (see Section 4.2.5 for more information about that Accounting Standard and such impact). This adjustment has been made to enable a comparison of the pro forma results for 1H2018, FY2018, 12 months ending 30 June 2019 and 1H2019 applying a consistent accounting policy with the Historical Financial Information.
- The Pro Forma Forecast Income Statement for 1H2019 has been derived from the Statutory Forecast Income Statement for 1H2019, adjusted to reflect the removal of the impact of AASB 16 *Leases* which becomes effective for periods commencing on or after 1 January 2019 (see Section 4.2.5 for more information about that Accounting Standard and such impact). This adjustment has been made to enable a comparison of the pro forma results for 1H2018 and 1H2019 applying a consistent accounting policy with regard to leases.

See Sections 4.4.3 and 4.6.2 for reconciliations between the Pro Forma Forecasts and the Statutory Forecasts.

Viva Energy has no intention to update or revise the Forecast Financial Information or other forward-looking statements or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

#### 4.2.5 Changes in accounting policies or standards

A number of new accounting standards will apply to Viva Energy's future financial reports and have been reflected in the Forecast Financial Information in the manner discussed below.

##### AASB 15 Revenue from Contracts with Customers

In preparing the Forecast Financial Information Viva Energy has considered the effect of Australian Accounting Standard AASB 15 *Revenue from Contracts with Customers*. This new revenue standard will supersede all current revenue recognition requirements under Australian Accounting Standards. Either a full retrospective application or a modified retrospective application is required for financial statements in respect of periods commencing on or after 1 January 2018. Viva Energy will adopt the new standard on the required effective date.

Pursuant to AASB 118 *Revenue*, up until 31 December 2017 Viva Energy reported revenue from the sale of goods and cost of crude oil and refined product (RC) on a gross basis for certain buy-sell contracts it holds with other industry participants for the purchase and sale of refined products.

However, based on work undertaken to date, the Directors consider that revenues and cost of crude oil and refined product (RC) associated with these contracts will be reported on a net basis within revenue/cost of goods sold in Viva Energy's Statutory Forecast Results for FY2018, 1H2018, 1H2019 and 12 months ending 30 June 2019 Forecast Results. There is no impact on Viva Energy's gross profit, Underlying EBITDA or NPAT.

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In order to enable investors to compare the Forecast Financial Results with the Pro Forma Historical Financial Information, the Pro Forma Forecast Results for FY2018, 1H2018, 1H2019 and 12 months ending 30 June 2019 include a pro forma adjustment to reverse the effect of applying *AASB 15 Revenues from Contracts with Customers* (refer Section 4.4.3).

### AASB 9 Financial Instruments

Australian Accounting Standard *AASB 9 Financial Instruments* addresses the classification, measurement and recognition of financial assets and liabilities, sets out new rules for hedge accounting and introduces a new impairment model. This standard is applicable for annual reporting periods beginning on or after 1 January 2018.

Viva Energy plans to adopt the new standard on the required effective date and it will not restate comparative information to reflect its effect. Viva Energy does not expect a significant impact on its balance sheet from applying the classification and measurement requirements of *AASB 9 Financial Instruments*. It expects to continue measuring at fair value all financial assets currently held at fair value.

*AASB 9 Financial Instruments* requires Viva Energy to record expected credit losses on all of its trade receivables, either on a 12 month or lifetime basis. Historically, Viva Energy has experienced strong receivable collections. As a result, it does not expect any significant increases in expected loss allowances following the adoption of *AASB 9 Financial Instruments*.

The new hedge accounting requirements of *AASB 9 Financial Instruments* are not expected to have a significant effect on Viva Energy's consolidated financial statements as it does not apply hedge accounting.

### AASB 16 Leases

Australian Accounting Standard *AASB 16 Leases* must be adopted with respect to all annual reporting periods beginning on or after 1 January 2019 and represents a significant change to how lessees account for operating leases.

Viva Energy leases the vast majority of its Company Controlled Retail Sites, a number of sites at which its storage and infrastructure assets are located and various corporate premises. Viva Energy currently treats these leases as operating leases, not recognising them as an asset on its balance sheet. As summarised in Section 4.5, the adoption of *AASB 16 Leases* is expected to result in a material increase in the recognition of right of use assets and lease liabilities on Viva Energy's balance sheet. The impact on Viva Energy's income statement is expected to be a reduction in occupancy-related expenses (recognised within profit before interest, tax, depreciation and amortisation) and an increase in both amortisation (of right of use assets) and finance costs (associated with the lease liabilities). In relation to sub-leases which are regarded as finance leases under *AASB 16 Leases* there is also forecast to be a reduction in operating lease income and an increase in interest income.

Viva Energy expects to adopt *AASB 16 Leases* prospectively with effect from the commencement of the FY2019 reporting period. Accordingly, the 1H2019 statutory forecast results disclosed in this Prospectus take account of the expected impact of this accounting standard. In order to enable investors to compare the forecast results with the pro forma historical results, the Pro Forma Forecast Results for 1H2019 include a pro forma adjustment to reverse the forecast effect of applying *AASB 16 Leases* (refer Section 4.4.3).

#### 4.2.6 Critical accounting judgements and estimates

Preparing financial statements in accordance with AAS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on Viva Energy and that are believed to be reasonable under the circumstances.

Viva Energy makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined in the significant accounting policies of Viva Energy set out in Appendix C.

The areas involving significant estimates and assumptions include fair value of consideration receivable; estimation of minimum operating stock; impairment of goodwill and non-current assets; provisions for employee benefits, restoration of sites and environmental remediation; financial assets and liabilities; and income tax expense and deferred tax balances. Refer to the significant accounting policies of Viva Energy set out in Appendix C for further information.

## 4.3 Explanation of certain non-IFRS and other financial measures

Viva Energy uses certain measures to manage and report on its business that are not recognised under AAS or IFRS. These measures are referred to as non-IFRS financial measures under *Regulatory Guide 230 Disclosing non-IFRS financial information* published by ASIC.

Although the Directors believe that these measures provide useful information about the financial performance, financial position and cash flows of Viva Energy, they should be considered as supplements to the measures that have been presented in accordance with AAS and not as replacements for them. Because non-IFRS financial measures are not based on AAS or any other recognised body of accounting standards, they do not have a prescribed meaning and the way that Viva Energy calculates them may be different from the way other companies calculate similarly-titled measures. Investors should therefore not place undue reliance on these non-IFRS financial measures.

The principal non-IFRS financial measures used in this Prospectus are described below, together with certain other measures that management uses to assess the business and to communicate with investors regarding its performance and financial condition.

### 4.3.1 Income statement

#### Gross profit

Gross profit is a subtotal that Viva Energy includes in its consolidated statement of profit or loss that is not required or defined by IFRS. Viva Energy calculates gross profit by subtracting cost of goods sold from revenue.

Viva Energy presents cost of goods sold on both an IFRS historical cost and a non-IFRS replacement cost basis:

- Historical cost ("**HC**") 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 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 ("**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 to enable users of the Financial Information to observe the operating performance of the business independently of the impact of movements in the oil price.

Financial results presented on a replacement cost basis may be reported at the level of Gross Profit ("**Gross Profit (RC)**"), Underlying EBITDA ("**Underlying EBITDA (RC)**") and NPAT ("**NPAT (RC)**"). Pro forma segment information is provided on a replacement cost basis.

When replacement cost measures are presented, an additional item referred to as "net inventory gain/(loss)" represents the difference between cost of goods sold calculated on the historical cost basis and cost of goods sold on the replacement cost basis.

Gross profit margin is calculated as gross profit divided by revenue and expressed as a percentage.

#### Refining Margin

Viva Energy uses non-IFRS measures to assess the financial performance of the Geelong Refinery. It refers to these measures as the Refining Margin and the Geelong Gross Refining Margin. Both the Refining Margin and the Geelong Gross Refining Margin are measures of the profitability that Viva Energy derives from sales of refined products from the Geelong Refinery, expressed in US dollars per barrel of refined product. The difference between the two measures is that the Geelong Gross Refining Margin takes into account energy costs incurred in the refining process, whereas the Refining Margin excludes those costs. In order to isolate the economic contribution of the Geelong Refinery from the remainder of its business, Viva Energy calculates the Refining Margin and the Geelong Gross Refining Margin based on a notional internal sales price. This price is based on an import parity price ("**IPP**") for the relevant refined products. IPP, in turn, is based on 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 to Australia. The cost of goods sold component of the Refining Margin calculation is based on the actual purchase price of the crude oil and other feedstock consumed by the Geelong Refinery in order to produce the refined products. The cost of goods sold component of the Geelong Gross Refining Margin is equal to that of the Refining Margin and in addition, includes the cost of energy incurred in order to produce the refined products.

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In order to assist it to understand the performance of the Geelong Refinery, Viva Energy compares its Geelong Gross Refining Margin to a Singapore gross refining margin published via Bloomberg<sup>1</sup>. Singapore GRM is a widely used industry benchmark that is based on prevailing crude and refined product prices and is derived by the application of a mathematical model that takes into account typical local refinery operations. Bloomberg publishes different Singapore GRMs that are based on different refinery configurations. Viva Energy uses the Singapore FCC GRM, which is based on the assumed configuration that most closely resembles the Geelong Refinery.

The Singapore GRM is a useful comparative measure because Singapore is the key trading hub for both crude oil and refined products imported into Australia. The following table shows the Geelong Gross Refining Margin and the published average Singapore GRM for FY2015, FY2016 and FY2017.

### Geelong Refinery – Margin Benchmarking<sup>2</sup>

Description			FY2015	FY2016	FY2017	3 Year Average
Refining Margin (excl. energy costs)	US\$/bbl	A	11.8	7.9	10.2	10.0
Geelong Gross Refining Margin (incl. energy costs)	US\$/bbl	B	10.8	7.0	9.1	9.0
Singapore Gross Refining Margin	US\$/bbl	C	6.1	4.6	6.0	5.5
Difference between Geelong Gross Refining Margin and Singapore Gross Refining Margin	US\$/bbl	=B-C	4.7	2.4	3.2	3.4

Investors are cautioned that the calculation of the Refining Margin and Geelong Gross Refining Margin involve significant elements of estimation and judgement and are not a measure of historical financial performance. Rather, they are a financial measure that Viva Energy uses to illustrate, and as an aid to its understanding of, the financial performance of the Geelong Refinery. In addition, any historical comparison of the Geelong Gross Refining Margin to Singapore GRM should not be relied on as an indication that the Geelong Gross Refining Margin will, in the future, compare favourably against the Singapore GRM or that the attributes of the Geelong Gross Refining Margin that have in the past resulted in a premium over the Singapore GRM will remain comparative advantages enjoyed by Viva Energy at any future time. Please refer to Section 5.2.7 for information on risks relating to the Refining Margin.

The historical difference between the Geelong Gross Refining Margin and Singapore GRM is mainly attributable to the following factors relevant to the operations at the Geelong Refinery<sup>3</sup>:

- **product mix** – the Geelong Refinery produced a higher proportion of higher margin products such as jet fuel and high octane petrol than that assumed in the calculation of Singapore GRM;
- **freight advantage** – this is due to the higher unit cost of shipping refined products, as compared to crude oil, from Singapore to Australia. This cost advantage is attributable to the fact that crude oil is typically transported to Australia in large, long range tankers, at a lower cost per barrel than the freight cost of refined products which are transported to Australia in smaller medium range tankers;
- **procurement of local crude and condensate** – a portion of the Geelong Refinery's crude oil intake and feedstock was locally sourced. This generated a cost advantage due to lower freight costs and some purchases at prices below imported alternatives; and
- **specialties** – the Geelong Refinery produced a number of higher margin products such as avgas, bitumen and solvents that are not included in the refinery model used to calculate Singapore GRM.

### Profit before interest, tax, depreciation and amortisation and Underlying EBITDA

Viva Energy uses profit before interest, tax, depreciation and amortisation and Underlying EBITDA to analyse aspects of its financial performance independently of its capital structure and certain non-cash expenses.

Profit before interest, tax, depreciation and amortisation is earnings before finance costs and income tax expense, both of which are affected by the capital structure of Viva Energy, and the non-cash depreciation and amortisation charges. Profit before interest, tax, depreciation and amortisation can be a useful measure to evaluate the operating performance of the business.

1. Bloomberg benchmark refers to the Singapore Fluid Catalytic Cracker Margin benchmark.

2. The tabled information is subject to rounding differences.

3. Note the list of factors is not exhaustive and the Geelong Gross Refining Margin could at certain times be lower than the Singapore GRM.



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In addition, Viva Energy management uses Underlying EBITDA, which is profit before interest, tax, depreciation and amortisation adjusted to remove the impact of the following additional non-cash items that do not necessarily reflect the operational performance of the business:

- lease straight-lining expense;
- share of net profit of associates;
- gains or losses on the disposal of property, plant and equipment; and
- gains or losses on derivatives and foreign exchange (both realised and unrealised).

Underlying EBITDA can be presented on historical and replacement cost basis. The reconciliation of profit before interest, tax, depreciation and amortisation to Underlying EBITDA is included in Section 4.4.1.

Some of the limitations of profit before interest, tax, depreciation and amortisation and Underlying EBITDA as financial measures are that they do not reflect the following:

- Viva Energy's available cash or capital expenditure;
- changes in Viva Energy's working capital needs;
- the cash requirements necessary to service interest payments or principal repayments in respect of any borrowings; and
- although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will have to be replaced in the future and there will likely be cash requirements for such replacements.

### 4.3.2 Balance sheet

#### Working capital

Viva Energy defines working capital as the aggregate of:

- trade and other receivables; plus
- inventories on an historical cost basis; plus
- other current assets; less
- trade and other payables, provisions (other than provisions relating to estimated future asset retirement obligations) and other current liabilities.

Working capital excludes cash and cash equivalents.

Viva Energy considers that this measure assists it to monitor its short-term liquidity.

#### Net debt

Net debt represents total interest-bearing loans and borrowings net of cash and cash equivalents. Viva Energy believes this is a useful measure as it displays Viva Energy's net borrowing position.

### 4.3.3 Cash flow statement

#### Operating Free Cash Flow and Net Free Cash Flow

Operating Free Cash Flow is a non-IFRS measure that represents net cash from operating activities before capital expenditure, proceeds from the sale of property, plant and equipment and intangibles, interest received, interest and finance charges paid, tax paid and dividends paid. Viva Energy believes that this presents a useful measure of the operating cash flow generated by the business before capital expenditure (as defined below) and other investing activities. It is important to note that Operating Free Cash Flow does not take into account the requirements of the business for cash to fund financing costs (such as interest expenses and bank fees), debt repayments and tax payments.

Net Free Cash Flow is net cash from operating and investing activities before interest received, interest and finance charges paid, income tax paid and dividends paid. As a result, it is a measure of the operating cash flow generated by the business after capital expenditure and other investing activities but before taking into account net interest, tax paid and dividends paid.

Viva Energy views Operating Free Cash Flow and Net Free Cash Flow as measures which demonstrate Viva Energy's ability to generate cash in order to service and reduce its debt and pay tax and dividends.

Capital expenditure is defined as payments for property, plant and equipment and intangible assets such as software. Capital expenditure relates to expenditure for property, plant and equipment and purchased intangible assets, e.g. software licences, which are recorded on Viva Energy's balance sheet in accordance with AAS rather than in the income statement.

## 4. Financial Information

### 4.4 Pro forma historical and forecast income statements

Table 1 sets out the Pro Forma Historical Results for FY2015, FY2016, FY2017, the Pro Forma Forecast Results for FY2018 and the 12 months ending June 2019, and the Statutory Forecast Results for FY2018. Appendix A contains a line by line reconciliation of the Pro Forma Historical Results to the Statutory Historical Results.

The Pro Forma Forecast Results and Statutory Forecast Results are subject to the general and specific assumptions underlying the Forecast Financial Information (see Sections 4.8.1 and 4.8.2).

**Table 1: Pro Forma Historical Results for FY2015, FY2016, FY2017, the Statutory and Pro Forma Forecast Results for FY2018 and the Pro Forma Forecast Results for the 12 months ending 30 June 2019**

\$ in millions	Notes	Pro Forma Historical Results			Pro Forma Forecast Results		Statutory Forecast Results
		FY2015	FY2016	FY2017	FY2018	12 month June-19	FY2018
<b>Revenue from sale of goods</b>	<b>1</b>	<b>16,525.6</b>	<b>14,172.1</b>	<b>15,556.2</b>	<b>16,535.9</b>	<b>17,002.3</b>	<b>14,878.8</b>
Non-fuels income	2	121.7	133.6	141.7	148.2	151.1	148.2
Other revenue		13.6	23.7	26.4	17.0	12.8	32.2
<b>Revenue</b>		<b>16,660.9</b>	<b>14,329.4</b>	<b>15,724.3</b>	<b>16,701.1</b>	<b>17,166.2</b>	<b>15,059.2</b>
Cost of crude oil and refined product (RC)	3	(10,190.4)	(8,214.7)	(9,524.8)	(10,526.2)	(10,819.8)	(8,869.1)
Net inventory gain/(loss)	4	(52.6)	(61.2)	(8.7)	(20.8)	-	(20.8)
Sale taxes and duties	5	(4,328.0)	(4,235.0)	(4,123.6)	(4,139.7)	(4,221.7)	(4,139.7)
Import freight expenses		(412.6)	(258.7)	(256.4)	(261.6)	(270.0)	(261.6)
<b>Gross profit (HC)</b>		<b>1,677.3</b>	<b>1,559.8</b>	<b>1,810.8</b>	<b>1,752.8</b>	<b>1,854.7</b>	<b>1,768.0</b>
Transportation expenses		(337.1)	(333.2)	(314.6)	(294.8)	(297.4)	(294.8)
Salaries and wages		(282.4)	(260.2)	(274.0)	(254.2)	(263.6)	(251.6)
General and administration expense		(138.4)	(139.3)	(148.0)	(162.6)	(167.2)	(282.2)
Maintenance expense		(119.1)	(103.7)	(102.4)	(93.8)	(99.2)	(93.8)
Operating leases	6	(220.7)	(231.8)	(240.1)	(257.9)	(264.3)	(257.9)
Lease straight-lining	7	(36.1)	(32.5)	(28.9)	(25.6)	(23.6)	(25.6)
Sales and marketing		(97.0)	(97.4)	(106.1)	(105.2)	(101.7)	(105.2)
<b>Operating expenses</b>		<b>(1,230.8)</b>	<b>(1,198.1)</b>	<b>(1,214.1)</b>	<b>(1,194.1)</b>	<b>(1,217.0)</b>	<b>(1,311.1)</b>
Share of profit of associates	8	32.0	33.0	65.4	38.9	39.9	38.9
Net gain/(loss) on other disposal of PP&E		(17.7)	10.3	15.6	9.6	10.6	9.6
Revaluation gain/(loss) on FX and oil derivatives	9	(41.9)	9.1	(24.6)	(11.3)	-	(11.3)
<b>Other income/(expense)</b>		<b>(27.6)</b>	<b>52.4</b>	<b>56.4</b>	<b>37.2</b>	<b>50.5</b>	<b>37.2</b>
<b>Profit before interest, tax, depreciation and amortisation</b>		<b>418.9</b>	<b>414.1</b>	<b>653.1</b>	<b>595.9</b>	<b>688.2</b>	<b>494.1</b>

Pro Forma Historical Results					Pro Forma Forecast Results		Statutory Forecast Results
\$ in millions	Notes	FY2015	FY2016	FY2017	FY2018	12 month June-19	FY2018
Depreciation and amortisation		(69.7)	(80.6)	(111.5)	(123.4)	(129.8)	(123.4)
<b>Profit before interest and tax</b>		<b>349.2</b>	<b>333.5</b>	<b>541.6</b>	<b>472.5</b>	<b>558.4</b>	<b>370.7</b>
Net finance costs	10	(53.7)	(32.8)	(28.9)	(30.3)	(28.7)	(30.9)
<b>Profit before tax</b>		<b>295.5</b>	<b>300.7</b>	<b>512.7</b>	<b>442.2</b>	<b>529.7</b>	<b>339.8</b>
Income tax expense	11	(88.8)	(89.0)	(157.8)	(132.7)	(158.9)	123.3
<b>NPAT</b>		<b>206.7</b>	<b>211.7</b>	<b>354.9</b>	<b>309.5</b>	<b>370.8</b>	<b>463.1</b>

Notes:

- The Pro Forma Forecast Result for FY2018 and 12 months ending 30 June 2019 has been adjusted to present revenue from sale of goods and cost of crude oil and refined product (RC) relating to certain buy-sell contracts on a gross basis. This is consistent with the treatment in the Historical Results. In the Statutory Forecast Results for FY2018, 1H2018, 1H2019 and 12 months June-19, these will be reported on a net basis pursuant to AASB 15 *Revenues from Contracts with Customers*.
- Non-fuel: income: primarily consists of lease and licence payments from Coles Express in respect of Retail Sites operated by Coles Express under the Alliance Agreement, with the remainder consisting of Shell Card fees, royalties in respect of Retail Agent Sites, and royalty payment from Coles Express in respect of convenience store sales at Alliance Sites.
- Cost of crude oil and refined product (RC): is a non-IFRS measure that removes the impact of inventory gains and losses in order to better reflect the underlying performance of the business. The cost of crude oil and refined product (RC) is calculated based on the theoretical cost of the goods sold at the time of the sale, instead of the actual cost of inventory and removes the effect of timing differences. It includes cost of imported finished goods, cost of imported or locally purchased crude products, cost of finished or crude products purchased through either buy/sell or borrow/loan arrangement with other oil majors.
- Net inventory gain/(loss): represents the difference between replacement cost and historical cost. 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 accounting methodology. Historical cost accounting includes inventory gains and losses resulting from the timing differences between purchases and sales and the rise and fall of oil and refined product prices during the intervening period.
- Sales taxes and duties: includes fuel excise payable to the Australian Taxation Office (ATO) and customs duties. These amounts are recovered from customers, with a corresponding amount included in revenue from sale of goods.
- Operating leases expense includes lease payments made in relation to all operating leases entered into by Viva Energy, a substantial portion of which relate to service station sites leased from Viva Energy REIT. The expense item does not include non-cash amounts relating to lease straight-lining pursuant to AASB 117 *Leases*. Lease straight-lining reflects the fact that where certain leases have fixed annual rent escalation clauses under which the rent payable increases over the lease term, accounting standards require Viva Energy to apportion the total known rent payable over the current term of the lease (excluding option periods) evenly across the lease term. The additional non-cash expense related to lease straight-lining is reported separately. See note 7 below.
- Lease straight-lining: represents non-cash amounts relating to lease straight-lining pursuant to AASB 117 *Leases* in respect of the leases with fixed annual escalation. This predominantly relates to lease arrangements with Viva Energy REIT. See note 6 above.
- Share of profit of associates: represents share of profit from associates, namely Viva Energy REIT and Liberty Oil Holdings Limited, in which Viva Energy has a share of approximately 38% and 50% respectively.
- Revaluation gain/(loss) on FX and oil derivatives represents the realised and unrealised gain/(loss) as a result of:
  - net settlement of FX forwards that were taken out during the year to hedge net FX exposure; and
  - net settlement of crude oil and refining margin positions that were taken out to hedge oil exposure.
- Net finance costs: relate to interest on debts and borrowings, finance lease and non-cash amounts relating to unwinding of present value discounts of provisions.
- Income tax expense in the FY2018 Statutory Results reflects the outcomes assuming the formation of a new tax consolidated group. Following the IPO, it is expected that a new tax consolidated group will be formed. If, immediately following Completion of the Offer, Viva Energy B.V. holds less than 50% of the Shares, Viva Energy will, upon such formation, be required to reset the tax cost base of its assets to reflect the consideration paid by it for Viva Energy Holding. For the purposes of this Table, that outcome has been assumed and its expected effect is to reduce the statutory deferred tax expense by \$226.1 million, with a corresponding entry in deferred tax liabilities. For the purposes of the Pro Forma Forecast Results for FY2018, this one-off impact has been excluded. If, however, Viva Energy B.V. holds at least 50% of the Shares immediately following Completion of the Offer, Viva Energy will not reset the tax cost base of its assets and so, in that scenario, this reduction in deferred tax liabilities would not occur.

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Table 2 sets out the Pro Forma Forecast Results for 1H2018 and 1H2019, and the Statutory Forecast Results for 1H2018 and 1H2019.

**Table 2: Pro Forma Forecast Results for 1H2018 and 1H2019, and the Statutory Forecast Results for 1H2018 and 1H2019**

\$ in millions	Notes	Pro Forma Forecast Results		Statutory Forecast Results	
		Under current AASB 117 Leases 6 month 1H2018	Under current AASB 117 Leases 6 month 1H2019	Under current AASB 117 Leases 6 month 1H2018	Under current AASB 16 Leases 6 month 1H2019
<b>Revenue from sale of goods</b>	<b>1</b>	<b>7,954.2</b>	<b>8,420.6</b>	<b>7,151.5</b>	<b>7,574.4</b>
Non-fuels income	2	72.6	75.5	72.6	67.6
Other revenue	2	8.5	4.3	23.7	4.3
<b>Revenue</b>		<b>8,035.3</b>	<b>8,500.4</b>	<b>7,247.8</b>	<b>7,646.3</b>
Cost of crude oil and refined product (RC)	1	(5,057.9)	(5,351.5)	(4,255.2)	(4,505.3)
Net inventory gain/(loss)		(20.8)	-	(20.8)	-
Sale taxes and duties		(2,012.4)	(2,094.4)	(2,012.4)	(2,094.4)
Import freight expenses		(128.1)	(136.5)	(128.1)	(136.5)
<b>Gross profit (HC)</b>		<b>816.1</b>	<b>918.0</b>	<b>831.3</b>	<b>910.1</b>
Transportation expenses		(140.1)	(142.7)	(140.1)	(142.7)
Salaries and wages		(124.4)	(133.8)	(121.8)	(133.8)
General and administration expense		(77.5)	(82.1)	(98.6)	(82.1)
Maintenance expense		(43.2)	(48.6)	(43.2)	(48.6)
Operating leases	2	(126.9)	(133.3)	(126.9)	-
Lease straight-lining	2	(13.5)	(11.5)	(13.5)	-
Sales and marketing		(58.1)	(54.6)	(58.1)	(54.6)
<b>Operating expenses</b>		<b>(583.7)</b>	<b>(606.6)</b>	<b>(602.2)</b>	<b>(461.8)</b>
Share of profit of associates		19.0	20.0	19.0	20.0
Net gain/(loss) on other disposal of PP&E		(0.4)	0.6	(0.4)	0.6
Revaluation gain/(loss) on FX and oil derivatives		(11.3)	-	(11.3)	-
<b>Other income/(expense)</b>		<b>7.3</b>	<b>20.6</b>	<b>7.3</b>	<b>20.6</b>
<b>Profit before interest, tax, depreciation and amortisation</b>		<b>239.7</b>	<b>332.0</b>	<b>236.4</b>	<b>468.9</b>
Depreciation and amortisation	2	(59.4)	(65.8)	(59.4)	(151.3)
<b>Profit before interest and tax</b>		<b>180.3</b>	<b>266.2</b>	<b>177.0</b>	<b>317.6</b>
Net finance costs	2	(15.9)	(14.3)	(16.5)	(112.4)
<b>Profit before tax</b>		<b>164.4</b>	<b>251.9</b>	<b>160.5</b>	<b>205.2</b>
Income tax expense		(49.3)	(75.5)	(48.2)	(61.5)
<b>NPAT</b>		<b>115.1</b>	<b>176.4</b>	<b>112.3</b>	<b>143.7</b>

Notes:

1. The Pro Forma Forecast Result for 1H2018 and 1H2019 has been adjusted to present revenue from sale of goods and cost of crude oil and refined product (RC) relating to certain buy-sell contracts on a gross basis. This is consistent with the treatment in the Historical Results. In the Statutory Forecast Results for 1H2018 and 1H2019, these will be reported on a net basis pursuant to AASB 15 *Revenues from Contracts with Customers*.
2. As a consequence of the adoption of AASB 16 Leases, when compared against the Pro Forma Forecast Results under the current AASB 117 Leases standard, the 1H2019 Statutory Forecast Results will include a reduction to operating leases and lease straight-lining of \$144.8 million (recognised within profit before interest, tax, depreciation and amortisation) and an increase to both depreciation and amortisation (of right of use assets) of \$85.5 million and finance costs (associated with the lease liabilities) of \$100.8 million. Sub-lease revenues, which are reported within non-fuel income, are regarded as finance leases under AASB 16 Leases and consequently there is also forecast to be a reduction in operating lease income of \$7.9 million and an increase in interest income of \$2.7 million in the Statutory Forecast Results for 1H2019. The net impact on NPAT is \$32.7 million. A line by line reconciliation of the Statutory Forecast Results and Pro Forma Forecast Results is provided in Appendix A.

#### 4.4.1 Key operating metrics

Table 3 sets out a summary of Viva Energy's key historical operating metrics for FY2015, FY2016 and FY2017 derived from the Pro Forma Historical Results, and the key pro forma forecast operating metrics for FY2018, the 12 months ending June 2019, 1H2018 and 1H2019.

**Table 3: Summary of key historical Pro Forma operating metrics for FY2015, FY2016, FY2017 and key Pro Forma Forecast operating metrics for FY2018, 12 months ending 30 June 2019, 1H2018 and 1H2019.**

	Pro Forma Historical			Pro Forma Forecast			
	FY2015	FY2016	FY2017	FY2018	12 month June-19	6 month 1H2018	6 month 1H2019
<b>Volumes (ML)</b>							
Petrol: ULP 91	2,738.8	2,539.6	2,192.4	1,966.3	2,046.4	923.2	1,003.3
Petrol: E10	360.7	289.5	313.5	287.0	296.1	134.9	144.0
Petrol: Premium ULP (95 and 98 V Power)	1,294.4	1,233.2	1,033.7	984.4	1,033.3	462.7	511.6
Diesel: Premium (V Power)	-	-	-	16.8	24.0	7.4	14.6
Diesel	6,199.7	6,180.5	6,231.2	6,292.0	6,307.0	3,146.0	3,161.0
Others (LPG, Adblue, Specialties and Marine)	1,178.8	1,117.9	1,030.2	1,133.6	1,167.9	555.5	589.8
Aviation	2,975.4	3,196.0	3,350.4	3,406.2	3,483.2	1,668.6	1,745.6
<b>Total fuel and specialties volumes (ML)</b>	<b>14,747.8</b>	<b>14,556.7</b>	<b>14,151.4</b>	<b>14,086.3</b>	<b>14,357.9</b>	<b>6,898.3</b>	<b>7,169.9</b>
<b>Operational metrics</b>							
Geelong Refining Margin (US\$/barrel)	11.8	7.9	10.2	9.2	9.8	8.3	9.7
Operational Availability (%)	93.2%	89.3%	93.6%	92.2%	96.5%	87.8%	96.5%
Refinery intake (M Barrels)	37.8	39.9	40.8	42.2	44.0	19.7	21.5

Set out below is the reconciliation of non-IFRS profitability measure – Underlying EBITDA, as defined in Section 4.3.1.

## 4. Financial Information

Table 4: Reconciliation of historical cost and replacement cost Underlying EBITDA

\$ in millions	Pro Forma Historical Results			Pro Forma Forecast Results		Statutory Forecast Results
	FY2015	FY2016	FY2017	FY2018	12 month June-19	FY2018
<b>Gross profit (HC)</b>	<b>1,677.3</b>	<b>1,559.8</b>	<b>1,810.8</b>	<b>1,752.8</b>	<b>1,854.7</b>	<b>1,768.0</b>
<b>Add/(subtract)</b>						
Operating expenses (includes non-cash lease straight-lining)	(1,230.8)	(1,198.1)	(1,214.1)	(1,194.1)	(1,217.0)	(1,311.1)
Exclude: lease straight-lining	36.1	32.5	28.9	25.6	23.6	25.6
<b>Underlying EBITDA (HC)</b>	<b>482.6</b>	<b>394.2</b>	<b>625.6</b>	<b>584.3</b>	<b>661.3</b>	<b>482.5</b>
Plus: Net inventory gain/(loss)	52.6	61.2	8.7	20.8	-	20.8
<b>Underlying EBITDA (RC)</b>	<b>535.2</b>	<b>455.4</b>	<b>634.3</b>	<b>605.1</b>	<b>661.3</b>	<b>503.3</b>

\$ in millions	Pro Forma Forecast Results		Statutory Forecast Results	
	Under current AASB 117 Leases 6 month 1H2018	Under current AASB 117 Leases 6 month 1H2019	Under current AASB 117 Leases 6 month 1H2018	Under AASB 16 Leases 6 month 1H2019
<b>Gross profit (HC)</b>	<b>816.1</b>	<b>918.0</b>	<b>831.3</b>	<b>910.1</b>
<b>Add/(subtract)</b>				
Operating expenses (includes non-cash lease straight-lining)	(583.7)	(606.6)	(602.2)	(461.8)
Exclude: lease straight-lining	13.5	11.5	13.5	-
<b>Underlying EBITDA (HC)</b>	<b>245.9</b>	<b>322.9</b>	<b>242.6</b>	<b>448.3</b>
Plus: Net inventory gain/(loss)	20.8	-	20.8	-
<b>Underlying EBITDA (RC)</b>	<b>266.7</b>	<b>322.9</b>	<b>263.4</b>	<b>448.3</b>

### 4.4.2 Statutory Historical Results

Table 5 sets out the Statutory Historical Results for FY2015, FY2016 and FY2017 extracted from the Annual Financial Statements.

Table 5: Statutory Historical Results FY2015, FY2016, FY2017

\$ in millions	Statutory FY2015	Statutory FY2016	Statutory FY2017
<b>Revenue from the sale of goods</b>	<b>16,350.9</b>	<b>13,967.4</b>	<b>15,489.0</b>
Non-fuels income	121.7	133.6	141.7
Other revenue	22.0	29.9	29.8
<b>Revenue</b>	<b>16,494.6</b>	<b>14,130.9</b>	<b>15,660.5</b>
Cost of crude oil and refined product (RC)	(10,190.4)	(8,214.7)	(9,524.8)
Net inventory gain/(loss)	(52.6)	(61.2)	(8.7)
Sale taxes and duties	(4,273.4)	(4,177.1)	(4,123.6)
Import freight expenses	(412.6)	(258.7)	(256.4)

\$ in millions	Statutory FY2015	Statutory FY2016	Statutory FY2017
<b>Cost of goods sold (HC)</b>	<b>(14,929.0)</b>	<b>(12,711.7)</b>	<b>(13,913.5)</b>
<b>Gross profit (HC)</b>	<b>1,565.6</b>	<b>1,419.2</b>	<b>1,747.0</b>
Share of profit of associates	-	-	65.4
Net gain on disposal of PP&E to Viva Energy REIT	-	1,379.3	-
Net gain/(loss) on other disposal of PP&E	(17.7)	10.3	15.7
<b>Other income/(expense)</b>	<b>(17.7)</b>	<b>1,389.6</b>	<b>81.1</b>
Transportation expenses	(328.2)	(323.6)	(311.1)
Salaries and wages	(255.4)	(220.3)	(242.7)
General and administration expense	(183.2)	(194.6)	(192.1)
Maintenance expense	(119.1)	(103.7)	(102.4)
Operating leases	(97.0)	(165.8)	(269.0)
Sales and marketing	(97.0)	(97.4)	(106.1)
<b>Operating expenses</b>	<b>(1,079.9)</b>	<b>(1,105.4)</b>	<b>(1,223.4)</b>
Realised/unrealised gain/(loss) on derivatives	(27.3)	17.0	(41.1)
Net foreign exchanges (loss)/gain	(32.9)	(10.0)	17.7
Movement in financial assets	-	129.5	4.8
<b>Profit before interest, tax, depreciation and amortisation</b>	<b>407.8</b>	<b>1,839.9</b>	<b>586.1</b>
Depreciation and amortisation	(76.9)	(78.2)	(107.2)
<b>Profit before interest and tax</b>	<b>330.9</b>	<b>1,761.7</b>	<b>478.9</b>
Net finance costs	(91.0)	(62.2)	(27.7)
<b>Profit before tax</b>	<b>239.9</b>	<b>1,699.5</b>	<b>451.2</b>
Income tax expense	(80.1)	(480.4)	(161.5)
<b>NPAT</b>	<b>159.8</b>	<b>1,219.1</b>	<b>289.7</b>

#### 4.4.3 Pro forma adjustments to the Statutory Historical Results and Statutory Forecast Results

Table 6 sets out the pro forma adjustments that have been made to the Statutory Historical Results for FY2015, FY2016 and FY2017 to reflect the impact of the operating and capital structure that will be in place following Completion as if it was in place as at 1 January 2015. In addition, Table 6 sets out pro forma adjustments to the Statutory Historical Results for FY2015, FY2016 and FY2017 and Statutory Forecast Results for FY2018, 1H2018 and 1H2019 and Forecast Results for 12 months ending 30 June 2019 that have been made to reflect the impact of historical acquisitions and divestments, to eliminate certain non-recurring items and to reflect public company costs, which have been reflected in each of the respective historical and forecast periods. The adjustments are summarised below.

The Pro Forma Historical Results are reconciled to the Statutory Historical Results on a line-by-line basis for each of FY2015, FY2016 and FY2017 in Appendix A.



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Table 6: Pro forma adjustments to the Statutory Historical Results and Statutory Forecast Results

\$ in millions	Notes	Historical Results			Forecast Results			
		FY2015	FY2016	FY2017	FY2018	12 month June-19	6 month 1H2018	6 month 1H2019
<b>Statutory/12 month June Revenue</b>		<b>16,494.6</b>	<b>14,130.9</b>	<b>15,660.5</b>	<b>15,059.2</b>	<b>15,457.7</b>	<b>7,247.8</b>	<b>7,646.3</b>
Acquisition of Shell Aviation Australia	2a	174.7	204.7	67.2	-	-	-	-
Adjustment to remove impact of AASB 16 Leases	6	-	-	-	-	7.9	-	7.9
Adjustment to remove impact of AASB 15 Revenue from Contracts with Customers	7	-	-	-	1,657.1	1,700.6	802.7	846.2
Other one-off items	8	(8.4)	(6.2)	(3.4)	(15.2)	-	(15.2)	-
<b>Pro forma adjustments</b>		<b>166.3</b>	<b>198.5</b>	<b>63.8</b>	<b>1,641.9</b>	<b>1,708.5</b>	<b>787.5</b>	<b>854.1</b>
<b>Pro forma Revenue</b>		<b>16,660.9</b>	<b>14,329.4</b>	<b>15,724.3</b>	<b>16,701.1</b>	<b>17,166.2</b>	<b>8,035.3</b>	<b>8,500.4</b>
<b>Statutory/12 month June profit before interest, tax, depreciation and amortisation</b>		<b>407.8</b>	<b>1,839.9</b>	<b>586.1</b>	<b>494.1</b>	<b>726.6</b>	<b>236.4</b>	<b>468.9</b>
Impact of the Restructure	1	78.0	78.0	27.5	14.0	-	14.0	-
Acquisition of Shell Aviation Australia								
Acquisition of Shell Aviation Australia	2a	48.0	58.7	29.9	-	-	-	-
Revaluation of right to future income	2b	-	(129.5)	(4.8)	-	-	-	-
Formation of the Viva Energy REIT	3	(117.6)	(1,422.5)	-	-	-	-	-
IPO Transaction costs	4	-	-	-	104.1	95.7	8.4	-
Public company costs	5	(7.8)	(7.8)	(7.8)	(3.9)	-	(3.9)	-
Adjustment to remove impact of AASB 16 Leases	6	-	-	-	-	(136.9)	-	(136.9)
Adjustment to remove impact of AASB 15 Revenue from Contracts with Customers	7	-	-	-	-	-	-	-
Other one-off items	8	10.5	(2.7)	22.2	(12.4)	2.8	(15.2)	-
<b>Pro forma adjustments</b>		<b>11.1</b>	<b>(1,425.8)</b>	<b>67.0</b>	<b>101.8</b>	<b>(38.4)</b>	<b>3.3</b>	<b>(136.9)</b>
<b>Pro forma profit before interest, tax, depreciation and amortisation (under current AASB 117)</b>		<b>418.9</b>	<b>414.1</b>	<b>653.1</b>	<b>595.9</b>	<b>688.2</b>	<b>239.7</b>	<b>332.0</b>
<b>Statutory/12 month June NPAT</b>		<b>159.8</b>	<b>1,219.1</b>	<b>289.7</b>	<b>463.1</b>	<b>494.5</b>	<b>112.3</b>	<b>143.7</b>
Impact of the Restructure	1	78.0	78.0	27.5	14.0	-	14.0	-
Acquisition of Shell Aviation Australia								
Acquisition of Shell Aviation Australia	2a	25.4	37.3	24.4	-	-	-	-

\$ in millions	Notes	Historical Results			Forecast Results			
		FY2015	FY2016	FY2017	FY2018	12 month June-19	6 month 1H2018	6 month 1H2019
Revaluation of right to future income	2b	-	(129.5)	(4.8)	-	-	-	-
Formation of the Viva Energy REIT	3	(50.5)	(1,374.1)	-	-	-	-	-
IPO Transaction costs	4	-	-	-	104.1	95.7	8.4	-
Public company costs	5	(7.8)	(7.8)	(7.8)	(3.9)	-	(3.9)	-
Adjustment to remove impact of AASB 16 Leases	6	-	-	-	-	46.7	-	46.7
Adjustment to remove impact of AASB 15 Revenue from Contracts with Customers	7	-	-	-	-	-	-	-
Other one-off items	8	10.5	(2.7)	22.2	(11.8)	2.8	(14.6)	-
Tax adjustments	9	(8.7)	391.4	3.7	(256.0)	(268.9)	(1.1)	(14.0)
<b>Pro forma adjustments</b>		<b>46.9</b>	<b>(1,007.4)</b>	<b>65.2</b>	<b>(153.6)</b>	<b>(123.7)</b>	<b>2.8</b>	<b>32.7</b>
<b>Pro forma NPAT (under current AASB 117)</b>		<b>206.7</b>	<b>211.7</b>	<b>354.9</b>	<b>309.5</b>	<b>370.8</b>	<b>115.1</b>	<b>176.4</b>

Notes:

- Adjustment to recognise estimated expenses incurred relating to certain procurement and hedging activities of \$2.0 million for each of FY2015, FY2016 and FY2017, and \$1.0 million in 1H2018 and FY2018; and to remove the advisory services fees of \$80.0 million in FY2015 and FY2016, \$29.5 million in FY2017 and \$15.0 million in 1H2018 and FY2018 paid under the Business Services Agreement to a subsidiary of Viva Energy B.V. which will cease upon Completion of the Offer.
- (2a): Viva Energy acquired Shell Aviation Australia Pty Ltd on 31 May 2017. This adjustment reflects revenue and expense items as if the acquisition had been completed on 1 January 2015. The FY2015 and FY2016 adjustments are based on Shell Aviation Australia Pty Ltd's audited Historical Financial Information and the FY2017 adjustment is based on Shell Aviation Australia Pty Ltd's unaudited management accounts for 1 January 2017 until the date of acquisition (being 31 May 2017). Historical finance costs have been excluded from the Pro Forma Historical Results as these debt obligations were not assumed by Viva Energy. An adjustment has also been made to exclude \$3.9 million of stamp duty which was expensed in the FY2017 Statutory Results relating to the acquisition. The adjustment includes pro forma amortisation relating to the acquired intangible assets, totalling \$9.3 million in each of FY2015 and FY2016. The Statutory Results for FY2017 include amortisation of \$7.9 million in respect of acquired intangibles for the period since acquisition, and a pro forma adjustment has been included of \$1.4 million in FY2017 to include a full year of amortisation in the FY2017 Pro Forma Results.
- (2b): Adjustment removes non-cash revaluation benefits included in Viva Energy's Statutory Historical Results relating to Viva Energy's right to receive future income from Shell Aviation Australia Pty Ltd. These rights eliminate upon consolidation of Shell Aviation Australia Pty Ltd due to Viva Energy's acquisition on 31 May 2017.
- Adjustment to reflect formation of Viva Energy REIT as of 1 January 2015. The adjustment (a) excludes the gain on the sale of the property portfolio of 425 service station sites to Viva Energy REIT during FY2016; (b) include operating lease expenditure, including non-cash amounts relating to lease straight-lining pursuant to AASB 117 Leases; (c) includes Viva Energy's share of the net profit of Viva Energy REIT prior to its formation; (d) excludes depreciation relating to the assets transferred to Viva Energy REIT; (e) includes a reduction in finance costs, reflecting Viva Energy's lower net debt level subsequent to debt repayment from proceeds from the formation of Viva Energy REIT; and (f) removes one-off customer payments and transaction costs in relation to the formation of Viva Energy REIT.
- Total expenses of the Offer are estimated at \$104.1 million which will be expensed in FY2018 Statutory Forecast (inclusive of non-recoverable GST).
- Reflects Viva Energy's estimate of the incremental annual costs that Viva Energy will incur as a listed public company. These costs include Chairman and other Non-Executive Director remuneration, additional audit and legal costs, listing fees, Share Registry costs, Directors' and officers' insurance premiums as well as investor relations, annual general meeting and annual report costs. FY2018 adjustment relates to the six month period pre listing.
- Removal of the impact of the AASB 16 Leases which becomes effective for periods commencing on or after 1 January 2019, and is discussed further in Section 4.5.1. This is to enable a comparison of the pro forma results for all periods applying a consistent accounting policy with regard to leases.
- Removal of the impact of the AASB 15 Revenue from Contracts with Customers which will be adopted on 1 January 2018, and is discussed further in Section 4.2.5. This is to enable a comparison of the pro forma results for all periods applying a consistent accounting policy with regard to revenue.

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8. Adjustment to remove one-off items. The adjustment: (a) reverses the impact of other one-off and non-recurring items that were recognised in the Statutory Historical Results or will be in the Statutory Forecast Results, including removal of contributions received from Shell and Coles Express relating to ongoing improvement of the Shell branded network of Retail Sites in Australia in accordance with the Trademark Licence Agreement. As the program ceases in FY2018, no further income will be derived from improvement works under this agreement after this time; (b) excludes non-cash make good expenditure relating to a leased property located at Spring Street, Victoria, which was used by Viva Energy as its head office until 2004, but which has subsequently been sub-leased to third parties. The lease agreement expires during 1H2019; (c) removes one-off redundancy costs incurred in the FY2015 Statutory Results subsequent to Vitrol Investment Partnership's acquisition of Viva Energy in 2014; (d) provision from non trade receivable from Shell relating to VIPL's acquisition of Viva in 2014 following commercial negotiations; (e) removes a stamp duty provision relating to Vitrol Investment Partnership's acquisition of Viva recognised in the FY2017 Statutory Results; and (f) removes stamp duty expense expected to be incurred in relation to the Pre-IPO Restructure (see Section 4.5).
9. The tax impact attributable to all adjustments has been calculated using an effective tax rate of 30%, with the exception of stamp duty expenditure included in 2a, 8(e) and 8(f). Furthermore the tax expense has been adjusted by the following one-off tax items: (a) removal of impact of recognition of previously unrecognised tax base associated with the REIT transaction; (b) removal of impacts as a consequence of VEH's entry into income tax consolidation; (c) removal of impact of the de-recognition of tax base in relation to Geelong Refinery Asset; and (d) removal of deferred tax benefit of \$226.1 million being the expected outcome of the Pre-IPO Restructure (see Section 4.5).

### 4.4.4 Segment Pro Forma Historical Results and Pro Forma Forecast Results

An operating segment is a component of an entity: (a) that engages in business activities from which it may earn revenue and incur expenses; (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assets in its performance; and (c) for which discrete financial information is available.

In accordance with *AASB 8 Operating Segments*, and as reported in its audited consolidated financial statements for FY2017, Viva Energy's results are reported in three segments:

- **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 and Viva Energy brands as well as generation of substantial non-fuel income. All sales and marketing focused activities are included in this segment;
- **Refining** – Viva Energy'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, solvents and aviation gasoline; and
- **Supply, Corporate and Overheads** – Viva Energy 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. This segment also includes property expenses (including rent for terminals and Retail Sites), terminals and corporate offices and corporate functions that facilitate business activity. These activities have been grouped as a segment as they largely represent the overhead base of the business, supporting all of Viva Energy's non-sales and non-manufacturing activities.

In addition to the information relating to the Retail, Fuels and Marketing segment, certain financial information in this Prospectus is presented with respect to the retail and commercial sub-segments of the Retail, Fuels and Marketing segment. This information is presented to assist investors' understanding of the Retail, Fuels and Marketing segment; however, investors should note that Viva Energy's future financial statements will present segment information for the Retail, Fuels and Marketing segment as a whole.

The segment results incorporate a range of inter-segment transactions, such as purchases by the Retail, Fuels and Marketing segment of refined products from the Refining segment.

Table 7 sets out segment pro forma historical revenue, Gross profit, Underlying EBITDA, Profit before interest and tax, and capital expenditure for FY2015, FY2016, FY2017, FY2018, 12 months ending 30 June 2019, 1H2018 and 1H2019.

Pro forma segment information is provided on a replacement cost basis.

Table 7: Segment Pro Forma Historical Revenue, gross profit, Underlying EBITDA, profit before interest and tax and capital expenditure for FY2015, FY2016 and FY2017 and segment Pro Forma Forecast revenue, gross profit, Underlying EBITDA profit before interest, tax, depreciation and amortisation, profit before interest and tax, and capital expenditure for FY2018, the 12 months ending 30 June 2019, 1H2018 and 1H2019

\$ in millions	Pro Forma Historical			Pro Forma Forecast			
	FY2015	FY2016	FY2017	FY2018	12 month June-19	6 month 1H2018	6 month 1H2019
<b>Revenue</b>							
Retail, Fuels and Marketing	16,407.9	13,932.2	15,282.1	16,241.2	16,698.1	7,817.8	8,274.7
Refining	-	-	-	-	-	-	-
Supply, Corporate and Overheads	253.0	397.2	442.2	459.9	468.1	217.5	225.7
<b>Group revenue</b>	<b>16,660.9</b>	<b>14,329.4</b>	<b>15,724.3</b>	<b>16,701.1</b>	<b>17,166.2</b>	<b>8,035.3</b>	<b>8,500.4</b>
<b>Gross Profit (RC)</b>							
Retail, Fuels and Marketing	1,152.9	1,225.3	1,299.6	1,320.4	1,346.4	654.0	680.0
Refining	535.4	359.8	483.3	413.2	473.8	164.1	224.7
Supply, Corporate and Overheads	41.6	35.9	36.6	40.0	34.5	18.8	13.3
<b>Gross Profit (RC)</b>	<b>1,729.9</b>	<b>1,621.0</b>	<b>1,819.5</b>	<b>1,773.6</b>	<b>1,854.7</b>	<b>836.9</b>	<b>918.0</b>
Net inventory gain/(loss)	(52.6)	(61.2)	(8.7)	(20.8)	-	(20.8)	-
<b>Gross Profit (HC)</b>	<b>1,677.3</b>	<b>1,559.8</b>	<b>1,810.8</b>	<b>1,752.8</b>	<b>1,854.7</b>	<b>816.1</b>	<b>918.0</b>
<b>Underlying EBITDA (RC)</b>							
Retail, Fuels and Marketing	778.4	857.7	918.8	935.9	957.3	465.0	486.4
Refining	325.9	143.6	276.1	216.7	276.4	67.8	127.5
Supply, Corporate and Overheads	(569.1)	(545.9)	(560.6)	(547.5)	(572.4)	(266.1)	(291.0)
<b>Underlying EBITDA (RC)</b>	<b>535.2</b>	<b>455.4</b>	<b>634.3</b>	<b>605.1</b>	<b>661.3</b>	<b>266.7</b>	<b>322.9</b>
Net inventory gain/(loss)	(52.6)	(61.2)	(8.7)	(20.8)	-	(20.8)	-
<b>Underlying EBITDA (HC)</b>	<b>482.6</b>	<b>394.2</b>	<b>625.6</b>	<b>584.3</b>	<b>661.3</b>	<b>245.9</b>	<b>322.9</b>
<b>Add/(subtract)</b>							
Lease straight-lining	(36.1)	(32.5)	(28.9)	(25.6)	(23.6)	(13.5)	(11.5)
Share of profit of associates	32.0	33.0	65.4	38.9	39.9	19.0	20.0
Net gain/(loss) on other disposal of PP&E	(17.7)	10.3	15.6	9.6	10.6	(0.4)	0.6
Revaluation gain/(loss) on FX and oil derivatives	(41.9)	9.1	(24.6)	(11.3)	-	(11.3)	-
<b>Subtotal</b>	<b>(63.7)</b>	<b>19.9</b>	<b>27.5</b>	<b>11.6</b>	<b>26.9</b>	<b>(6.2)</b>	<b>9.1</b>
Profit before interest, tax, depreciation and amortisation							
Retail, Fuels and Marketing	778.4	857.7	918.8	935.9	957.3	465.0	486.4
Refining	325.9	143.6	276.1	216.7	276.4	67.8	127.5
Supply, Corporate and Overheads	(685.4)	(587.2)	(541.8)	(556.7)	(545.5)	(293.1)	(281.9)
<b>Group Profit before interest, tax, depreciation and amortisation</b>	<b>418.9</b>	<b>414.1</b>	<b>653.1</b>	<b>595.9</b>	<b>688.2</b>	<b>239.7</b>	<b>332.0</b>
<b>Capex</b>							
Retail, Fuels and Marketing	102.0	63.3	76.0	80.0	77.2	40.0	37.2
Refining	90.1	164.5	52.8	70.0	71.3	35.0	36.3
Supply, Corporate and Overheads	55.6	81.5	104.8	77.2	63.8	38.6	25.2
<b>Group Capex</b>	<b>247.7</b>	<b>309.3</b>	<b>233.6</b>	<b>227.2</b>	<b>212.3</b>	<b>113.6</b>	<b>98.7</b>

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### 4.5 Statutory and Pro Forma Historical Balance Sheet

Table 8 sets out the Statutory Historical Balance Sheet for Viva Energy Holding and the adjustments that have been made to the Statutory Historical Balance Sheet to derive the Pro Forma Historical Balance Sheet. These adjustments reflect the impact of the operating structure that will be in place at Completion of the Offer as if the Offer had occurred or been in place as at 31 December 2017.

The Pro Forma Historical Balance Sheet shown in Table 8 has been adjusted to reflect the net impacts of the Offer, the impact of the Pre-IPO Restructure, formation of a new tax consolidated group and classification of borrowings under the Banking Facilities as if they were in place as at 31 December 2017. The Pro Forma Historical Balance Sheet is therefore provided for illustrative purposes only and is not necessarily indicative of Viva Energy's view of its future financial position.

Table 8: Statutory and Pro Forma Historical Balance Sheet as at 31 December 2017

\$ in millions	Statutory 31 December 2017	Impact of the Pre-IPO Restruc- ture <sup>1</sup>	Formation of a new tax consoli- dated group <sup>2</sup>	Impact of the Offer <sup>3</sup>	Impact of the Banking Facilities <sup>4</sup>	Pro forma 31 December 2017
<b>Current assets</b>						
Cash and cash equivalents	164.7	(2.8)	-	-	(2.7)	159.2
Trade and other receivables	1,165.0	(53.2)	-	-	-	1,111.8
Inventories	965.2	-	-	-	-	965.2
Assets classified as held for sale	9.7	-	-	-	-	9.7
Prepayments	56.1	-	-	-	-	56.1
Other current assets	6.1	-	-	-	-	6.1
<b>Total current assets</b>	<b>2,366.8</b>	<b>(56.0)</b>	<b>-</b>	<b>-</b>	<b>(2.7)</b>	<b>2,308.1</b>
<b>Non-current assets</b>						
Long term receivables	11.7	-	-	-	-	11.7
PP&E	1,398.6	(5.4)	-	-	-	1,393.2
Intangible assets, including Goodwill	384.7	-	-	-	-	384.7
Post-employment benefits	15.3	-	-	-	-	15.3
Investment in Viva Energy REIT, accounted for using the equity method	570.2	-	-	-	-	570.2
Investment in Liberty Oil Holdings Pty Limited, accounted for using the equity method	58.4	-	-	-	-	58.4
Other non-current assets	0.8	-	-	-	-	0.8
<b>Total non-current assets</b>	<b>2,439.7</b>	<b>(5.4)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,434.3</b>
<b>Total assets</b>	<b>4,806.5</b>	<b>(61.4)</b>	<b>-</b>	<b>-</b>	<b>(2.7)</b>	<b>4,742.4</b>
<b>Current liabilities</b>						
Trade and other payables	1,586.0	-	-	-	-	1,586.0
Provisions	152.1	-	-	-	-	152.1
Borrowings	239.3	-	-	-	(239.3)	-
Finance lease liability	7.1	-	-	-	-	7.1
Derivative liabilities	9.3	-	-	-	-	9.3
Current tax liabilities	139.0	-	-	-	(0.2)	138.8
<b>Total current liabilities</b>	<b>2,132.8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(239.5)</b>	<b>1,893.3</b>

\$ in millions	Statutory 31 December 2017	Impact of the Pre-IPO Restruc- ture <sup>1</sup>	Formation of a new tax consoli- dated group <sup>2</sup>	Impact of the Offer <sup>3</sup>	Impact of the Banking Facilities <sup>4</sup>	Pro forma 31 December 2017
<b>Non-current liabilities</b>						
Provisions	169.3	-	-	-	-	169.3
Borrowings	-	-	-	-	237.2	237.2
Finance lease liability	43.5	-	-	-	-	43.5
Net deferred tax liabilities	226.1	-	(226.1)	(31.2)	-	(31.2)
<b>Total non-current liabilities</b>	<b>438.9</b>	<b>-</b>	<b>(226.1)</b>	<b>(31.2)</b>	<b>237.2</b>	<b>418.8</b>
<b>Total liabilities</b>	<b>2,571.7</b>	<b>-</b>	<b>(226.1)</b>	<b>(31.2)</b>	<b>(2.3)</b>	<b>2,312.1</b>
<b>Net assets</b>	<b>2,234.8</b>	<b>(61.4)</b>	<b>226.1</b>	<b>31.2</b>	<b>(0.4)</b>	<b>2,430.3</b>
Contributed equity	645.2	(45.1)	-	4,499.9	-	5,100.0
Reserves	11.5	(13.5)	-	-	-	(2.0)
Common control reserve	-	-	-	(4,395.8)	-	(4,395.8)
Retained earnings	1,578.1	(2.8)	226.1	(72.9)	(0.4)	1,728.1
<b>Total equity</b>	<b>2,234.8</b>	<b>(61.4)</b>	<b>226.1</b>	<b>31.2</b>	<b>(0.4)</b>	<b>2,430.3</b>

Notes:

- Impact of the Pre-IPO Restructure – These adjustments reflect: (a) the disposal of property, plant and equipment to an affiliate of Viva Energy B.V. that does not form part of the Viva Energy Group. The disposed assets had a net carrying value of \$58.6 million at 31 December 2017, of which \$53.2 million was classified as an asset held for sale and reported within trade and other receivables at 31 December 2017. Contributed equity has been reduced by \$45.1 million as a portion of the disposal of assets was implemented via a capital return transaction. The remainder was effected by way of dividend; (b) stamp duty of \$2.8 million to be incurred in relation to the Pre-IPO Restructure.
- Following the IPO, it is expected that a new tax consolidated group will be formed. If, immediately following Completion of the Offer, Viva Energy B.V. holds less than 50% of the Shares, Viva Energy will, upon such formation, be required to reset the tax cost base of its assets to reflect the consideration paid by it for the Company. For the purposes of this Table, that outcome has been assumed and its expected effect is to reduce deferred tax liabilities of \$226.1 million, with a corresponding entry in retained earnings (income tax expense). If, however, Viva Energy B.V. holds at least 50% of the Shares immediately following Completion of the Offer, Viva Energy will not reset the tax cost base of its assets and so, in that scenario, this reduction in deferred tax liabilities would not occur.
- Impact of the Offer – As a consequence of the Offer the contributed equity of Viva Energy Holding will be eliminated through a common control reserve, and Viva Energy Group Limited will recognise net share capital issued (estimated to be \$104.1 million) being an estimated \$5.1 billion issued (assuming a Share Offer price of \$2.62) offset by a common control reserve of \$5.0 billion representing amounts paid to Viva Energy B.V. as proceeds raised do not result in a new equity injection to the Group. The net proceeds (estimated to be \$104.1 million) will be utilised to pay estimated Offer transaction costs of \$104.1 million (inclusive of non-recoverable GST), which are expensed to the Income Statement. A deferred tax asset equal to 30% of Offer expenses is also recognised.
- Impact of the Banking Facilities – These adjustments reflect: (a) the drawdown of \$239.9 million on Viva Energy's syndicated, unsecured revolving credit facility (less \$2.7 million of borrowing costs capitalised against borrowings on the balance sheet); (b) the repayment of \$239.9 million of Viva Energy's secured borrowing-based facility that had been used for working capital purposes; and (c) the non-cash write-off of \$0.6 million of unamortised borrowing costs (\$0.4 million net of tax) related to the secured borrowing-based facility. The new facility has an initial 24 months term and therefore is presented as non-current in the Pro Forma Balance Sheet.

#### 4.5.1 Accounting for leases and adoption of AASB 16 Leases

AASB 16 Leases represents a significant change for lessees in the accounting treatment of operating leases. With the exception of low value and short-term leases, all leases must be recognised on the lessee's statement of financial position. Accordingly, lessees will have one accounting model for accounting for leases, which is similar to the current finance lease model in AASB 117 Leases.

As that new accounting standard comes into force for financial periods commencing on or after 1 January 2019, the liability associated with the non-cancellable leases (refer to Contractual Commitments in Section 4.5.4) as at 31 December 2017 that would need to be recognised if AASB 16 Leases applied has not been shown on the Pro Forma Historical Balance Sheet.

For illustration purposes, had the new accounting standard been in force, the Pro Forma Historical Balance Sheet at 31 December 2017 would have reflected the following impacts:

- As at 31 December 2017, commitments associated with non-cancellable leases amounted to \$3,111.5 million. Assumptions are required in relation to the inclusion of option periods which are reasonably certain to be exercised. Inclusion of these option periods will result in additional payments under the leases being built into the liability calculation. Based on the requirements of AASB 16 Leases a liability amounting to the present value of the total assumed lease commitments (i.e. assuming option renewal where reasonably certain to be exercised) would be recorded on the balance sheet.

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- Associated rights-of-use assets (being a subset of Property, plant and equipment) would be recognised and measured at an amount equal to the total lease liability.
- The net impact on net assets and retained earnings on 31 December 2017 would be nil.
- In respect of assets which are sub-leased and are considered to be finance leases these right of use assets will be de-recognised and replaced with a finance lease receivable for the sub-lease.
- To the extent that this finance lease receivable has a lower fair value than the original right of use asset there will be a reduction in net assets.

Investors should note that the above information is intended to illustrate the expected impact of the new accounting standard if it were to be applied to Viva Energy's pro forma financial position as at 31 December 2017. However, due to changes in lease terms, exercise of options, the existence of new leases, and the cancellation of existing leases between the Prospectus Date and the adoption date of 1 January 2019 the balances recognised in the financial statements for the year ending 31 December 2019 may differ.

### 4.5.2 Indebtedness

Table 9 sets out the indebtedness of Viva Energy as at 31 December 2017, on both statutory and pro forma bases. Investors should note that Table 9 takes into account drawdown occurring under the New Bank Facility, together with an analysis of Viva Energy's pro forma compliance with financial covenants in the New Bank Facility, but does not include the impact of operational or other financing activities from 1 January 2018 to the Prospectus Date. Accordingly, Table 9 does not reflect the actual or anticipated net debt position of Viva Energy as at Completion of the Offer.

Table 9: Statutory and Pro Forma consolidated indebtedness as at 31 December 2017

\$ in millions	Statutory 31 December 2017	Pro Forma 31 December 2017
<b>Current borrowings</b>		
Bank loans	239.3	-
<b>Current borrowings</b>	<b>239.3</b>	<b>-</b>
<b>Non-current borrowings</b>		
Syndicated, unsecured revolving credit facility	-	237.2
<b>Non-current borrowings</b>	<b>-</b>	<b>237.2</b>
<b>Total borrowings</b>	<b>239.3</b>	<b>237.2</b>
Cash and cash equivalents	(164.7)	(159.2)
<b>Net Debt</b>	<b>74.6</b>	<b>78.0</b>

Interest cover ratio (FY2017 EBITDA/FY2017 Net finance costs )	Covenant Requirement	22.5 x
Liquidity Ratio (FY2017 Working Capital Liabilities/FY2017 Current Assets)	Not less than 3.0 x	0.1 x
Leverage Ratio (FY2017 Term debt/FY2017 EBITDA)	Not more than 0.6 x	0.0 x
Tangible Net Worth	Not more than 2.0 x	A\$2.0bn
Undrawn facilities (using AUD:USD rate at 31 December 2017 of 0.78)	Not less than A\$1.2bn	A\$0.7bn
	Not applic.	

As noted in Section 4.8.2.11 regarding specific working capital assumptions, a \$49.4 million non-trade receivable (which was recognised within trade and other receivables as at 31 December 2017) is forecast to be settled in 1H2018. Upon receipt of the balance, cash would increase by this amount, resulting in a reduction in pro forma net debt from \$78.0 million to \$28.6 million.

Note: As described in Section 4.5.1, the total liability from all non-cancellable leases that would have been recognisable as at 31 December 2017 if the new lease accounting standard had been in force as at that date have not been recognised on the Pro Forma Historical Balance Sheet. If that accounting standard had been in force as at 31 December 2017, Viva Energy would have remained in compliance with the financial covenants shown in Table 9 as at that date as the Banking Facility agreement applies covenants under the current standards.

Note: As of the date of the Prospectus, in addition to the drawn facilities, Viva Energy has uncommitted trade finance facilities totalling US\$175.3 million for the purpose of issuing guarantees and/or letters of credit, US\$200 million for the purpose of letters of credit, and \$60 million for the purpose of issuing guarantees. These facilities are primarily associated with procurement activities.



#### 4.5.2.1 Liquidity and capital resources

In its normal course of business, Viva Energy expects to have sufficient working capital to meet its operational requirements and business needs during the forecast period. Viva Energy's ability to generate sufficient cash depends on its future performance which is subject to a number of factors beyond its control including general economic, financial and competitive conditions. Viva Energy will use its undrawn facilities to fund working capital, capital expenditure and other general corporate purposes.

#### 4.5.3 Description of the Banking Facilities

In March 2018, Viva Energy entered into a new US\$700 million unsecured revolving and committed multi-currency credit facility ("**New Bank Facility**" or "**Debt Facility**") with a syndicate of banks. Viva Energy may use the New Bank Facility to fund working capital requirements and for general corporate purposes.

The New Bank Facility is guaranteed by Viva Energy Holding, Viva Energy Australia Group and each other member of the Viva Energy Group (with the exception of Viva Energy Gas Pty Ltd and VER Manager Pty Limited) from time to time that is required to ensure compliance with the Company's guarantor coverage undertaking.

Although the New Bank Facility is denominated in United States dollars, it may also be drawn in Australian dollars.

The New Bank Facility is repayable 24 months after the date of the first drawdown, subject to an option to extend by mutual agreement. Interest is variable, based on the bank bill bid swap rate ("**BBSY**") plus a margin of 110 basis points per annum.

The New Bank Facility contains the following financial covenants which will be tested semi-annually, based on data reported as at each Calculation Date on 30 June and 31 December. The Liquidity Ratio shall be tested on each Calculation Date and as at the end of each 31 March and 30 September Quarter Date:

- Interest Cover Ratio: the ratio of Group EBITDA to Net Interest Expense for the previous 12 months ending at a Calculation Date, must be no less than 3.00 at all times;
- Liquidity Ratio: the ratio of Working Capital Liabilities to Current Assets of the Group at the relevant Calculation Date, must be no greater than 0.60 at all times;
- Leverage Ratio: the ratio of Term Debt as at Calculation Date to EBITDA for the previous 12 months to that Calculation date, must not exceed 2.00; and
- Minimum Tangible Net Worth: must not fall below A\$1.2 billion.

Calculations under the covenants are subject to a number of specific adjustments. Terms used in this Section take the definitions as defined in the Facility Agreement. It should be noted that EBITDA for banking facilities purposes is broadly comparable to Underlying EBITDA.

The New Bank Facility also contains review events, which are customary for facilities and a business of the nature of the Group, as described above.

#### 4.5.4 Contractual commitments

Table 10 summarises Viva Energy's contractual obligations and commitments (following Completion of the Offer).

Table 10: Pro forma contractual commitments at 31 December 2017

\$ in millions	Notes	Less than 1 year	1 - 5 years	More than 5 years	Total
Non-cancellable operating leases					
As lessee	1	282.0	936.7	1,892.8	3,111.5
As lessor		(148.7)	(490.7)	(947.9)	(1,587.3)
<b>Non-cancellable operating leases (net)</b>		<b>133.3</b>	<b>446.0</b>	<b>944.9</b>	<b>1,524.2</b>
Capital commitments	2	81.6	-	-	81.6
Finance lease liability	3	7.1	20.6	22.9	50.6
Borrowings	4	-	239.9	-	239.9
<b>Total</b>		<b>222.0</b>	<b>706.5</b>	<b>967.8</b>	<b>1,896.3</b>

## 4. Financial Information

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### Notes:

1. As described in Section 4.5.1, with effect from the adoption of AASB 16 Leases on 1 January 2019, non-cancellable operating leases as lessee will be recognised on the balance sheet.
2. As at 31 December 2017, Viva Energy had entered into binding contracts in respect of capital expenditure on property, plant and equipment totalling \$81.6 million. This amount includes Viva Energy's 38% share (being an amount of \$9.2 million) of a contract entered into by Viva Energy REIT for the purchase of investment properties totalling \$24.0 million. It should be noted that Viva Energy is not directly liable for any part of that \$24.0 million investment by Viva Energy REIT.
3. Represents finance lease of facilities for storage and handling of bitumen products. Inclusive of option periods, the lease matures in FY2034.
4. Borrowings relate to the New Bank Facility described in Section 4.5.2.

### 4.5.5 Contingencies

#### 4.5.5.1 Guarantees

Viva Energy provides guarantees in respect of the Group's share of workers compensation, sureties for major contracts and other matters. As at 31 December 2017, these guarantees totalled \$51.5 million.

#### 4.5.5.2 Tax

Viva Energy is, in the ordinary course of its business, subject to periodic reviews by tax authorities, including the ATO. Where the amount of tax payable or recoverable in relation to such a matter is uncertain, Viva Energy establishes a provision based on Viva Energy's judgement of the most likely amount of the liability, or recovery. Having regard to the status of discussions with tax authorities, Viva Energy has established provisions for potential tax liabilities representing management's best estimate of the likely outcome; however, the actual tax liability relating to these matters could be higher or lower than the amounts provided.

#### 4.5.5.3 Other items

As at 31 December 2017, other contingent liabilities of \$13.3 million included claims in respect of property leases, supply contracts and other legal claims.

### 4.5.6 Financial risk management

Viva Energy's principal financial liabilities, other than derivatives, comprise trade and other payables and short-term borrowings. The main purpose of these financial liabilities is to finance Viva Energy's operations. Viva Energy's principal financial assets include, trade and other receivables, and cash and cash equivalents that were derived directly from its operations.

Exposure to foreign currency risk, interest rate risk, liquidity risk, commodity price risk and credit risk arises in the normal course of Viva Energy's business. Viva Energy's overall financial risk management strategy is to seek to ensure that Viva Energy is able to fund its corporate objectives and meet its obligations to stakeholders. Derivative financial instruments may be used to hedge exposure to fluctuations, especially shifts in foreign exchange rates.

Financial risk management is carried out by Group Treasury while risk management activities in respect to customer credit risk are carried out by Viva Energy Credit team. Both Group Treasury and the Credit team operate under policies approved by the Board. Group Treasury and the Credit team identify, evaluate and monitor the financial risks in close cooperation with Viva Energy's operating units.

#### (a) Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. Viva Energy is exposed to movements in foreign exchange rates in the normal course of its business primarily due to the fact that it purchases product and crude in United States dollars ("US\$") and sells in Australian dollars ("A\$").

The objective of Viva Energy's foreign exchange program is to reduce the effect of a fluctuation in foreign exchange rates on Group earnings and its cash flows. The program of foreign exchange risk management identifies, measures, takes actions to mitigate this risk, and report out the performance of the program, in a controlled and non-speculative manner. The focus is on cash flow exposures rather than just profit and loss.

Viva Energy manages foreign currency risk by using foreign currency forward contracts to offset net foreign exchange exposures.

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(b) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Viva Energy's exposure to the risk of changes in market interest rates relates primarily to Viva Energy's syndicated bank loan with floating interest rates.

(c) *Liquidity risk*

Liquidity risk is the risk that Viva Energy will not be able to meet its financial obligations as they fall due.

Due to the dynamic nature of the underlying business, Viva Energy maintains sufficient cash and an adequate amount of committed credit facilities to be held above the forecast requirements of the business.

Viva Energy manages liquidity risk centrally by monitoring cash flow forecasts, maintaining adequate cash on hand and debt facilities. The debt portfolio is periodically reviewed to ensure there is funding flexibility across an appropriate maturity profile.

(d) *Commodity price risk*

Viva Energy is exposed to the effect of changes in commodity price (i.e. oil and refined product prices) in its normal course of business.

The objective of Viva Energy's commodity price strategy is to reduce earnings volatility as a result of movements in oil and refined product prices. Viva Energy achieves this by:

- monitoring hydrocarbon volumes priced in and out on a monthly basis and hedging up to 100% of the net exposure; and
- monitoring expected refining margins and hedging constituent components to protect refining income, hedging up to 100% of net refinery exposure.

Viva Energy manages commodity price exposure through the purchase or sale of swap contracts up to 36 months forward.

(e) *Credit risk*

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Viva Energy is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

The Viva Energy credit team manages the credit risk of the Group's customers, and credit assessments are completed in accordance with these policies for all customers with material receivable balances. From time to time, Viva Energy enters into factoring arrangements and/or obtains trade credit insurance to manage credit risk and improve customer payment terms.

## 4. Financial Information

### 4.6 Pro Forma Historical and Forecast Cash Flows

Table 11 sets out the Pro Forma Historical Cash Flows for FY2015, FY2016 and FY2017, Pro Forma Forecast Cash Flows for FY2018 and the 12 months ending 30 June 2019 and the Statutory Forecast Cash Flows for FY2018.

**Table 11: Pro Forma Historical Cash Flows for FY2015, FY2016 and FY2017, Pro Forma Forecast Cash Flows for FY2018 and the 12 months ending 30 June 2019 and Statutory Forecast Cash Flows for FY2018**

\$ in millions	Notes	Pro Forma Historical Cash flows			Pro Forma Forecast Cash flows		Statutory Forecast Cash flows
		FY2015	FY2016	FY2017	FY2018	12 month June-19	FY2018
<b>Profit before interest, tax, depreciation and amortisation (RC)</b>		<b>471.5</b>	<b>475.3</b>	<b>661.8</b>	<b>616.7</b>	<b>688.2</b>	<b>514.9</b>
Net inventory gain/(loss)		(52.6)	(61.2)	(8.7)	(20.8)	-	(20.8)
<b>Profit before interest, tax, depreciation and amortisation (HC)</b>	<b>1</b>	<b>418.9</b>	<b>414.1</b>	<b>653.1</b>	<b>595.9</b>	<b>688.2</b>	<b>494.1</b>
Non-cash items in profit before interest, tax, depreciation and amortisation	2	44.9	(60.6)	(86.6)	(48.5)	(50.5)	(48.5)
Changes in working capital	3	331.1	212.4	(120.7)	46.8	-	46.8
<b>Operating free cash flow before capital expenditure</b>		<b>794.9</b>	<b>565.9</b>	<b>445.8</b>	<b>594.2</b>	<b>637.7</b>	<b>492.4</b>
Capital expenditure	4	(247.7)	(309.3)	(233.6)	(227.2)	(212.3)	(227.2)
Proceeds from sale of PPE and intangibles		3.2	22.6	26.7	9.0	1.0	9.0
Dividends received from associates	5	32.0	34.8	32.8	38.3	38.4	38.3
<b>Net free cash flow before financing, tax and dividends</b>		<b>582.4</b>	<b>314.0</b>	<b>271.7</b>	<b>414.3</b>	<b>464.8</b>	<b>312.5</b>
Loan repayments received from third parties	6				-	-	49.4
Net interest paid	7				(22.5)	(20.5)	(22.5)
Income tax paid	8				(292.2)	(146.9)	(279.8)
Net proceeds from the Offer	9				-	-	-
Net proceeds from (repayment of) borrowings	10				8.6	-	8.6
<b>Net cash flow before dividends</b>					<b>108.2</b>	<b>297.4</b>	<b>68.2</b>
Operating free cash conversion ratio (before financing, tax and dividends)	11	189.8%	136.7%	68.3%	99.7%	92.7%	99.7%
Net free cash conversion ratio (before financing, tax and dividends)	12	139.0%	75.8%	41.6%	69.5%	67.5%	63.2%

Notes:

- Profit before interest, tax, depreciation and amortisation in this table has been adjusted to reflect the pro forma adjustments to the Statutory Historical Results and Statutory Forecast Results set out in Section 4.4.3.
- Non-cash items in Profit before interest, tax, depreciation and amortisation includes the net gain/loss on the disposal of Property, Plant and Equipment; unrealised gain/loss on FX and oil derivatives; and share of profit of associates.
- Working capital balances/movements have been adjusted to reflect the estimated impact of the acquisition of Shell Aviation Australia. Refer to Sections 4.7 and 4.8 for management discussion and analysis of working capital movements.
- The pro forma historical capital expenditure excludes \$259.0 million relating to the purchase of Shell Aviation Australia and proceeds of \$1,569.2 million relating to the disposal of the portfolio of the Retail Sites to the Viva Energy REIT.
- Include distributions received from the Viva Energy REIT, which have been de-escalated for CPI for the period prior to formation of the REIT.
- The loan repayments received from third parties included in the Statutory Forecast Cash Flows for FY2018 include a forecast cash receipt to settle a non-trade receivable from Shell in 1H2018. This is excluded from the Pro Forma Forecast Cash Flows.

7. Net interest paid in the FY2018 Statutory Forecast Results comprises interest paid on the debt facilities up to and including the date of repayment and forecast interest to be paid on the New Bank Facility, which was drawn down in March 2018 for the period to 31 December 2018. Net interest paid across all periods excludes non-cash amortisation of capitalised debt establishment costs and the write-off of unamortised borrowing costs relating to the historical debt structure of Viva Energy which will be refinanced by proceeds of the New Bank Facility.
8. Following the IPO, it is expected that a new tax consolidated group will be formed. If, immediately following Completion of the Offer, Viva Energy B.V. holds less than 50% of the Shares, Viva Energy will, upon such formation, be required to reset the tax cost base of its assets to reflect the consideration paid by it for the Company. For the purposes of this Table, that outcome has been assumed and its expected effect is to reduce future cash tax payable. If, however, Viva Energy B.V. holds at least 50% of the Shares immediately following Completion of the Offer, Viva Energy will not reset the tax cost base of its assets and so, in that scenario, this reduction in deferred tax liabilities and cash tax reductions would not occur. During FY2017, Viva Energy commenced paying income tax after available tax losses were fully utilised. Viva Energy's FY2017 Statutory Historical Cash Flows therefore include only four income tax instalments relating to that financial year. Accordingly, a final "true up" tax payment of \$117 million relating to FY2017 is forecast to be paid in the 1H2018 Statutory Forecast Cash Flows. Post Completion, Viva Energy will pay tax in the year incurred via 12 monthly instalments in each financial year, meaning similar catch up payments should not be made in future periods.
9. Other than to fund transaction costs (estimated to be \$104.1 million), all other Offer proceeds are paid to Viva Energy B.V.. A change in proceeds from the Offer will have no net impact on net cash flow as an increase in proceeds will be equally offset by an increase in the amount paid to the Viva Energy B.V..
10. Represents net debt draw/repayments on Viva Energy's borrowings.
11. The ratio of operating free cash flow before financing, taxation and dividends as a percentage of profit before interest, tax, depreciation and amortisation.
12. The ratio of net free cash flow before financing, taxation and dividends as a percentage of profit before interest, tax, depreciation and amortisation.

Table 12 sets out the Pro Forma Forecast Cash Flows for 1H2018 and 1H2019 and Statutory Forecast Cash Flows for 1H2018 and 1H2019.

**Table 12: Pro Forma Forecast Cash Flows for 1H2018 and 1H2019 and Statutory Forecast Cash Flows for 1H2018 and 1H2019**

\$ in millions	Notes	Pro Forma Forecast Cash flows		Statutory Forecast Cash flows	
		Under current AASB 117 Leases 6 month 1H2018	Under current AASB 117 Leases 6 month 1H2019	Under current AASB 117 Leases 6 month 1H2018	Under AASB 16 Leases 6 month 1H2019
<b>Profit before interest, tax, depreciation and amortisation (RC)</b>	<b>1</b>	<b>260.5</b>	<b>332.0</b>	<b>257.2</b>	<b>468.9</b>
Net inventory gain/(loss)		(20.8)	-	(20.8)	-
<b>Profit before interest, tax, depreciation and amortisation (HC)</b>		<b>239.7</b>	<b>332.0</b>	<b>236.4</b>	<b>468.9</b>
Non-cash items in profit before interest, tax, depreciation and amortisation		(18.6)	(20.6)	(18.6)	(20.6)
Changes in working capital	2	68.8	22.0	68.8	8.4
<b>Operating free cash flow before capital expenditure</b>		<b>289.9</b>	<b>333.4</b>	<b>286.6</b>	<b>456.7</b>
Capital expenditure		(113.6)	(98.7)	(113.6)	(98.7)
Proceeds from sale of PPE and intangibles		9.0	1.0	9.0	1.0
Dividends received from associates		19.0	19.1	19.0	19.1
<b>Net free cash flow before financing, tax and dividends</b>		<b>204.3</b>	<b>254.8</b>	<b>201.0</b>	<b>378.1</b>
Loan repayments received from third parties	3	-	-	49.4	-
Net interest paid		(12.3)	(10.3)	(12.3)	(108.4)
Income tax paid	4	(205.2)	(59.9)	(215.7)	(58.7)
Net proceeds from the Offer		-	-	-	-
Net proceeds from (repayment of) borrowings		8.6	-	8.6	-
Repayment of finance leases	1	-	-	-	(35.2)
<b>Net cash flow before dividends</b>		<b>(4.6)</b>	<b>184.6</b>	<b>31.0</b>	<b>175.8</b>

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\$ in millions	Notes	Pro Forma Forecast Cash flows		Statutory Forecast Cash flows	
		Under current AASB 117 Leases	Under current AASB 117 Leases	Under current AASB 117 Leases	Under AASB 16 Leases
		6 month 1H2018	6 month 1H2019	6 month 1H2018	6 month 1H2019
Operating free cash conversion ratio (before financing, tax and dividends)		120.9%	100.4%	121.2%	97.4%
Net free cash conversion ratio (before financing, tax and dividends)		85.2%	76.4%	85.0%	80.6%

### Notes:

1. The adoption of AASB 16 Leases on 1 January 2019 has no impact on forecast cash flow, with higher profit before interest, tax, depreciation and amortisation offset by an increase in interest payments and repayment of finance lease liabilities.
2. The changes in working capital included in the Statutory Forecast Cash Flows for 1H2019 include forecast make good payments to be paid at the end of the lease of 1 Spring Street, Victoria in March 2019. This is excluded from the Pro Forma Forecast Cash Flows.
3. The loan repayments received from third parties included in the Statutory Forecast Cash Flows for FY2018 include forecast cash receipt to settle a non-trade receivable from Shell to be received in 1H2018. This is excluded from the Pro Forma Forecast Cash Flows.
4. During FY2017, Viva Energy commenced paying income tax after available tax losses were fully utilised. Viva Energy's FY2017 Statutory Historical Cash Flows therefore include only four income tax instalments relating to that financial year. Accordingly, a final "true up" tax payment of \$117 million relating to FY2017 is forecast to be paid in the 1H2018 Statutory Forecast Cash Flows. Post Completion, Viva Energy will pay tax in the year incurred via 12 monthly instalments in each financial year, meaning similar catch up payments should not be made in future periods.

### 4.6.1 Statutory Historical Cash Flows

Table 13 sets out the Statutory Historical Cash flow information for FY2015, FY2016 and FY2017. A reconciliation is provided in Appendix A between statutory net cash provided by operating activities to pro forma net free cash flow from the pro forma historical cash flow information for FY2015, FY2016 and FY2017.

Table 13: Statutory Historical Cash Flows

\$ in millions	Historical Cash flows		
	FY2015	FY2016	FY2017
<b>Profit before interest, tax, depreciation and amortisation</b>	<b>407.8</b>	<b>1,839.9</b>	<b>586.1</b>
Non-cash items in profit before interest, tax, depreciation and amortisation	76.9	(1,513.9)	(91.4)
Changes in working capital	299.5	162.1	(113.7)
<b>Operating Cash Flow</b>	<b>784.2</b>	<b>488.1</b>	<b>381.0</b>
Capital expenditure	(240.9)	(301.4)	(231.1)
Proceeds from sale of PPE and intangibles	3.2	1,591.8	26.7
Dividends received from associates	-	1.8	32.8
Net cash consideration paid for the acquisition of Shell Aviation	-	-	(259.0)
<b>Free Cash Flow</b>	<b>546.5</b>	<b>1,780.3</b>	<b>(49.6)</b>
Interest received	3.2	3.7	2.4
Interest paid on loans	(79.4)	(40.5)	(10.9)
Interest paid on finance lease	(7.1)	(7.3)	(7.5)
Income tax paid	(0.3)	(0.4)	(202.9)
Loan repayments received from third parties	21.9	27.3	19.7
Loans advanced to associate company	(5.0)	-	-
Draw-down of borrowings	1,180.0	645.0	2,315.0

\$ in millions	Historical Cash flows		
	FY2015	FY2016	FY2017
Repayments of borrowings	(1,535.0)	(2,006.8)	(2,075.0)
Dividends paid	-	-	(252.8)
Capital return	-	(163.0)	-
<b>Net cash flow</b>	<b>124.8</b>	<b>238.3</b>	<b>(261.6)</b>

#### 4.6.2 Pro forma adjustments to the Statutory Historical Cash Flows and Statutory Forecast Cash Flows

Table 14 sets out the pro forma adjustments that have been made to the Statutory Historical Cash Flows and Statutory Forecast Cash Flows to reflect the impact of the operating and capital structure that will be in place following Completion as if it was in place as at 1 January 2015. In addition, certain other adjustments have been made to eliminate certain non-recurring items and to reflect public company costs, which have been reflected in the historical and forecast periods. These adjustments are summarised below.

**Table 14: Pro Forma adjustments to the Statutory Historical Cash Flows of FY2015, FY2016 and FY2017, Statutory Forecast Cash Flows for FY2018, 1H2018 and 1H2019, and Forecast Cash Flows for 12 months ending 30 June 2019**

\$ in millions	Notes	Historical Cash flows			Forecast Cash flows			
		FY2015	FY2016	FY2017	12 month FY2018 June-19	6 month 1H2018	6 month 1H2019	
<b>Statutory/12 month June net free cash flow before financing, tax and dividends</b>		<b>546.5</b>	<b>1,780.3</b>	<b>(49.6)</b>	<b>312.5</b>	<b>490.6</b>	<b>201.0</b>	<b>378.1</b>
Impact of the Restructure	1	78.0	78.0	27.5	14.0	-	14.0	-
Acquisition of Shell Aviation Australia								
Acquisition of Shell Aviation Australia	2a	46.4	56.6	36.0	-	-	-	-
Payment for the acquisition of Shell Aviation Australia	2b	-	-	259.0	-	-	-	-
Formation of the Viva Energy REIT	3	(73.5)	(1,588.4)	-	-	-	-	-
IPO Transaction costs	4	-	-	-	104.1	95.7	8.4	-
Public company costs	5	(7.8)	(7.8)	(7.8)	(3.9)	-	(3.9)	-
Adjustment to remove impact of AASB 16 Leases	6	-	-	-	-	(133.3)	-	(133.3)
Other one-off items	7	(7.2)	(4.7)	6.6	(12.4)	12.8	(15.2)	10.0
<b>Pro forma adjustments</b>		<b>35.9</b>	<b>(1,466.3)</b>	<b>321.3</b>	<b>101.8</b>	<b>(24.8)</b>	<b>3.3</b>	<b>(123.3)</b>
<b>Pro forma net free cash flow before financing, tax and dividends (under current AASB 117)</b>		<b>582.4</b>	<b>314.0</b>	<b>271.7</b>	<b>414.3</b>	<b>465.8</b>	<b>204.3</b>	<b>254.8</b>

Notes:

- Adjustment to recognise estimated cash outflows incurred relating to certain procurement and hedging activities of \$2.0 million for each of FY2015, FY2016 and FY2017, and \$1.0 million in 1H2018 and FY2018; and to remove the advisory services cash outflows of \$80.0 million in FY2015 and FY2016, \$29.5 million in FY2017 and \$15.0 million in 1H2018 paid under the Business Services Agreement to a subsidiary of Viva Energy B.V. which will cease upon Completion of the Offer.
- (2a): Viva Energy acquired Shell Aviation Australia Pty Ltd on 31 May 2017. This adjustment reflects net free cash flow before financing, tax and dividends of Shell Aviation Australia Pty Ltd as if the acquisition had been completed on 1 January 2015. The FY2015 and FY2016 adjustments are based on Shell Aviation Australia Pty Ltd's audited Historical Financial Information and the FY2017 adjustment is based on



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Shell Aviation Australia Pty Ltd's unaudited management accounts for 1 January 2017 until the date of acquisition (being 31 May 2017). The adjustment excludes historical finance costs as these debt obligations were not assumed by Viva Energy.

- (2b): Adjustment excludes amounts paid in FY2017 in respect of the acquisition of Shell Aviation Australia that are included in Viva Energy's Statutory net free cash flows before financing, tax and dividends.
3. Adjustment to reflect formation of Viva Energy REIT as of 1 January 2015. The adjustment: includes operating lease payments, relating to the lease of the REIT Portfolio; includes VIVA Energy's share of distributions of the Viva Energy REIT (representing 38% of the distributions of Viva Energy REIT) prior to formation of the REIT; excludes historical capital expenditure relating to the REIT Portfolio; removes cash proceeds on the disposal of the REIT Portfolio to the Viva Energy REIT; removes a one-off rebate payment in FY2016 to Coles Express; and removes transaction costs in relation to the formation of Viva Energy REIT.
4. Other than to pay transaction costs (estimated to be \$104.1 million), all other Offer proceeds are paid to the Viva Energy B.V. A change in proceeds from the Offer will have no net impact on net cash flow as an increase in proceeds will be equally offset by an increase to the amount paid to Viva Energy B.V., as such no net pro forma adjustment is required.
5. Reflects Viva Energy's estimate of the incremental annual costs that Viva Energy will incur as a public entity. These costs include Chairman and other Non-Executive Director remuneration, additional audit and legal costs, listing fees, Share Registry costs, Directors' and officers' insurance premiums as well as investor relations, annual general meeting and annual report costs. FY2018 adjustment relates to the six month period pre-listing.
6. Removal of the impact of the AASB 16 Leases which becomes effective for periods commencing on or after 1 January 2019. Whilst there is no overall cash flow impact of the adoption of the standard, a portion is now shown as a financing cost. The adjustment shows the impact on net free cash flow before financing, tax and dividends to enable a comparison of the pro forma results for all periods applying a consistent accounting policy with regard to leases.
7. Adjustment reflects (a) adjustment to reverse the impact of other one-off and non-recurring items that were recognised in the Statutory Historical Cash Flows and the Statutory Forecast Cash Flows, including the removal of contributions received from Shell and Coles Express relating to ongoing improvement of the Shell branded network of Retail Sites in Australia in accordance with the Trademark Licence Agreement, as the program ceases in FY2018, no further contributions will be derived from improvement works under the agreement after this time; (b) Restructuring costs in FY2015 following the acquisition of Viva by Vitol Investment Partnership in 2014; (c) provision from non trade receivable from Shell relating to Vitol Investment Partnership's acquisition of Viva in 2014; (d) removes payments of stamp duty expected to be incurred in relation to the Pre-IPO Restructure (see Section 4.5); and (e) removal of forecast make good payment to be paid at the end of the lease of 1 Spring Street, Victoria in March 2019.

## 4.7 Management discussion and analysis of Historical Financial Information

### 4.7.1 General factors affecting the operating results of Viva Energy

Set out below is a discussion of the general factors that affected Viva Energy's operations and financial performance in FY2015, FY2016 and FY2017 and which the Directors expect may continue to affect Viva Energy's operations and financial performance in the future.

The discussion of these general factors is intended to provide a brief summary only and does not detail all the factors that affected Viva Energy's historical operating and financial performance, nor everything that may affect Viva Energy's operational and financial performance in the future. Discussion and analysis of the Statutory Historical Results and Statutory Historical Cash Flows are included in Appendix B.

#### 4.7.1.1 Overview

Viva Energy primarily generates revenue from the sale of refined products in Australia directly or indirectly to service stations for sale to motor vehicle users and to commercial businesses such as road transport, and shipping companies and airlines.

The refined products that Viva Energy sells are either refined at its own Geelong Refinery or imported into Australia as refined products. Viva Energy's largest costs are the costs of purchasing refined petroleum products or crude oil to refine itself, and the costs of operating the Geelong Refinery. During FY2017, Viva Energy sold approximately 14.2 billion litres of refined petroleum products. During the same period, the Geelong Refinery processed approximately 40.8 million barrels (equivalent to approximately 6.49 billion litres) of crude oil and other feedstock.

The costs of purchasing crude oil and refined products fluctuate significantly as a result of volatility in market prices for crude oil and the exchange rate between the United States dollar, in which imported crude oil and refined product prices are denominated, and the Australian dollar. However, as described in Section 2.4.6, the wholesale selling prices for refined products in Australia generally reflect import parity, which means that, subject to timing differences between payments for purchases and receipts from sales, much of the fluctuation in oil and refined product prices and foreign exchange rates is passed on to customers. Therefore, volume and margin, rather than revenue and cost of goods sold, are the measures that management considers the most important in understanding the profitability of the business.

The composition of Viva Energy's margins can be complex. Of the refined product that Viva Energy sells, the cost of the portion that it buys through its arrangements with Vitol reflects Singapore hub prices plus shipping costs, while the cost

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of the portion it refines at the Geelong Refinery reflects the price of crude oil plus the unit costs of operating the refinery. On the revenue side, as discussed in more detail below, the basis on which Viva Energy prices its sales in the retail sector (and the portion of the overall margin it receives) varies between retail operating models. Commercial sales are generally at contracted prices which vary by sector and customer.

#### 4.7.1.2 Fuel demand

Viva Energy sold over 14 billion litres of refined products in each of FY2015, FY2016 and FY2017, to a national network of Retail Sites, as well as to other retail operations, wholesale and commercial customers.

Overall market volumes are driven by macroeconomic factors such as GDP and population growth as well as shifts in customer demand. In addition, different drivers affect demand for different products and markets. For example, retail demand for petrol is driven by population growth, motor vehicle fleet size and fuel efficiency. Commercial demand for diesel is broadly correlated to GDP growth given its predominant use in freight movement, but can also be affected by industry-specific factors such as commodity prices for the mining sector. Demand for aviation fuel is driven by growth in airline passenger numbers although passenger growth may be offset by increasing fuel efficiency and increases in load factors.

Viva Energy's share of fuel sold through the retail sector is primarily driven by the number of Retail Sites in the network it supplies. While overall fuel demand is relatively inelastic, within local markets, some consumers can be price sensitive and so retail pricing can affect volumes of individual suppliers. In this regard, Viva Energy does not set the retail price at most of the Retail Sites in its network, including the Alliance Sites, where Coles Express sets prices. As a result, Viva Energy's retail volumes can be affected by the pricing decisions of the operators of the Retail Sites. Retail volumes are also affected by the effectiveness of loyalty discount and reward schemes, the attractiveness of convenience offerings, advertising and brand perceptions.

Participants within the commercial sector also compete on price, but large commercial customers, in particular, also require certainty of quality and timely supply. This favours suppliers with efficient and dependable logistics and infrastructure across many locations and limits the number of suppliers capable of servicing large contracts. Winning and retaining large contracts is a key driver of overall sales volume for the commercial business.

#### 4.7.1.3 Crude oil and product costs and prices

Viva Energy's revenues and cost of goods sold are affected by the global price of crude oil and refined products. Prices for both crude oil and refined products can be volatile and are driven by a range of factors outside of Viva Energy's control.

Wholesale prices for fuel in Australia generally reflect import parity prices (the price to import the product into Australia, including taxes and a wholesale margin). As a result, wholesale prices closely track the market price for the fuel (in US dollars) in the relevant hub (usually Singapore) plus prevailing freight costs, with a relatively short lag. Fuel prices at the hub are primarily a function of regional supply and demand for the particular refined products. Over time, the hub price of refined products tends to reflect significant shifts in crude oil prices, but the timing and degree of correlation varies.

The price of the crude oil and feedstock Viva Energy buys for refining is also primarily a function of supply and demand at the relevant hub (again, primarily Singapore), although global supply and demand dynamics, economic conditions and political developments can also have a significant impact. Viva Energy's overall cost of imported crude oil and feedstock generally reflects Singapore market prices plus freight costs (including demurrage costs if there are delays in unloading cargoes at the Geelong Refinery). Prices for domestically-produced crude oil and feedstock generally reflect import parity pricing, although Viva Energy is able to purchase some quantities of domestic crude oil and condensate at lower prices, such as production from small inland wells that lack the infrastructure to deliver their production efficiently to other markets.

The prices Viva Energy realises for sales into the retail sector vary between the different operating models it uses. Sales to Alliance Sites and non-Alliance Shell-branded Retail Sites are subject to pricing structures; the economic effect of which is to reflect elements of the commercial relationship such as branding rights and exclusivity arrangements in addition to the wholesale price of fuel. As a result, the price that Viva Energy receives for fuel sales under these agreements may exceed a pure wholesale price. Viva Energy also sells fuel through a small number of Retail Agent sites, where it sets the pump price and takes the retail margin, subject to paying a commission to the Retail Agent. Further, a small portion of its sales are to independent retailers and other wholesale distributors. These sales generally reflect market wholesale pricing plus freight costs, if applicable.

In the commercial sector, prices are subject to contractual arrangements with customers. However, contracts are typically structured such that movements in the market prices for refined products are passed through.

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Viva Energy mitigates its residual exposure to movements in the prices of crude oil and refined products by entering into crude and refined products hedging contracts. The purpose of these contracts is to reduce earnings volatility and maintain margins; however, these activities are not designed to fully insulate Viva Energy from fluctuations in commodity prices (see Section 4.5.6 for details of Viva Energy's hedging policies).

Viva Energy earns revenue within the Supply, Corporate and Overheads segment from entering into refined product sale and purchase arrangements with other Integrated Refiner/Marketers. These arrangements allow Integrated Refiner/Marketers to access each other's refining and supply capacity and terminal storage infrastructure by purchasing refined products in areas in which they otherwise do not operate a refinery or own storage capacity, facilitating a more cost-effective supply of refined products to customers in these locations. For accounting purposes, these are treated as contracts for difference and only the net revenue or expense is recorded in Viva Energy's financial statements.

Finally, the Supply, Corporate and Overheads segment also generates revenue from sales of petrochemical feedstock from the Geelong Refinery to a co-located polypropylene plant operated by LyondellBasell Australia and from rental payments under a sub-lease on its previous head office in Melbourne. The sub-lease agreement is due to expire during 1H2019.

### 4.7.1.4 Foreign exchange

Viva Energy purchases crude oil and refined products in United States dollars and sells predominantly in Australian dollars. Due to timing differences between payments for purchases and pricing of sales, changes in the foreign exchange rate may positively or negatively impact Viva Energy's earnings and cash flow. For example, when the US\$/A\$ appreciates (depreciates) a higher (lower) price is paid for crude inputs and lower (higher) price is received for refined product.

Contracts with customers are typically structured such that movements in foreign exchange are passed through to end customers. Viva Energy mitigates its residual exposure to movements in foreign exchange rates by entering into foreign exchange hedging contracts. A proportion of the movement in the foreign exchange rates is passed on to the end consumer.

### 4.7.1.5 Refining

The main driver of profitability for the Geelong Refinery is the difference between the cost of crude oil and feedstock, including freight, and the price of refined products. For segment reporting purposes, Viva Energy uses transfer prices that are based on prevailing import parity prices for the relevant refined products. Other than the cost of crude oil and other feedstock, the main costs of operating the refinery are energy costs, particularly electricity and gas, and labour and contractors to operate and maintain the refinery.

The other key driver of profitability for the Geelong Refinery is the extent to which the refinery operates at or near full capacity, referred to as operational availability. Operational availability is a function of both Planned and Unplanned Downtime. The major element of Planned Downtime is the periodic "turnarounds" that involve shutting down major units of the refinery for maintenance and upgrades. While turnarounds may not necessarily result in an overall decrease in the volumes processed at the refinery, they often result in production being diverted into simpler, lower margin products, resulting in lower revenue and margins. At the same time as undertaking major turnarounds, work may also be undertaken involving de-bottlenecking and other capacity and efficiency improvements which lead to higher volumes and/or margins in subsequent periods.

See Table 3.4 in Section 3.3 under the heading "Operational and financial performance" for more discussion of Planned and Unplanned Downtime at the Geelong Refinery.

### 4.7.1.6 Non-fuel income

Viva Energy also generates significant non-fuel income, principally from the site lease and licence payments that it receives from Coles Express for the right to occupy and operate Retail Sites under the Alliance. This revenue stream has grown as the number of Retail Sites that Viva Energy controls and leases or licenses to Coles Express has grown, as well as through lease or licence fee escalation provisions.

Viva Energy also earns non-fuel income via the use of the Shell Card, the payment of royalties on convenience sales at Alliance Sites and commissions paid by the operators of Retail Agent Sites.

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#### 4.7.1.7 Fuel taxes and compliance costs

Fuel sales in Australia are subject to fuel excise tax, currently set at 40.9 cents per litre on the most commonly consumed grades of petrol and diesel. These taxes are passed on to consumers through the prices charged to them. For accounting purposes, the excise taxes are included in cost of goods sold and result in correspondingly higher revenue.

Viva Energy also incurs a number of costs to comply with regulations applying to the storage, transport and processing of petroleum products that are included in cost of goods sold.

#### 4.7.1.8 Operating expenses

Viva Energy's key operating expenses include:

- **Transportation expenses:** This relates to road and rail transport costs paid to third party trucking and logistics companies and coastal shipping and demurrage charges. These expenses are variable depending on the volume of product delivered through road transport and the requirement for coastal movements.
- **Salaries and wages:** This includes salaries and wages associated with refinery, sales, supply chain and head office operations. Salaries and wages are impacted by the number of full-time employees and are predominantly fixed in nature.
- **General, administration and other expense:** This includes corporate, office and compliance costs, environmental management and other associated expenses.
- **Maintenance expense:** This includes maintenance, contractor costs and minor materials expenses associated with planned maintenance cycles. Viva Energy capitalises the costs of the periodic "turnaround" programs of work. As a result, these costs are added to the carrying value of the assets comprising the Geelong Refinery and depreciated over time.
- **Operating leases:** The main component of this expense is the lease payments Viva Energy makes under operating leases for Retail Sites. A substantial portion these leases relate to the 434 Retail Sites (as at 31 March 2018) leased from Viva Energy REIT. Viva Energy leases or licenses most of these sites to Coles Express to operate, for which it receives the lease or licence payments referred to under "Non-fuel income" above. Reflecting the different sets of rights involved and the multi-faceted commercial relationship under the Alliance, the lease and licence payments do not correspond to the lease payments under the relevant operating leases. Refer to Section 9.4 "Contractual arrangement with Viva Energy REIT" for more details on these leases.
- **Sales and marketing:** This relates to promotional and marketing activities which vary according to the amount of marketing activities undertaken during the year.

#### 4.7.1.9 Investments

Viva Energy holds a 50% interest in Liberty Oil (see Section 3.2.1.4) and approximately a 38% security holding in Viva Energy REIT (see Section 3.5) and, subject to regulatory approval, will acquire a 50% interest in Westside Petroleum Consolidated Holdings Pty Ltd. Pursuant to *AASB 128 Investment in Associates and Joint Ventures*, Viva Energy equity accounts for its share of the profits/losses from these entities.

Viva Energy is a party to two infrastructure joint ventures, owning 52.3% of the W.A.G. Pipeline joint venture and 50% of the Crib Point Terminal joint venture. Viva Energy proportionately consolidates its interests in these joint ventures, meaning that it includes its proportionate share of the joint venture's results, assets and liabilities under the appropriate headings in its consolidated financial statements.

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### 4.7.1.10 Depreciation and amortisation

Viva Energy incurs depreciation charges on its property, plant and equipment, particularly the assets comprising the Geelong Refinery and its infrastructure assets such as pipelines and terminal facilities. Viva Energy calculates depreciation charges on a straight-line basis on these assets over their estimated useful lives. Depreciation charges increase with capital investment in maintenance, upgrading and expanding facilities. Further details of capital investments are outlined in Section 3.3.

Amortisation expense comprises of amortisation charges on a straight-line basis applied to intangible assets with finite useful lives including software, customer contracts and joint venture rights.

### 4.7.1.11 Working capital

Working capital consists of:

- trade and other receivables; plus
- inventories on a historical cost basis; plus
- other current assets; less trade and other payables, provisions (other than provisions relating to estimated future asset retirement obligations) and other current liabilities.

Working capital can vary significantly over time, primarily due to movements in inventories associated with crude oil and refined product purchases. Other factors which contribute to movements in working capital include trade receivables, foreign exchange rates, and the excise and tax payments related to these purchases.

### 4.7.1.12 Capital expenditure

Capital expenditure includes turnaround maintenance and is impacted by Viva Energy's strategy regarding investment in growth projects and productivity improvements and over and above ongoing maintenance.

Capital expenditure is primarily required to maintain asset integrity, grow the Retail Network, optimise the supply network and undertake a regular cycle of turnaround maintenance at the Geelong Refinery.

## 4.7.2 Management discussion and analysis: Pro Forma Historical Results for FY2016 compared to FY2015

Table 15: Pro Forma Historical Results for FY2016 compared to FY2015

\$ in millions	Pro Forma Historical Results			
	FY2015	FY2016	Change	% change
<b>Revenue from sale of goods</b>	<b>16,525.6</b>	<b>14,172.1</b>	<b>(2,353.5)</b>	<b>-14.2%</b>
Non-fuels income	121.7	133.6	11.9	9.8%
Other revenue	13.6	23.7	10.1	74.3%
<b>Revenue</b>	<b>16,660.9</b>	<b>14,329.4</b>	<b>(2,331.5)</b>	<b>-14.0%</b>
Cost of crude oil and refined product (RC)	(10,190.4)	(8,214.7)	1,975.7	-19.4%
Sale taxes and duties	(4,328.0)	(4,235.0)	93.0	-2.1%
Import freight expenses	(412.6)	(258.7)	153.9	-37.3%
<b>Cost of goods sold (RC)</b>	<b>(14,931.0)</b>	<b>(12,708.4)</b>	<b>2,222.6</b>	<b>-14.9%</b>
Net inventory gain/(loss)	(52.6)	(61.2)	(8.6)	16.3%
<b>Cost of goods sold (HC)</b>	<b>(14,983.6)</b>	<b>(12,769.6)</b>	<b>2,214.0</b>	<b>-14.8%</b>
<b>Gross profit (HC)</b>	<b>1,677.3</b>	<b>1,559.8</b>	<b>(117.5)</b>	<b>-7.0%</b>
Less: Net inventory gain/(loss)	52.6	61.2	8.6	16.3%
<b>Gross profit (RC)</b>	<b>1,729.9</b>	<b>1,621.0</b>	<b>(108.9)</b>	<b>-6.3%</b>
<i>Retail, Fuels and Marketing</i>				
<i>Retail</i>	629.6	674.0	44.4	7.1%
<i>Commercial</i>	523.3	551.3	28.0	5.4%
<i>Refining</i>	535.4	359.8	(175.6)	-32.8%
<i>Supply, Corporate and Overheads</i>	41.6	35.9	(5.7)	-13.7%
Operating expenses	(1,194.7)	(1,165.6)	29.1	-2.4%
<b>Underlying EBITDA (HC)</b>	<b>482.6</b>	<b>394.2</b>	<b>(88.4)</b>	<b>-18.3%</b>
Less: Net inventory gain/(loss)	52.6	61.2	8.6	16.3%
<b>Underlying EBITDA (RC)</b>	<b>535.2</b>	<b>455.4</b>	<b>(79.8)</b>	<b>-14.9%</b>
<i>Retail, Fuels and Marketing</i>				
<i>Retail</i>	496.2	542.0	45.8	9.2%
<i>Commercial</i>	282.2	315.7	33.5	11.9%
<i>Refining</i>	325.9	143.6	(182.3)	-55.9%
<i>Supply, Corporate and Overheads</i>	(569.1)	(545.9)	23.2	-4.1%
Lease straight-lining	(36.1)	(32.5)	3.6	-10.0%
Share of profit of associates	32.0	33.0	1.0	3.1%
Net gain/(loss) on other disposal of PP&E	(17.7)	10.3	28.0	-158.2%
Revaluation gain/(loss) on FX and oil derivatives	(41.9)	9.1	51.0	-121.7%
Depreciation and amortisation	(69.7)	(80.6)	(10.9)	15.6%
<b>Profit before interest and tax (HC)</b>	<b>349.2</b>	<b>333.5</b>	<b>(15.7)</b>	<b>-4.5%</b>
Less: Net inventory gain/(loss)	52.6	61.2	8.6	16.3%
<b>Profit before interest and tax (RC)</b>	<b>401.8</b>	<b>394.7</b>	<b>(7.1)</b>	<b>-1.8%</b>
Net finance costs	(53.7)	(32.8)	20.9	-38.9%
<b>Profit before tax (HC)</b>	<b>295.5</b>	<b>300.7</b>	<b>5.2</b>	<b>1.8%</b>
Income tax expense	(88.8)	(89.0)	(0.2)	0.2%
<b>NPAT (HC)</b>	<b>206.7</b>	<b>211.7</b>	<b>5.0</b>	<b>2.4%</b>
Less: Net inventory gain/(loss) net of tax at 30%	36.8	42.8	6.0	16.3%
<b>NPAT (RC)</b>	<b>243.5</b>	<b>254.5</b>	<b>11.0</b>	<b>4.5%</b>

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\$ in millions	Pro Forma Historical Results			
	FY2015	FY2016	Change	% change
<b>Volumes (ML)</b>				
Petrol: ULP 91	2,738.8	2,539.6	(199.2)	-7.3%
Petrol: E10	360.7	289.5	(71.2)	-19.7%
Petrol: Premium ULP (95 and 98 V Power)	1,294.4	1,233.2	(61.2)	-4.7%
Diesel: Premium (V Power)	-	-	-	n.a.
Diesel	6,199.7	6,180.5	(19.2)	-0.3%
Others (LPG, Adblue, Specialties and Marine)	1,178.8	1,117.9	(60.9)	-5.2%
Aviation	2,975.4	3,196.0	220.6	7.4%
<b>Total</b>	<b>14,747.8</b>	<b>14,556.7</b>	<b>(191.1)</b>	<b>-1.3%</b>
<b>Operational metrics</b>				
<i>Refining</i>				
Geelong Refining Margin (US\$/barrel)	11.8	7.9	(3.9)	-33.1%
Operational Availability (%)	93.2%	89.3%	-3.9%	
Refinery intake (M Barrels)	37.8	39.9	2.1	5.6%

### 4.7.2.1 Revenue

Pro forma revenue decreased by \$2,331.5 million, or 14.0%, from \$16,660.9 million in FY2015 to \$14,329.4 million in FY2016. This was primarily driven by a fall in refined product prices. Pro forma sales volumes decreased by 191.1 million litres, or 1.3%, from 14,747.8 million litres in FY2015 to 14,556.7 million litres in FY2016. This reflected a 331.6 million litre, or 7.5% decrease in petrol volumes being partially offset by a 220.6 million, or 7.4% increase in aviation fuel volumes.

Non-fuel income grew by \$11.9 million, or 9.8%, from \$121.7 million in FY2015 to \$133.6 million in FY2016. This was driven by annual escalation in lease and licence fee income and the addition of 12 new Company Controlled Retail Sites in the network, increasing the number of Retail Sites from which Viva Energy receives lease and licence fee income (see Section 9.1).

### 4.7.2.2 Cost of goods sold

Pro forma cost of goods sold (RC) decreased by 14.9% or \$2,222.6 million to \$12,708.4 million in FY2016 from \$14,931.0 million in FY2015. Pro forma cost of goods sold (HC), decreased by \$2,214.0 million, or 14.8%, from \$14,983.6 million in FY2015 to \$12,769.6 million in FY2016, with a net inventory loss of \$52.6 million in FY2015 and \$61.2 million in FY2016. This was primarily driven by a fall in global crude oil and refined product prices, a decrease in sales volumes, and lower import freight expenses due to a global reduction in freight costs.

### 4.7.2.3 Gross profit

Pro forma Gross Profit (HC) decreased by \$117.5 million, or 7.0%, from \$1,677.3 million in FY2015 to \$1,559.8 million in FY2016.

Pro forma Gross Profit (RC) decreased by \$108.9 million, or 6.3%, from \$1,729.9 million in FY2015 to \$1,621.0 million in FY2016.

On a segment basis, the drivers of the change in pro forma Gross Profit (RC) were as follows:

#### Retail, Fuels and Marketing

Pro forma Gross Profit (RC) for the Retail, Fuels and Marketing segment was \$1,225.3 million in FY2016, a \$72.4 million, or 6.3% increase compared to \$1,152.9 million in FY2015.



## Retail

- Gross Profit (RC) for the retail sub-segment increased by \$44.4 million, or 7.1%, from \$629.6 million in FY2015 to \$674.0 million in FY2016. Changes in commercial terms led to increased prices received by Viva Energy for fuel sales under the Alliance. However, this was partially offset by reduced volumes primarily resulting from changes to the retail pricing strategy adopted by the Alliance partner. In addition, Viva Energy added 12 new Company Controlled Retail Sites, which, together with annual escalation, contributed to an increase in non-fuel income.

## Commercial

- Gross Profit (RC) for the commercial sub-segment increased by \$28.0 million, or 5.4%, from \$523.3 million in FY2015 to \$551.3 million in FY2016. Aviation volumes increased by 7.4% compared to FY2015, primarily as a result of new customer contracts with international airlines. Margins grew in other and specialty products, driven by pricing strategies and a renegotiation of the commercial terms relating to the Lubricants Agreement (see Section 9.2) offset by a 60.9 million litre, or 5.2%, reduction in volumes from 1,178.8 million litres in FY2015 to 1,117.9 million litres in FY2016 resulting from the pricing strategy.

## Refining

The Refining segment's Gross Profit (RC) decreased by \$175.6 million, or 32.8%, from \$535.4 million in FY2015 to \$359.8 million in FY2016. The Refining Margin was US\$7.9 per barrel in FY2016 compared with US\$11.8 per barrel in FY2015. The lower margin reflected a decline in Australian import parity prices for refined products that was only partially offset by lower crude oil prices. The Singapore GRM was also lower during the year.

During FY2016, the Geelong Refinery undertook a major turnaround of the catalytic cracking unit (RCCU) and associated units while FY2015 saw a major turnaround of the crude distillation unit (CDU4) and associated units. Despite slightly higher refinery intake (39.9 million barrels in FY2016 compared to 37.8 million barrels in FY2015), the RCCU and associated units turnaround in FY2016 caused a more significant interruption to the production of more complex, higher margin products, resulting in a larger negative impact on gross profit. A reduction in the A\$/US\$ exchange rate over the year slightly offset the impact of the lower Refining Margin.

## Supply, Corporate and Overheads

The Supply, Corporate and Overheads segment's Gross Profit (RC) decreased by \$5.7 million, or 13.7%, from \$41.6 million in FY2015 to \$35.9 million in FY2016, primarily as a result of a reduction in revenue derived from buy-sell arrangements with other Integrated Refiner/Marketers.

### 4.7.2.4 Operating expenses

Pro forma operating expenses decreased by \$29.1 million, or 2.4%, from \$1,194.7 million in FY2015 to \$1,165.6 million in FY2016, primarily driven by a decrease in salaries and wages, maintenance expenses and transportation costs, supported by continued cost control and optimisation.

- Salaries and wages decreased by \$22.2 million, or 7.9%, from \$282.4 million in FY2015 to \$260.2 million in FY2016. This was driven by reduction of 66 full-time equivalent employees as part of cost reduction and efficiency initiatives.
- Maintenance expenses decreased by \$15.4 million, or 12.9%, from \$119.1 million in FY2015 to \$103.7 million in FY2016, in line with planned efficiency initiatives.
- Transportation expenses decreased by \$3.9 million, or 1.2%, from \$337.1 million in FY2015 to \$333.2 million in FY2016, as a result of lower overall product volumes.
- Operating lease costs increased by \$11.1 million, or 5.0% from \$220.7 million to \$231.8 million as a result of annual escalation and addition of new Retail Sites.

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### 4.7.2.5 Underlying EBITDA

Pro forma Underlying EBITDA (HC) decreased by \$88.4 million, or 18.3%, from \$482.6 million in FY2015 to \$394.2 million in FY2016.

Pro forma Underlying EBITDA (RC) decreased by \$79.8 million, or 14.9%, from \$535.2 million in FY2015 to \$455.4 million in FY2016.

On a segment basis, the drivers of the change in pro forma Underlying EBITDA (RC) were as follows:

#### Retail, Fuels and Marketing

The Retail, Fuels and Marketing segment recorded an increase in pro forma Underlying EBITDA (RC) of \$79.3 million, or 10.2%, from \$778.4 million in FY2015 to \$857.7 million in FY2016.

##### Retail

- Underlying EBITDA (RC) for the retail sub-segment increased by \$45.8 million, or 9.2%, from \$496.2 million in FY2015 to \$542.0 million in FY2016 as a result of increase in segment Gross Profit (RC) as described above and a reduction in salaries and wages as described above as well as a reduction in road transport costs as a result of lower petrol volumes.

##### Commercial

- Underlying EBITDA (RC) for the commercial sub-segment increased by \$33.5 million, or 11.9%, from \$282.2 million in FY2015 to \$315.7 million in FY2016 as a result of an increase in segment Gross Profit (RC) as described above and a reduction in salaries and wages as described above as well as an improvement in road transport unit costs due to ongoing cost efficiency programs.

##### Refining

The Refining segment recorded a decrease in pro forma Underlying EBITDA (RC) of \$182.3 million, or 55.9%, from \$325.9 million in FY2015 to \$143.6 million in FY2016, primarily due to lower Gross Profit (RC) as described above.

#### Supply, Corporate and Overheads

The Supply, Corporate and Overheads segment recorded an improvement in pro forma Underlying EBITDA (RC) of \$23.2 million, or 4.1%, from \$(569.1) million in FY2015 to \$(545.9) million in FY2016 as a result of reductions in storage and handling terminal operating costs, decrease in corporate costs primarily driven by the reduction of 66 full-time equivalent employees as part of cost reduction and efficiency initiatives, offset by annual escalation of lease expenses at Retail Sites, terminals and corporate offices.

For a reconciliation of Underlying EBITDA (RC) to profit before interest, tax, depreciation and amortisation refer to Section 4.4.1. Inter-period movements in reconciling items are further detailed in Section 4.7.2.7 below.

### 4.7.2.6 Depreciation and amortisation

Depreciation and amortisation increased by \$10.9 million, or 15.6%, from \$69.7 million in FY2015 to \$80.6 million in FY2016. The increase was primarily driven by increased capital expenditure at the Geelong Refinery, including refinery turnaround expenses which are depreciated over the turnaround cycle.

### 4.7.2.7 Other items excluded from Underlying EBITDA

Share of profit of associates increased by \$1.0 million, or 3.1%, from \$32.0 million in FY2015 to \$33.0 million in FY2016, as a result of increased profits from Viva Energy REIT due to fixed rental growth of 3.0% on the existing property portfolio during the period.

During the period, Viva Energy saw a \$51.0 million change in revaluation on derivatives and foreign exchange, moving from a net loss of \$41.9 million in FY2015 to a net gain of \$9.1 million in FY2016. This reflects the net settlement of contracts that were entered into by Viva Energy to hedge its FX and oil price exposure, resulting from a combination of a weakening Australian dollar, and a falling oil price over the period.

#### 4.7.2.8 Profit before interest and tax

Profit before interest and tax (HC) decreased by \$15.7 million, or 4.5%, from \$349.2 million in FY2015 to \$333.5 million in FY2016 for the reasons described above.

Profit before interest and tax (RC) decreased by \$7.1 million, or 1.8%, from \$401.8 million in FY2015 to \$394.7 million in FY2016 as a result of movement in profit before interest and tax (HC) as well as the net inventory loss.

#### 4.7.2.9 Net finance costs

Pro forma net finance costs decreased by \$20.9 million, or 38.9%, from \$53.7 million in FY2015 to \$32.8 million in FY2016. The decrease was mainly due to a resizing of the borrowing base facility in April 2016 from US\$1.3 billion to US\$1.1 billion, and a reduction in the applicable margin from 175 to 120 basis points.

#### 4.7.2.10 Tax expense

Viva Energy's pro forma tax expense as a percentage of profit before tax was 30% in each of FY2015 and FY2016, which is consistent with the Australian corporate income tax rate.

#### 4.7.2.11 NPAT

Pro forma NPAT (HC) increased by \$5.0 million, or 2.4%, from \$206.7 million in FY2015 to \$211.7 million in FY2016 as a result of the same factors which impacted Profit before interest and tax (HC), offset by the decrease in the net finance costs.

Pro forma NPAT (RC) increased by \$11.0 million, or 4.5%, from \$243.5 million in FY2015 to \$254.5 million in FY2016 as a result of movement in NPAT (HC) as well as the tax affected net inventory loss.

### 4.7.3 Management discussion and analysis: Pro Forma Historical Cash Flows for FY2016 compared to FY2015

Table 16: Pro Forma Historical Cash Flows: FY2016 compared to FY2015

\$ in millions	Pro Forma Historical Cash Flows			
	FY2015	FY2016	Change	% change
<b>Underlying EBITDA (RC)</b>	<b>535.2</b>	<b>455.4</b>	<b>(79.8)</b>	<b>-14.9%</b>
Net inventory (gain)/loss	(52.6)	(61.2)	(8.6)	16.3%
Lease straight-lining	(36.1)	(32.5)	3.6	-10.0%
Share of profit of associates	32.0	33.0	1.0	3.1%
Net gain/(loss) on other disposal of PP&E	(17.7)	10.3	28.0	-158.2%
Revaluation gain/(loss) on FX and oil derivatives	(41.9)	9.1	51.0	-121.7%
<b>Profit before interest, tax, depreciation and amortisation (HC)</b>	<b>418.9</b>	<b>414.1</b>	<b>(4.8)</b>	<b>-1.1%</b>
Non-cash items in profit before interest, tax, depreciation and amortisation	44.9	(60.6)	(105.5)	-235.0%
Changes in working capital	331.1	212.4	(118.7)	-35.9%
<b>Operating free cash flow before capital expenditure</b>	<b>794.9</b>	<b>565.9</b>	<b>(229.0)</b>	<b>-28.8%</b>
Capital expenditure	(247.7)	(309.3)	(61.6)	24.9%
Retail, Fuels and Marketing	(102.0)	(63.3)	38.7	-37.9%
Refining	(90.1)	(164.5)	(74.4)	82.6%
Supply, Corporate and Overheads	(55.6)	(81.5)	(25.9)	46.6%
Proceeds from sale of PPE and intangibles	3.2	22.6	19.4	606.3%
Dividends received from associates	32.0	34.8	2.8	8.7%
<b>Net free cash flow before financing, tax and dividends</b>	<b>582.4</b>	<b>314.0</b>	<b>(268.4)</b>	<b>-46.1%</b>

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### 4.7.3.1 Operating free cash flow

Pro forma operating free cash flow before capital expenditure decreased by \$229.0 million, or 28.8%, from \$794.9 million in FY2015 to \$565.9 million in FY2016. The key changes are summarised below:

- a decline of \$4.8 million, or 1.1%, in profit before interest, tax, depreciation and amortisation (HC) for the reasons described in Section 4.7.2.5 and 4.7.2.7. However, profit before interest, tax, depreciation and amortisation (HC) in FY2016 included a non-cash gain of \$60.6 million, compared to a non-cash loss of \$44.9 million in FY2015, representing an additional \$105.5 million decrease in cash items in profit before interest, tax, depreciation and amortisation (HC); and
- an improvement in working capital of \$331.1 million in FY2015, primarily driven by working capital initiatives to optimise receivable balances and supplier payment terms, coupled with the fall in revenue driven by refined product prices as described above. These initiatives continued into FY2016 driving an improvement in working capital of \$212.4 million.

### 4.7.3.2 Capital expenditure

In FY2015, pro forma capital expenditure of \$247.7 million was incurred, of which:

- Retail, Fuels and Marketing accounted for \$102.0 million, driven by investment in new Retail Sites;
- Refining accounted for \$90.1 million, including maintenance and turnaround expenditure; and
- Supply, Corporate and Overheads accounted for \$55.6 million, including continuation of the Clyde terminal conversion as described in Section 3.1.1.

In FY2016, pro forma capital expenditure totalled \$309.3 million, of which:

- Retail, Fuels and Marketing accounted for \$63.3 million, primarily driven by continued investment in new Retail Site expansion, such as the costs of installing tanks and fuel equipment at new Retail Sites;
- Refining accounted for \$164.5 million, primarily driven by major turnaround expenditure and the costs of construction of the new crude tank; and
- Supply, Corporate and Overheads accounted for \$81.5 million, including increased expenditure associated with the Clyde terminal conversion, the replacement project for the Enterprise Resource Planning software system (ERP) and investment in tankage and supply chain improvement projects.

### 4.7.3.3 Net free cash flow before financing, tax and dividends

Pro forma net free cash flow before financing, tax and dividends decreased by \$268.4 million, or 46.1%, from \$582.4 million in FY2015 to \$314.0 million in FY2016. This decline was primarily attributable to a decline in operating free cash flow for the reasons described in Section 4.7.3.1, together with the increased capital expenditure as discussed directly above.

#### 4.7.4 Management discussion and analysis: Pro Forma Historical Results for FY2017 compared to FY2016

Table 17: Pro Forma Historical Results for FY2017 compared to FY2016

\$ in millions	Pro Forma Historical Results			
	FY2016	FY2017	Change	% change
<b>Revenue from sale of goods</b>	<b>14,172.1</b>	<b>15,556.2</b>	<b>1,384.1</b>	<b>9.8%</b>
Non-fuels income	133.6	141.7	8.1	6.1%
Other revenue	23.7	26.4	2.7	11.4%
<b>Revenue</b>	<b>14,329.4</b>	<b>15,724.3</b>	<b>1,394.9</b>	<b>9.7%</b>
Cost of crude oil and refined product (RC)	(8,214.7)	(9,524.8)	(1,310.1)	15.9%
Sale taxes and duties	(4,235.0)	(4,123.6)	111.4	-2.6%
Import freight expenses	(258.7)	(256.4)	2.3	-0.9%
<b>Cost of goods sold (RC)</b>	<b>(12,708.4)</b>	<b>(13,904.8)</b>	<b>(1,196.4)</b>	<b>9.4%</b>
Net inventory gain/(loss)	(61.2)	(8.7)	52.5	-85.8%
<b>Cost of goods sold (HC)</b>	<b>(12,769.6)</b>	<b>(13,913.5)</b>	<b>(1,143.9)</b>	<b>9.0%</b>
<b>Gross profit (HC)</b>	<b>1,559.8</b>	<b>1,810.8</b>	<b>251.0</b>	<b>16.1%</b>
Less: Net inventory gain/(loss)	61.2	8.7	(52.5)	-85.8%
<b>Gross profit (RC)</b>	<b>1,621.0</b>	<b>1,819.5</b>	<b>198.5</b>	<b>12.2%</b>
<i>Retail, Fuels and Marketing</i>				
<i>Retail</i>	674.0	738.0	64.0	9.5%
<i>Commercial</i>	551.3	561.6	10.3	1.9%
<i>Refining</i>	359.8	483.3	123.5	34.3%
<i>Supply, Corporate and Overheads</i>	35.9	36.6	0.7	1.9%
Operating expenses	(1,165.6)	(1,185.2)	(19.6)	1.7%
<b>Underlying EBITDA (HC)</b>	<b>394.2</b>	<b>625.6</b>	<b>231.4</b>	<b>58.7%</b>
Less: Net inventory gain/(loss)	61.2	8.7	(52.5)	-85.8%
<b>Underlying EBITDA (RC)</b>	<b>455.4</b>	<b>634.3</b>	<b>178.9</b>	<b>39.3%</b>
<i>Retail, Fuels and Marketing</i>				
<i>Retail</i>	542.0	607.3	65.3	12.0%
<i>Commercial</i>	315.7	311.5	(4.2)	-1.3%
<i>Refining</i>	143.6	276.1	132.5	92.3%
<i>Supply, Corporate and Overheads</i>	(545.9)	(560.6)	(14.7)	2.7%
Lease straight-lining	(32.5)	(28.9)	3.6	-11.1%
Share of profit of associates	33.0	65.4	32.4	98.2%
Net gain/(loss) on other disposal of PP&E	10.3	15.6	5.3	51.5%
Revaluation gain/(loss) on FX and oil derivatives	9.1	(24.6)	(33.7)	-370.3%
Depreciation and amortisation	<b>(80.6)</b>	<b>(111.5)</b>	<b>(30.9)</b>	38.3%
<b>Profit before interest and tax (HC)</b>	<b>333.5</b>	<b>541.6</b>	<b>208.1</b>	<b>62.4%</b>
Less: Net inventory gain/(loss)	61.2	8.7	(52.5)	-85.8%
<b>Profit before interest and tax (RC)</b>	<b>394.7</b>	<b>550.3</b>	<b>155.6</b>	<b>39.4%</b>
Net finance costs	(32.8)	(28.9)	3.9	-11.9%
<b>Profit before tax (HC)</b>	<b>300.7</b>	<b>512.7</b>	<b>212.0</b>	<b>70.5%</b>
Income tax expense	(89.0)	(157.8)	(68.8)	77.3%
<b>NPAT (HC)</b>	<b>211.7</b>	<b>354.9</b>	<b>143.2</b>	<b>67.6%</b>
Less: Net inventory gain/(loss) net of tax at 30%	42.8	6.1	(36.7)	-85.7%
<b>NPAT (RC)</b>	<b>254.5</b>	<b>361.0</b>	<b>106.5</b>	<b>41.8%</b>

## 4. Financial Information

\$ in millions	Pro Forma Historical Results			
	FY2016	FY2017	Change	% change
<b>Volumes (ML)</b>				
Petrol: ULP 91	2,539.6	2,192.4	(347.2)	-13.7%
Petrol: E10	289.5	313.5	24.0	8.3%
Petrol: Premium ULP (95 and 98 V Power)	1,233.2	1,033.7	(199.5)	-16.2%
Diesel: Premium (V Power)	-	-	-	n.a.
Diesel	6,180.5	6,231.2	50.7	0.8%
Others (LPG, Adblue, Specialties and Marine)	1,117.9	1,030.2	(87.7)	-7.8%
Aviation	3,196.0	3,350.4	154.4	4.8%
<b>Total</b>	<b>14,556.7</b>	<b>14,151.4</b>	<b>(405.3)</b>	<b>-2.8%</b>
<b>Operational metrics</b>				
<i>Refining</i>				
Geelong Refining Margin (US\$/barrel)	7.9	10.2	2.3	29.1%
Operational Availability (%)	89.3%	93.6%	4.3%	
Refinery intake (M Barrels)	39.9	40.8	0.9	2.3%

### 4.7.4.1 Revenue

Pro forma revenue increased by \$1,394.9 million, or 9.7%, from \$14,329.4 million in FY2016 to \$15,724.3 million in FY2017. This was primarily driven by an increase in refined product prices. Pro forma sales volumes decreased by 405.3 million litres, or 2.8%, from 14,556.7 million litres in FY2016 to 14,151.4 million litres in FY2017. This reflected a 522.7 million litre, or 12.9%, decrease in petrol volumes being partially offset by a 154.4 million litre, or 4.8%, increase in aviation fuel volumes.

Non-fuel income grew by \$8.1 million, or 6.1%, from \$133.6 million in FY2016 to \$141.7 million in FY2017. This was driven by an increase in convenience store royalties, annual escalation in lease and licence fee income and the addition of 20 new Company Controlled Retail Sites in the network, increasing the number of Retail Sites from which Viva Energy received lease and licence fee income.

### 4.7.4.2 Cost of goods sold

Pro forma cost of goods sold (RC), increased by \$1,196.4 million, or 9.4%, from \$12,708.4 million in FY2016 to \$13,904.8 million in FY2017. Pro forma cost of goods sold (HC) increased by \$1,143.9 million, or 9.0%, from \$12,769.6 million in FY2016 to \$13,913.5 million in FY2017, with a net inventory loss of \$61.2 million in FY2016 and \$8.7 million in FY2017. This was primarily driven by an increase in global crude oil and refined product prices, partially offset by a decrease in sales volume.

### 4.7.4.3 Gross profit

Pro forma Gross Profit (HC) increased by \$251.0 million, or 16.1%, from \$1,559.8 million in FY2016 to \$1,810.8 million in FY2017.

Pro forma Gross Profit (RC) increased by \$198.5 million, or 12.2%, from \$1,621.0 million in FY2016 to \$1,819.5 million in FY2017.

On a segment basis, the drivers of the change in pro forma Gross Profit (RC) were as follows:

#### Retail, Fuels and Marketing

Pro forma Gross Profit (RC) for the Retail, Fuels and Marketing segment was \$1,299.6 million in FY 2017, a \$74.3 million, or 6.1%, increase compared to \$1,225.3 million in FY2016.

## Retail

- Gross Profit (RC) for the retail sub-segment increased by \$64.0 million, or 9.5%, from \$674.0 million in FY2016 to \$738.0 million in FY2017, driven by increased prices received by Viva Energy for fuel sales under the Alliance. However, this was partially offset by reduced volumes primarily due to the retail pricing strategy adopted by the Alliance partner. In addition, Viva Energy added 20 new Company Controlled Retail Sites, which, together with annual escalation, contributed to an increase in non-fuel income.

## Commercial

- Gross Profit (RC) for the commercial sub-sector increased by \$10.3 million, or 1.9%, from \$551.3 million in FY2016 to \$561.6 million in FY2017.
- Aviation volumes increased by 4.8% compared to FY2016, primarily as a result of new customer contracts with international airlines. Margins grew in other and specialty products as a result of the full year effect of renegotiating commercial terms relating to the Shell Lubricants Agreement, offset by an 87.7 million litre, or 7.8%, reduction in volumes from 1,117.9 million litres in FY2016 to 1,030.2 million litres in FY2017.

## Refining

The Refining segment's Gross Profit (RC) increased by \$123.5 million, or 34.3%, from \$359.8 million in FY2016 to \$483.3 million in FY2017. The Refining Margin was US\$10.2 per barrel in FY2017 compared with US\$7.9 per barrel in FY2016. The higher margin reflected an increase in Australian import parity prices for refined products that was only partially offset by rising crude oil and condensate prices. The movement in the Refining Margin was greater than the relative movement in the observable Singapore GRM during the period due to full year availability of RCCU in FY2017 compared with FY2016 when the turnaround was undertaken. Operational availability improved at the Geelong Refinery from 89.3% in FY2016 to 93.6% in FY2017, attributable to lower Planned Downtime. Refinery intake was higher at 40.8 million barrels in FY2017 compared with 39.9 million barrels in FY2016. The higher margin, availability and intake were partially offset by a strengthening A\$/US\$ exchange rate and increases in electricity costs.

## Supply, Corporate and Overheads

The Supply, Corporate and Overheads segment's pro forma Gross Profit (RC) increased by \$0.7 million, or 1.9%, from \$35.9 million in FY2016 to \$36.6 million in FY2017 as a result of the recovery of a portion of the costs associated with the Retail Site brand refresh program.

### 4.7.4.4 Operating expenses

Pro forma operating expenses increased by \$19.6 million, or 1.7%, from \$1,165.6 million in FY2016 to \$1,185.2 million in FY2017, primarily driven by an increase in general and administration expenses, salaries and wages and sales and marketing spend as a result of investment in marketing, commencement of the ERP replacement program and an annual CPI increase in operating lease costs, partially offset by a reduction in transportation expenses.

- General administration costs increased by \$8.7 million, or 6.2%, from \$139.3 million in FY2016 to \$148.0 million in FY2017 as a result of an increase in environmental management costs, the establishment of a national corporate office network and the commencement of new Viva Energy community programs.
- Salaries and wages increased by \$13.8 million, or 5.3%, from \$260.2 million in FY2016 to \$274.0 million in FY2017, as a result of the addition of 16 full-time equivalent employees and a higher level of fixed term contractors attributable to commencement of the ERP replacement program.
- Sales and Marketing costs increased by \$8.7 million, or 8.9%, from \$97.4 million to \$106.1 million as a result of increased investment in marketing activities to raise Shell brand awareness in the retail sector.
- Operating lease costs increased by \$8.3 million, or 3.6%, from \$231.8 million to \$240.1 million as a result of annual escalation and an increase in the number of Company Controlled Retail Sites held under leases from Viva Energy REIT and other third parties.
- These increases were partially offset by a decrease in transportation expenses of \$18.6 million, or 5.6%, as a result of lower overall product volumes.



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### 4.7.4.5 Underlying EBITDA

Pro forma Underlying EBITDA (HC) increased by \$231.4 million, or 58.7%, from \$394.2 million in FY2016 to \$625.6 million in FY2017.

Pro forma Underlying EBITDA (RC) increased by \$178.9 million, or 39.3%, from \$455.4 million in FY2016 to \$634.3 million in FY2017.

On a segment basis, the drivers of the change in Underlying EBITDA (RC) were as follows:

#### Retail, Fuels and Marketing

The Retail Fuels and Marketing segment recorded an increase in Underlying EBITDA (RC) of \$61.1 million, or 7.1%, from \$857.7 million in FY2016 to \$918.8 million in FY2017.

##### Retail

- Underlying EBITDA (RC) for the retail sub-segment increased by \$65.3 million, or 12.0%, from \$542.0 million in FY2016 to \$607.3 million in FY2017 as a result of an increase in segment Gross Profit (RC) as described above as well as a reduction in road transport costs as a result of lower petrol volumes.

##### Commercial

- Underlying EBITDA (RC) for the commercial sub-segment decreased by \$4.2 million, or 1.3%, from \$315.7 million in FY2016 to \$311.5 million in FY2017, with an increase in commercial supply chain costs offsetting an increase in segment Gross Profit (RC) as described above.

#### Refining

The Refining segment recorded an increase in pro forma Underlying EBITDA (RC) of \$132.5 million, or 92.3%, from \$143.6 million in FY2016 to \$276.1 million in FY2017, primarily due to the increase in Gross Profit (RC) as described above. Refinery operating expenses decreased by \$9.0 million, or 4.2%, from \$216.2 million in FY2016 to \$207.2 million in FY2017, driven by efficiencies delivered through commencement of a number of Geelong Refinery modernisation projects and a partial year impact of demurrage savings following completion of construction of the new crude tank.

#### Supply, Corporate and Overheads

The Supply, Corporate and Overheads segment recorded a decline in pro forma Underlying EBITDA (RC) of \$14.7 million, or 2.7%, from \$(545.9) million in FY2016 to \$(560.6) million in FY2017 as a result of an increase in operating lease costs as a result of annual escalation and the addition of new Retail Sites, partially offset by a decrease in corporate costs as part of cost reduction and efficiency initiatives.

For a reconciliation of Underlying EBITDA (RC) to profit before interest, tax, depreciation and amortisation refer to Section 4.4.1. Inter-period movements in reconciling items are further detailed in Section 4.7.4.7 below.

### 4.7.4.6 Depreciation and amortisation

Pro forma depreciation and amortisation increased by \$30.9 million, or 38.3%, from \$80.6 million in FY2016 to \$111.5 million in FY2017, due to a full year impact of the capital investment made at the Geelong Refinery for the major turnaround in FY2016, depreciated over the turnaround cycle, and increased depreciation related to the investment in the new 100 million litre crude tank.

### 4.7.4.7 Other items excluded from Underlying EBITDA

Share of profit of associates increased by \$32.4 million, or 98.2%, from \$33.0 million in FY2016 to \$65.4 million in FY2017, as a result of increased profits from Viva Energy REIT due to fixed rental growth of 3.0% on the existing property portfolio, the acquisition of nine new Retail Sites on an earnings accretive basis, and property revaluations completed during the period resulting in net fair value adjustments to properties of \$77.0 million.

During the period, Viva Energy saw a \$33.7 million change in revaluation on derivatives and foreign exchange, moving from a net gain of \$9.1 million in FY2016 to a net loss of \$24.6 million in FY2017. This reflects the net settlement of contracts

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that were entered into by Viva Energy to partially hedge its FX and oil price exposure, resulting from a combination of a strengthening Australian dollar and a rising oil price over the period.

#### **4.7.4.8 Profit before interest and tax**

Profit before interest and tax (HC) increased by \$208.1 million, or 62.4%, from \$333.5 million in FY2016 to \$541.6 million in FY2017 for the reasons described in Sections 4.7.4.5 through 4.7.4.7.

Profit before interest and tax (RC) increased by \$155.6 million, or 39.4%, from \$394.7 million in FY2016 to \$550.3 million in FY2017 as a result of movement in profit before interest and tax (HC) (as discussed directly above) as well as the net inventory loss for reasons described above.

#### **4.7.4.9 Net finance costs**

Pro forma net finance costs decreased by \$3.9 million, or 11.9%, from \$32.8 million in FY2016 to \$28.9 million in FY2017. The decrease was mainly due to the full year impact of changes in the loan facility size and applicable margins that occurred in April 2016 as described in Section 4.7.2.9.

#### **4.7.4.10 Tax expense**

Pro forma tax expense as a percentage of profit before tax was 30% in FY2016 and 31% in FY2017, which is consistent with the Australian corporate income tax rate.

#### **4.7.4.11 NPAT**

Pro forma NPAT (HC) increased by \$143.2 million, or 67.6%, from \$211.7 million in FY2016 to \$354.9 million in FY2017 as a result of the same factors which impacted Profit before interest and tax (HC), partially offset by the Income tax expense on the incremental profits, resulting from year on year increase in Profit before tax.

Pro forma NPAT (RC) increased by \$106.5 million, or 41.8%, from \$254.5 million in FY2016 to \$361.0 million in FY2017 as a result of movement in NPAT (HC) (as discussed directly above) as well as the net inventory loss.

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### 4.7.5 Management discussion and analysis: Pro Forma Historical Cash Flows for FY2017 compared to FY2016

Table 18: Pro Forma Historical Cash Flows: FY2017 compared to FY2016

\$ in millions	Pro Forma Historical Cash Flows			
	FY2016	FY2017	Change	% change
<b>Underlying EBITDA (RC)</b>	<b>455.4</b>	<b>634.3</b>	<b>178.9</b>	<b>39.3%</b>
Net inventory (gain)/loss	(61.2)	(8.7)	52.5	-85.8%
Lease straight-lining	(32.5)	(28.9)	3.6	-11.1%
Share of profit of associates	33.0	65.4	32.4	98.2%
Net gain/(loss) on other disposal of PP&E	10.3	15.6	5.3	51.5%
Revaluation gain/(loss) on FX and oil derivatives	9.1	(24.6)	(33.7)	-370.3%
<b>Profit before interest, tax, depreciation and amortisation (HC)</b>	<b>414.1</b>	<b>653.1</b>	<b>239.0</b>	<b>57.7%</b>
Non-cash items in profit before interest, tax, depreciation	(60.6)	(86.6)	(26.0)	42.9%
Changes in working capital	212.4	(120.7)	(333.1)	-156.8%
<b>Operating free cash flow before capital expenditure</b>	<b>565.9</b>	<b>445.8</b>	<b>(120.1)</b>	<b>-21.2%</b>
Capital expenditure	(309.3)	(233.6)	75.7	-24.5%
Retail, Fuels and Marketing	(63.3)	(76.0)	(12.7)	20.1%
Refining	(164.5)	(52.8)	111.7	-67.9%
Supply, Corporate and Overheads	(81.5)	(104.8)	(23.3)	28.6%
Proceeds from sale of PPE and intangibles	22.6	26.7	4.1	18.1%
Dividends received from associates	34.8	32.8	(2.0)	-5.7%
<b>Net free cash flow before financing, tax and dividends</b>	<b>314.0</b>	<b>271.7</b>	<b>(42.3)</b>	<b>-13.5%</b>

#### 4.7.5.1 Operating free cash flow

Pro forma operating free cash flow before capital expenditure decreased by \$120.1 million, or 21.2%, from \$565.9 million in FY2016 to \$445.8 million in FY2017. The key changes are summarised below:

- an increase of \$239.0 million or 57.7% in profit before interest, tax, depreciation and amortisation (HC) for the reasons described in Sections 4.7.4.5 and 4.7.4.7. In addition, profit before interest, tax, depreciation and amortisation (HC) in FY2017 included a non-cash gain of \$86.6 million, primarily driven by a non-cash revaluation gain recorded within the share of equity of profit of Viva Energy REIT in FY2017, offset by unrealised gains on foreign exchange, compared to a non-cash gain of \$60.6 million in FY2016, representing an additional \$26.0 million increase in cash items in profit before interest, tax, depreciation and amortisation (HC); and
- a working capital deterioration of \$333.1 million in FY2017 relative to FY2016, driven by increases in inventory primarily attributable to initial filling of the new crude tank as well as the increase in revenue primarily driven by crude oil prices and refined product prices as described above.

#### 4.7.5.2 Capital expenditure

Pro forma capital expenditure of \$309.3 million was incurred. For details on FY2016 capital expenditure refer to Section 4.7.3.2.

In FY2017, total capital expenditure of \$233.6 million was incurred, of which:

- Retail, Fuels and Marketing accounted for \$76.0 million, driven by continued investment in new Retail Sites;
- Refining accounted for \$52.8 million, primarily driven by maintenance and equipment renewal and upgrades; and
- Supply, Corporate and Overheads accounted for \$104.8 million, including the continuation of the Clyde terminal conversion, the ERP replacement program, investment in tankage and other supply chain improvement projects.

### 4.7.5.3 Net free cash flow before financing, tax and dividends

Net free cash flow before financing, tax and dividends decreased by \$42.3 million or 13.5%, from \$314.0 million in FY2016 to \$271.7 million in FY2017. This decline is primarily attributable to a decline in operating free cash flow for the reasons described in Section 4.7.5.1, partially offset by reduction in capital expenditure as discussed directly above.

## 4.8 Forecast Financial Information

The Forecast Financial Information is based on various general and specific assumptions, including those set out below. In preparing the Forecast Financial Information, Viva Energy has undertaken an analysis of historical performance and applied assumptions, where appropriate, in order to forecast future performance for 1H2018, FY2018 and 1H2019. Viva Energy and its Directors believe that the Forecast Financial Information has been prepared with due care and attention and consider all assumptions when taken as a whole to be reasonable at the time of preparing this Prospectus, including each of the assumptions set out in Sections 4.8.1 and 4.8.2. However, actual results are likely to vary from those forecast and any variation may be materially positive or negative.

The assumptions upon which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of the Company and its Directors. Accordingly, none of the Company, the Directors nor any other person can give any assurance that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 4.9, the risk factors set out in Sections 5.2 and 5.3 and the Independent Limited Assurance Report on Combined Forecast Financial Information, the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information set out in Section 8. The pro forma adjustments to the Combined Forecast Results are set out in Section 4.4.3 and the pro forma adjustments to the Combined Forecast Cash Flows are set out in Section 4.6.2.

### 4.8.1 General assumptions

The Forecast Financial Information has been prepared based on the significant accounting policies adopted by Viva Energy, which are in accordance with AAS, and are disclosed in Appendix C.

In preparing the Forecast Financial Information, Viva Energy has adopted the following general assumptions:

- the proposed acquisition of an interest in Westside Petroleum is not accounted for in the Forecast Financial Information. That proposed acquisition remains subject to regulatory approvals. It is not expected that the purchase price, if paid, would have a material impact on cash flows or on the capital expenditure of Viva Energy;
- no material change in the competitive or market environment in which Viva Energy operates;
- no significant deviation from current market expectations of the broader economic conditions relevant to Viva Energy and its customers;
- no material change in economic factors (e.g. business confidence and consumer sentiment);
- no material changes in key personnel, including key management personnel, with Viva Energy maintaining its ability to recruit and retain the personnel required to support the current business and future growth;
- no significant decrease in capacity or capability across Viva Energy's facilities, including import terminals, storage and distribution infrastructure and the Geelong Refinery, which could be impacted by a number of factors including unplanned shutdowns and any planned shutdown beyond those disclosed elsewhere in this Prospectus and incorporated in the Forecast Financial Information;
- other than the changes to accounting standards described in Section 4.2.5, no material change in applicable AAS or other mandatory professional reporting requirements of the Corporations Act which have a material effect on Viva Energy's financial performance or cash flows, financial position, accounting policies, or financial reporting or disclosure;

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- no material changes in legislation or government regulation and policy (including the manner in which those are enforced) beyond those announced as at the Prospectus Date;
- no material losses of customers or contracts beyond those incorporated in the Forecast Financial Information;
- no material industry disturbances, disruptions to the continuity of operations of Viva Energy or other material changes in its business;
- no material amendment to any material contracts, agreements or arrangements relating to Viva Energy's business;
- progress of the Offer in accordance with the timetable set out in the Important Dates Section of this Prospectus;
- no material impact in relation to litigation or claims (existing or otherwise);
- no contingent liabilities will arise or be realised other than as disclosed in this Prospectus;
- no material change in Viva Energy's corporate and funding structure other than as set out in, or contemplated by, this Prospectus;
- no material change in interest rates on Viva Energy's borrowings, as a result of a change in the applicable base rate, or change in interest rates in general;
- no material acquisitions, divestments, restructuring or investments other than as set out in, or contemplated by, this Prospectus (see above for a discussion regarding the proposed acquisition of an interest in Westside Petroleum);
- no material changes in the tax laws in the jurisdictions in which Viva Energy operates; and
- no occurrence of the key risk factors listed in Sections 5.2 and 5.3, or in the event of any occurrence, no material adverse impact on the operations of Viva Energy.

### 4.8.2 Specific assumptions

The Forecast Financial Information includes actual trading performance of Viva Energy for the three month period to 31 March 2018. The specific assumptions that have been used in the preparation of the Forecast Financial Information are set out below.

#### 4.8.2.1 Interest rates and Consumer Price Index ("CPI")

	FY2018	1H2019
Interest rates (BBSY) (annualised)	1.50%	1.50%
CPI (annualised)	2.25%	2.25%

CPI has been forecast based on the Reserve Bank of Australia's Statement of Monetary Policy – Economic Outlook dated May 2018.

Interest rates (BBSY) have been forecast using the one month BBSY rate at 31 March 2018.

#### 4.8.2.2 Revenue

As described in Section 4.7.1, total revenue is comprised of revenue from the sale of goods, non-fuel income and other revenue.

##### Revenue from sale of goods

##### Sales volumes

	FY2018	1H2019
<b>Volumes (ML)</b>		
Petrol: ULP 91	1,966.3	1,003.3
Petrol: E10	287.0	144.0
Petrol: Premium ULP (95 and 98 V-Power)	984.4	511.6
Diesel: Premium (V-Power)	16.8	14.6
Diesel	6,292.0	3,161.0

	FY2018	1H2019
Others (LPG, Adblue, Specialities and Marine)	1,133.6	589.8
Aviation	3,406.2	1,745.6
<b>Total</b>	<b>14,086.3</b>	<b>7,169.9</b>

Volume forecasts have been based on management's best estimates of future demand, including with reference to actual sales volumes in the three month period to 31 March 2018 and after taking into account management's expectations with respect to customer demand at Retail Sites in Viva Energy's network, volume changes attributable to the addition of new Retail Sites into Viva Energy's network and expected customer demand across the business, in each case during the forecast period.

The Forecast Financial Information assumes that Viva Energy will sell a product mix that is broadly consistent with that of FY2017 and is also based on the following key volume assumptions:

- **Retail:** average monthly sales volumes in the Retail Network, which predominantly constitutes Petrol (Premium, ULP 91 and E10) and Diesel products, are forecast to stabilise in line with the actual volumes experienced in the first quarter to 31 March 2018, such volumes having declined from average monthly volumes in FY2017. Monthly average volumes are then forecast to increase marginally throughout the remainder of FY2018, and then to remain broadly in line with that level in 1H2019. Some volume growth in the Retail Agent Site is forecast (which partially offsets the average monthly decline from FY2017), driven by the expected site rollout program. Viva Energy expects 32 Retail Agent Sites to be operating by 30 June 2019, including 18 sites added during the period to 31 December 2018 as well as a further seven new sites forecast to commence trading during 1H2019.
- **Commercial:** volumes are forecast based on existing customer contractual terms, and where applicable management expectations of contract expiry. Non-contractual volumes are primarily based on historical run rate, adjusted as necessary for any expected changes in underlying customer demand.

## Fuel pricing

	FY2018	1H2019
Sale volumes (ML)	14,086.3	7,169.9
Average prices in cents per litre	117.4	117.4

Average prices in cents per litre (cpl) for refined products have been forecast based on expected A\$ crude oil and refined product price trends, and after adding expected refining and distribution costs and margins per litre for each fuel and customer type, and where applicable compared to the contractual terms for each customer. The majority of contracts include an adjustment mechanism to capture movements in either the US\$ Brent crude oil prices or the import parity price for the respective product.

## Non-fuel income

Non-fuel income is principally generated from the site lease and licence payments that Viva Energy receives from Coles Express under the Alliance agreement (see Sections 4.7.1.6 and 9.1(a)). Those payments are assumed to grow at CPI over the forecast period. The remaining components of non-fuel income are expected to remain broadly in line with FY2017, other than royalty payments in respect of Retail Agent Sites which are assumed to grow in line with growth in the number of such sites in Viva Energy's Retail Network.

With regard to the application of AASB 16 Leases from 1H2019, for sub-leases, management has undertaken a review of whether these meet the definition of a finance lease. This assessment has primarily been based in comparing the term of the sub-lease with the head lease to understand whether the right of use asset is a sub-lease for a significant portion of the head lease term. These assumptions may change in the period prior to transition.

## Other revenue

With respect to other revenue sources, Viva Energy has made the following assumptions:

- revenue from refined product trading arrangements with other owners of Australian refineries, and from the sale of Refinery off-take, will marginally increase; and
- with respect to revenue from the sub-lease of Spring Street, rental payments will continue in line with historical rates until expiry of the lease in March 2019.

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### 4.8.2.3 Cost of goods sold

Cost of goods sold comprises the cost of crude oil and refined product (RC), sales taxes and duties, import freight expenses and net inventory gain/loss.

#### Cost of crude oil

	FY2018	1H2019
Average USD Brent crude oil price/barrel	67.4	68.0
Average AUD/USD exchange rate	0.77	0.78
Average AUD Brent crude oil price barrel	87.1	87.2

The US\$ Brent crude oil prices have been forecast based on information extracted from industry reports from recognised industry consultants. The A\$/US\$ exchange rates have been forecast based on a set of published data points, including forward exchange rates.

#### Cost of refined product (RC)

	FY2018	1H2019
Refinery Intake (M Barrels)	42.2	21.5
Geelong Refining Margin (US\$/barrel)	9.2	9.7
Operational Availability (%)	92.2%	96.5%

Forecast purchase volumes of crude oil and condensate are primarily based on expected Geelong Refinery intake, with reference to a range of factors including planned availability, unplanned variances and forecast refinery production as detailed further below. Forecast prices for crude oil and condensate are based on forecast US\$ Brent crude oil prices as detailed above. Costs associated with the conversion of refinery intake into refined products suitable for sale are described below.

Forecast purchase volumes of refined product are based on Viva Energy's forecast total sales volumes as described above, less forecast production at the Geelong Refinery. Forecast prices for refined product are arrived at with reference to similar factors used for forecasting the final sales prices for refined products as described above.

No major turnarounds are forecast for FY2018 and 1H2019, but the Forecast Financial Information takes into account certain other works related to maintenance and improvement projects at the Geelong Refinery. Operational availability at the refinery is estimated at 87.8% in 1H2018, reflective of a minor turnaround and Unplanned Downtime due to an unforeseen weather event described in Section 4.8.3.3 which occurred during this period. Unplanned shutdowns are forecast by reference to historical evidence (as adjusted for unusual events including the weather event above), such that forecast availability improves to 92.2% for FY2018 and 96.5% for 1H2019.

Expected consumption of gas and electricity is based on forecast refinery demand, driven by forecast production volumes. Electricity prices are forecast at a blended cost of \$105.0/MwH in nine months to 31 December 2018 and \$112.9 MwH in 1H2019, and gas prices are forecast based on a blended cost of \$9.0/GJ in nine months to 31 December 2018 and \$9.0/GJ for 1H2019. Electricity and gas prices are forecast on the basis of a blend of such costs, based on agreed/hedged prices for contracted volumes and an independent and internal price forecast for remaining consumption requirements.

Maintenance expense is forecast according to specific improvement projects as scheduled at the Refinery over the forecast period. As no major turnarounds are forecast in the forecast period, the majority of the maintenance expense over the forecast period is assumed to be expensed as incurred.

Other variable costs primarily include additives and catalysts which are variable with the forecast volume of specific products, such as Aviation gasoline.



### Net inventory gain/(loss)

The forecast FY2018 pro forma Gross Profit (HC) includes an inventory loss for the three months from 1 January 2018 to 31 March 2018. The Forecast Financial Information assumes there is no change in market forward curves of oil prices between the date of purchase and sale of product post 31 March 2018, and as a result, no other gain/(loss) is assumed to occur in the forecast period.

### Sales tax and duties

Over the forecast period, it is assumed that sales taxes and duties are applied to forecast sale volumes at the prevailing excise rates and remitted to the ATO.

### Import freight expenses

Import freight expenses are estimated on historical international shipping rates, adjusted for inflation.

## 4.8.2.4 Operating expenses

### Transportation expenses

Transportation expenses include the costs associated with delivering product from the terminal gate to customers and between terminals. The Forecast Financial Information is based on the FY2017 price level with inflationary increases, combined with expected volume changes.

Storage and handling costs include terminal throughput fees, related costs of operating the terminal facilities and charges within the industry related to utilisation of storage facilities. These costs are assumed to remain consistent with FY2017 levels in the Forecast Financial Information, adjusted for inflation.

Demurrage costs are based on forecast imported feedstock volumes having regard to historic evidence of vessel waiting and discharge times, and factoring in savings as a result of the construction of a new crude storage tank in Q4 FY2017 to increase on-site tank capacity.

### Salaries and wages

Salaries and wages are forecast based on salaries associated with headcount as at 31 March 2018 as adjusted for changes in operational staffing requirements, and are expected to increase based on wage inflation rates, and EBA ("**Enterprise Bargaining Agreement**") rate increases.

Forecasts include the expected cost of short and long-term incentive schemes.

### General and administration costs

The general and administration costs have been forecast based on the Directors' expectations of the level of cost required to support the business in light of existing costs and the levels of activity, including the introduction of additional costs of being a publicly listed company.

### Maintenance expense

The Forecast Financial Information is based on the following maintenance expense assumptions:

- maintenance of sites other than the Geelong Refinery, including associated environmental expenditure, is forecast based on historical levels excluding any major adverse events during the forecast period and adjusted for inflation; and
- maintenance of the Geelong Refinery is forecast based on scheduled activities which, in turn, have regard to the timing of historical turnaround activity. No major turnarounds are forecast to occur in FY2018 or 1H2019.

## 4. Financial Information

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### Operating leases

Operating lease expenditure has been forecast on a property by property basis, with rent payable to Viva Energy REIT escalating at 3.0% per annum, and other properties escalated based on contractual terms. The Spring Street lease is assumed to expire in accordance with its terms in March 2019. Other leases are assumed to be renewed on terms consistent with their existing terms.

With regard to the application of *AASB 16 Leases* from 1H2019, this has been determined based on leases in existence as of the date of this Prospectus and assumed option periods based upon a lease by lease assessment of which leases are reasonably certain to be extended based on the guidance in *AASB 16 Leases*. This is judgemental and may be subject to change based on market factors between now and the preparation of the 1H2019 financial statements.

### Lease straight-lining

A straight line-lease adjustment is provided in relation to future fixed rental increases to ensure lease expenditure has been recognised as a straight-line basis over the lease term in accordance with Australian Accounting Standards.

### Sales and marketing

The Forecast Financial Information is based on the following sales and marketing assumptions:

- sales and marketing expenditure is forecast based on contracted sponsorship arrangements, a planned promotional calendar and the level of sales and marketing activities that occurred in prior periods; and
- brand fees pursuant to the Shell Brands Licence Agreement are forecast based on the assumed volumes of applicable Shell-branded products (see Section 4.4.1 for a discussion of estimated volumes).

#### 4.8.2.5 Share of profit of associates

The forecast Financial Information assumes that Viva Energy will retain a 38% shareholding in the Viva Energy REIT and a 50% interest in Liberty Oil.

#### Viva Energy REIT

The share of earnings from Viva Energy REIT has been assumed for FY2018 by adopting the midpoint of the published earnings guidance of Viva Energy REIT, of 13.86 cents per share, and to grow in line with growth in its contractual lease terms. No fair value movements have been assumed in respect of Viva Energy REIT's properties on the basis that such assumptions cannot reliably be forecast as at the date of this Prospectus.

#### Liberty Oil

The forecast is based on forecast results provided to Viva Energy in their capacity as a shareholder by management of Liberty Oil.

#### Westside Petroleum

In May 2018, Viva Energy agreed to acquire a 50% non-controlling interest in Westside Petroleum, an independently owned and operated retail fuels business, with more than 50 Retail Sites across New South Wales, Victoria and Queensland, for \$15 million. The forecast cash flow statement and the pro forma balance sheet do not take into account the impact of this transaction due to the current conditional status thereof. Similarly, no earnings have been assumed from the investment in Westside Petroleum on the basis that the transaction is still conditional and subject to regulatory approval.

#### 4.8.2.6 Disposal of PP&E

Two contracted sales of property are expected to complete in 2H2018, and one further sale is expected to complete in 1H2019. In addition (as set out in Section 4.5), certain property is expected to be sold at book value as part of, or in connection with, the Pre-IPO Restructure. No further disposal of PP&E is forecast.

#### 4.8.2.7 Revaluation gain/(loss) on FX and derivatives

The gain/(loss) on foreign exchange and crude oil/refined product derivatives includes actual results for the three months to March 2018. In forecasting further changes in fair value of financial instruments held by Viva Energy, the following key assumptions have been made:

- The Forecast Financial Information assumes that any derivatives with a settlement date that occurs in the period of the Forecast Financial Information will be settled at maturity, resulting in a settlement of the \$13.3 million derivative liability balance included within the actual results at 31 March 2018.
- There is no change in market forward curves for these exposures over the period of the Forecast Financial Information or change in Viva Energy or counterparty credit assessments, on the basis that such assumptions cannot reliably be forecast as at the date of this Prospectus.
- Viva Energy maintains all financial instruments through to maturity.

#### 4.8.2.8 Depreciation and amortisation

Depreciation rates adopted in the forecast period are based on an assessment of the useful/economic lives of assets. Depreciation expenditure includes the expected date of commissioning and quantum of capital expenditure.

Amortisation relates to intangibles acquired as part of the acquisition of Shell Aviation Australia. Pro forma amortisation is forecast to decrease during the forecast period as a result of the cessation of amortisation in respect of an expired contract in June 2018. Viva Energy has assumed that no new intangible assets will be acquired during the forecast period.

#### 4.8.2.9 Net finance costs

Net finance expense includes:

- Interest rates on Banking Facilities of a margin of 1.1% above BBSY, with interest costs based on the assumed average balances of debt during the forecast period.
- Interest expense on certain customer receivables which are assumed to be financed via a debtor financing facility.
- Commitment fees under the Banking Facilities are forecast based on agreed rates.
- Non-cash interest expenses representing the time value of money on the discounting of finance leases; long term liabilities; and amortisation of borrowing costs are based on the profiles of these liabilities.

#### 4.8.2.10 Taxation

The Forecast Financial Information assumes that Viva Energy's effective tax rate is in line with the Australian corporate tax rate and both are assumed to remain at 30% over the forecast period, other than the estimated impact of the formation of a new tax consolidated group in FY2018 on the effective tax rate in that period.

Tax paid in Viva Energy's Forecast Cash Flows assumes the formation of a new tax consolidated group, income tax payments in respect of FY2017 and FY2018 and income tax instalments in respect of FY2018 and FY2019.

In FY2017, Viva Energy commenced paying monthly tax instalments from September 2017 onwards, hence only covering the final four months for the period ended 31 December 2017. Subsequently, upon finalisation of the FY2017 tax return in June 2018, Viva Energy will be required to pay the balance of FY2017 income tax payable during the FY2018 period. This is in addition to monthly tax instalments in respect of the FY2018 period which will be paid as incurred on a monthly basis. As a result of this, the FY2018 forecast cash flow statement includes monthly tax instalments in respect of FY2018 and the balance of income tax payable for the FY2017 period as described above.

Income tax payments in respect of the 1H2019 period are based on expectations of monthly tax instalments for the 1H2019 period and the balance of income tax payable for the FY2018 year. The balance of income tax payable for the FY2018 period reflects the impact of the payment of monthly tax instalments which were paid for the whole of the FY2018 period.

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### 4.8.2.11 Working capital

	FY2018	1H2019
Receivable days	23	23
Inventory days	34	33
Payable days	34	35

The Forecast Financial Information is based on the following working capital assumptions:

- there are no material changes in payment terms;
- working capital is forecast at a group level with reference to the typical timing of cash payments and receipts;
- inventories are forecast based on historical levels which are expected to be sufficient to support forecasts of sales volumes coupled with the assumed price of crude and refined products. Inventory storage capacity is assumed to remain at 31 December 2017 levels; and
- a \$49.4 million non-trade receivable is forecast to be settled in 1H2018.

### 4.8.2.12 Capital expenditure

The Forecast Financial Information is based on the following capital expenditure assumptions:

- capital expenditure is based on known and committed projects; and
- projects are delivered on time and within expected costs, noting that project costs are budgeted with contingencies for overrun.

#### 4.8.3 Management discussion and analysis: Pro Forma Forecast Results for FY2018 compared to Pro Forma Historical Results for FY2017

Table 19: Pro Forma Forecast Results for FY2018 compared to Pro Forma Historical Results for FY2017

\$ in millions	Pro Forma Historical and Pro Forma Forecast			
	FY2017	FY2018	Change	% change
<b>Revenue from sale of goods</b>	<b>15,556.2</b>	<b>16,535.9</b>	<b>979.7</b>	<b>6.3%</b>
Non-fuels income	141.7	148.2	6.5	4.6%
Other revenue	26.4	17.0	(9.4)	-35.6%
<b>Revenue</b>	<b>15,724.3</b>	<b>16,701.1</b>	<b>976.8</b>	<b>6.2%</b>
Cost of crude oil and refined product (RC)	(9,524.8)	(10,526.2)	(1,001.4)	10.5%
Sale taxes and duties	(4,123.6)	(4,139.7)	(16.1)	0.4%
Import freight expenses	(256.4)	(261.6)	(5.2)	2.0%
<b>Cost of goods sold (RC)</b>	<b>(13,904.8)</b>	<b>(14,927.5)</b>	<b>(1,022.7)</b>	<b>7.4%</b>
Net inventory gain/(loss)	(8.7)	(20.8)	(12.1)	139.1%
<b>Cost of goods sold (HC)</b>	<b>(13,913.5)</b>	<b>(14,948.3)</b>	<b>(1,034.8)</b>	<b>7.4%</b>
<b>Gross profit (HC)</b>	<b>1,810.8</b>	<b>1,752.8</b>	<b>(58.0)</b>	<b>-3.2%</b>
Less: Net inventory gain/(loss)	8.7	20.8	12.1	139.1%
<b>Gross profit (RC)</b>	<b>1,819.5</b>	<b>1,773.6</b>	<b>(45.9)</b>	<b>-2.5%</b>
<i>Retail, Fuels and Marketing</i>				
Retail	738.0	744.1	6.1	0.8%
Commercial	561.6	576.3	14.7	2.6%
Refining	483.3	413.2	(70.1)	-14.5%
Supply, Corporate and Overheads	36.6	40.0	3.4	9.3%
Operating expenses	(1,185.2)	(1,168.5)	16.7	-1.4%
<b>Underlying EBITDA (HC)</b>	<b>625.6</b>	<b>584.3</b>	<b>(41.3)</b>	<b>-6.6%</b>
Less: Net inventory gain/(loss)	8.7	20.8	12.1	139.1%
<b>Underlying EBITDA (RC)</b>	<b>634.3</b>	<b>605.1</b>	<b>(29.2)</b>	<b>-4.6%</b>
<i>Retail, Fuels and Marketing</i>				
Retail	607.3	617.6	10.3	1.7%
Commercial	311.5	318.3	6.8	2.2%
Refining	276.1	216.7	(59.4)	-21.5%
Supply, Corporate and Overheads	(560.6)	(547.5)	13.1	-2.3%
Lease straight-lining	(28.9)	(25.6)	3.3	-11.4%
Share of profit of associates	65.4	38.9	(26.5)	-40.5%
Net gain/(loss) on other disposal of PP&E	15.6	9.6	(6.0)	-38.5%
Revaluation gain/(loss) on FX and oil derivatives	(24.6)	(11.3)	13.3	-54.1%
Depreciation and amortisation	(111.5)	(123.4)	(11.9)	10.7%
<b>Profit before interest and tax (HC)</b>	<b>541.6</b>	<b>472.5</b>	<b>(69.1)</b>	<b>-12.8%</b>
Less: Net inventory gain/(loss)	8.7	20.8	12.1	139.1%
<b>Profit before interest and tax (RC)</b>	<b>550.3</b>	<b>493.3</b>	<b>(57.0)</b>	<b>-10.4%</b>
Net finance costs	(28.9)	(30.3)	(1.4)	4.8%
<b>Profit before tax (HC)</b>	<b>512.7</b>	<b>442.2</b>	<b>(70.5)</b>	<b>-13.8%</b>
Income tax expense	(157.8)	(132.7)	25.1	-15.9%
<b>NPAT (HC)</b>	<b>354.9</b>	<b>309.5</b>	<b>(45.4)</b>	<b>-12.8%</b>
Less: Net inventory gain/(loss) net of tax at 30%	6.1	14.6	8.5	139.3%
<b>NPAT (RC)</b>	<b>361.0</b>	<b>324.1</b>	<b>(36.9)</b>	<b>-10.2%</b>

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\$ in millions	Pro Forma Historical and Pro Forma Forecast			
	FY2017	FY2018	Change	% change
<b>Volumes (ML)</b>				
Petrol: ULP 91	2,192.4	1,966.3	(226.1)	-10.3%
Petrol: E10	313.5	287.0	(26.5)	-8.5%
Petrol: Premium ULP (95 and 98 V Power)	1,033.7	984.4	(49.3)	-4.8%
Diesel: Premium (V Power)	-	16.8	16.8	n.a.
Diesel	6,231.2	6,292.0	60.8	1.0%
Others (LPG, Adblue, Specialties and Marine)	1,030.2	1,133.6	103.4	10.0%
Aviation	3,350.4	3,406.2	55.8	1.7%
<b>Total</b>	<b>14,151.4</b>	<b>14,086.3</b>	<b>(65.1)</b>	<b>-0.5%</b>
<b>Operational metrics</b>				
<i>Refining</i>				
Geelong Refining Margin (US\$/barrel)	10.2	9.2	(1.0)	-9.8%
Operational Availability (%)	93.6%	92.2%	-1.4%	
Refinery intake (M Barrels)	40.8	42.2	1.4	3.4%

### 4.8.3.1 Revenue

Pro forma revenue is forecast to increase by \$976.8 million, or 6.2%, from \$15,724.3 million in FY2017 to \$16,701.1 million in FY2018. This is primarily driven by an anticipated increase in refined product prices. Pro forma sales volumes are forecast to decrease by 65.1 million litres, or 0.5%, from 14,151.4 million litres in FY2017 to 14,086.3 million litres in FY2018.

Non-fuel income is forecast to increase by \$6.5 million, or 4.6%, from \$141.7 million in FY2017 to \$148.2 million in FY2018. This is primarily driven by annual escalation in lease and licence fee income and the addition of 18 new Company Controlled Retail Sites in the network.

### 4.8.3.2 Cost of goods sold

Pro forma cost of goods sold (RC) is forecast to increase by \$1,022.7 million, or 7.4%, to \$14,927.5 million in FY2018 from \$13,904.8 million in FY2017. Pro forma cost of goods sold (HC) is forecast to increase by \$1,034.8 million, or 7.4%, from \$13,913.5 million in FY2017 to \$14,948.3 million in FY2018, with a net inventory loss of \$8.7 million in FY2017 and \$20.8 million in FY2018. The increase in total pro forma cost of goods sold (HC) is primarily driven by a year on year increase in global crude oil and refined product prices and rising import freight expenses due to expected increases in global freight costs, partially offset by a slight decline in forecast refined product sales volumes.

### 4.8.3.3 Gross profit

Pro forma Gross Profit (HC) is forecast to decrease by \$58.0 million, or 3.2%, from \$1,810.8 million in FY2017 to \$1,752.8 million in FY2018.

As noted in Section 4.8.3.2, the forecast FY2018 cost of goods sold (HC) includes a net inventory loss for the three months from 1 January 2018 to 31 March 2018. For the remainder of the period, no net inventory gain or loss has been forecast.

Pro forma Gross Profit (RC) is forecast to decrease by \$45.9 million, or 2.5%, from \$1,819.5 million in FY2017 to \$1,773.6 million in FY2018.

On a segment basis, the drivers of the forecast change in pro forma Gross Profit (RC) are set out below:

#### *Retail, Fuels and Marketing*

Pro forma Gross Profit (RC) for the Retail, Fuels and Marketing segment is forecast to increase by \$20.8 million, or 1.6%, to \$1,320.4 million in FY2018 from \$1,299.6 million in FY2017.

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## Retail

Gross Profit (RC) for the retail sub-segment is forecast to increase by \$6.1 million, or 0.8%, from \$738.0 million in FY2017 to \$744.1 million in FY2018. Fuel gross margin is forecast to increase as a result of the Shell V-Power Diesel roll out, the addition of 18 new Company Controlled Retail Sites to the network as described in Section 3.2.1.3, the addition of new Dealer Owned Sites to the network and the full year benefit of Company Controlled Sites opened during FY2017, partially offset by lower petrol volumes as volumes sold through Company Controlled Sites operated in the Alliance stabilise in 1H2018 following a period of decline. Non-fuel income is forecast to increase as a result of annual escalation of lease and licence fee income coupled with addition of new Company Controlled Sites and the full year impact of Company Controlled Sites opened in FY2017 as mentioned above.

## Commercial

Gross Profit (RC) for the commercial sub-segment is forecast to increase by \$14.7 million, or 2.6%, from \$561.6 million in FY2017 to \$576.3 million in FY2018. Volumes are forecast to be largely flat in this period, reflecting modest volume growth in aviation and specialty products. Gross margin is forecast to increase as a result of increased margin on aviation volumes and a higher proportion of specialty products sold.

## Refining

The Refining segment's Gross Profit (RC) is forecast to decrease by \$70.1 million, or 14.5%, from \$483.3 million in FY2017 to \$413.2 million in FY2018, primarily due to the lower forecast Refining Margin of US\$8.3 per barrel in the 1H2018 period and US\$9.2 per barrel in FY2018 compared with US\$10.2 per barrel in FY2017, partially offset by higher forecast intake for FY2018 compared with FY2017. The lower forecast Refining Margin in FY2018 compared with FY2017 is a result of an abnormal weather event described below, and a planned minor turnaround of the secondary crude distillation unit in 1H2018.

In late February 2018, the Geelong Refinery was impacted by an abnormal weather event whereby recurring hot strong winds caused silt, seaweed and other debris to collect in Corio Bay. This impeded the function of the Geelong Refinery salt water cooling system, with debris entering the intake. While the Geelong Refinery has a number of mechanisms in place to prevent such an incident, including various filtration stages, the abnormally large volume of debris constrained the amount of water that could be taken in. Accordingly, the supply of cooling water was impaired, which led to an unplanned shutdown of the RCCU wet gas compressor, resulting in a period of Unplanned Downtime at the Geelong Refinery with the RCCU being out of service for approximately three weeks.

This abnormal weather event and period of Unplanned Downtime negatively impacted the Refining Margin and Operational Availability during the 1H2018 period. Section 5.2.7 provides further detail on key risks to the operational performance of the Geelong Refinery.

The lower forecast Refining Margin for the 1H2018 period is also driven by Planned Downtime for the minor turnaround of the secondary crude distillation unit.

Operational availability is forecast to decline from 93.6% in FY2017 to 87.8% in 1H2018 and 92.2% for FY2018, attributable to Unplanned Downtime in 1H2018, principally as a result of the adverse weather event detailed above, and Planned Downtime associated with the minor turnaround of the secondary crude distillation unit at the Geelong Refinery.

Energy costs are forecast to rise due to increases in the average Victorian gas and electricity prices.

Notwithstanding the above, refinery intake is forecast to be higher at 42.2 million barrels in FY2018 compared with 40.8 million barrels in FY2017, due to increased intake on the secondary crude distillation unit following the turnaround in 1H2018 and ongoing improvements in plant utilisation as a result of a multi-year program aimed at reducing known process unit constraints.

## Supply, Corporate and Overheads

The Supply, Corporate and Overheads segment's Gross Profit (RC) is forecast to increase by \$3.4 million, or 9.3%, from \$36.6 million in FY2017 to \$40.0 million in FY2018, primarily as a result of an increase in supply trading and spot sales activity.



## 4. Financial Information

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### 4.8.3.4 Operating expenses

Pro forma operating expenses are forecast to decrease by \$16.7 million, or 1.4%, from \$1,185.2 million in FY2017 to \$1,168.5 million in FY2018, primarily driven by a decrease in salaries and wages, maintenance expenses and transportation costs, supported by lower volumes and continued cost control.

- Salaries and wages are forecast to decrease by \$19.8 million, or 7.2%, from \$274.0 million in FY2017 to \$254.2 million in FY2018. This is primarily driven by an anticipated reduction in employees as part of cost reduction and efficiency initiatives, and lower expected employee incentives for FY2018 compared with FY2017, partially offset by annual salary increases.
- Maintenance expenses are forecast to decrease by \$8.6 million, or 8.4%, from \$102.4 million in FY2017 to \$93.8 million in FY2018, in line with planned efficiency initiatives and lower Retail Site maintenance spend. Maintenance expenses for 1H2018 and FY2018 include costs associated with rectifying the salt water cooling system event at the Geelong Refinery.
- Transportation expenses are forecast to decrease by \$19.8 million, or 6.3%, from \$314.6 million in FY2017 to \$294.8 million in FY2018 as a result of lower petrol and commercial diesel volumes, which typically attract high road transport costs, together with cost savings in respect of marine barges.
- Operating lease costs are forecast to increase by \$17.8 million, or 7.4%, from \$240.1 million to \$257.9 million as a result of annual escalation of leases, the addition of 18 new Company Controlled Retail Sites and the full year impact of Retail Sites opened in FY2017.
- General and administrative expenses are forecast to increase by \$14.6 million, or 9.9%, from \$148.0 million to \$162.6 million, primarily as a result of additional corporate costs linked to the implementation of the new ERP system.

### 4.8.3.5 Underlying EBITDA

Pro forma Underlying EBITDA (HC) is forecast to decrease by \$41.3 million, or 6.6%, from \$625.6 million in FY2017 to \$584.3 million in FY2018.

Pro forma Underlying EBITDA (RC) is forecast to decrease by \$29.2 million, or 4.6%, from \$634.3 million in FY2017 to \$605.1 million in FY2018.

On a segment basis, the drivers of the forecast change in pro forma Underlying EBITDA (RC) are set out below:

#### Retail, Fuels and Marketing

Pro forma Underlying EBITDA (RC) for the Retail, Fuels and Marketing segment is forecast to increase by \$17.1 million, or 1.9%, from \$918.8 million in FY2017 to \$935.9 million in FY2018.

##### Retail

Underlying EBITDA (RC) for the retail sub-segment is forecast to increase by \$10.3 million, or 1.7%, from \$607.3 million in FY2017 to \$617.6 million in FY2018 as a result of the forecast increase in segment Gross Profit (RC), together with a marginal decrease in forecast operating expenses as described above.

##### Commercial

Underlying EBITDA (RC) for the commercial sub-segment is forecast to increase by \$6.8 million, or 2.2%, from \$311.5 million in FY2017 to \$318.3 million in FY2018, as a result of the forecast increase in segment Gross Profit (RC), partially offset by a marginal increase in forecast operating expenses primarily relating to supply chain costs and sales and marketing expenses.

##### Refining

The Refining segment's pro forma Underlying EBITDA (RC) is forecast to decrease by \$59.4 million, or 21.5%, from \$276.1 million in FY2017 to \$216.7 million in FY2018, primarily due to the forecast decrease in segment Gross Profit (RC). The decline is expected to be partially offset by a reduction in salaries and wages, driven by lower contractor costs and a reduction in full-time equivalent employees numbers as part of ongoing efficiency initiatives as described above, as well as a reduction in forecast demurrage costs, primarily driven by the completion of a new crude storage tank in FY2017 (see Section 3.6.5).

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## Supply, Corporate and Overheads

The Supply, Corporate and Overheads segment's pro forma Underlying EBITDA (RC) is forecast to improve by \$13.1 million, or 2.3%, from \$(560.6) million in FY2017 to \$(547.5) million in FY2018. This is driven by the forecast increase in Gross Profit (RC), as well as a reduction in operating expenses as described above (see Section 4.8.3.4).

For a reconciliation of Underlying EBITDA (RC) to profit before interest, tax, depreciation and amortisation, refer to Section 4.4.1.

### 4.8.3.6 Depreciation and amortisation

Depreciation and amortisation is forecast to increase by \$11.9 million, or 10.7%, from \$111.5 million in FY2017 to \$123.4 million in FY2018. The increase is primarily driven by a full year impact of the capital investment made in the new 100 million litre crude oil tank, together with the completion of further capital expenditure (primarily relating to the Clyde conversion project and new Retail Sites) in FY2018.

### 4.8.3.7 Other items excluded from Underlying EBITDA

Share of profit from associates is forecast to decline by \$26.5 million, or 40.5%, from \$65.4 million in FY2017 to \$38.9 million in FY2018, primarily as a result of a \$77.0 million net fair value adjustments to properties in FY2017 (see Section 4.7.4.7) that is not forecast to recur in FY2018 (see Section 4.8.2.5).

During the period, Viva Energy expects to see a \$13.3 million change in revaluation on derivatives and foreign exchange, moving from a net loss of \$24.6 million in FY2017 to a net loss of \$11.3 million in FY2018. This reflects the net settlement of contracts that were entered into by Viva Energy to hedge its FX and oil price exposure for the period 1 January 2018 to 31 March 2018. The forecast does not assume any further derivative transactions for the forecast period.

### 4.8.3.8 Profit before interest and tax

Profit before interest and tax (HC) is forecast to decrease by \$69.1 million, or 12.8%, from \$541.6 million in FY2017 to \$472.5 million in FY2018 for the reasons described above.

Profit before interest and tax (RC) is forecast to decrease by \$57.0 million, or 10.4%, from \$550.3 million in FY2017 to \$493.3 million in FY2018 as a result of movement in profit before interest and tax (HC) as well as the net inventory loss.

### 4.8.3.9 Net finance costs

Pro forma net finance costs are forecast to increase slightly by \$1.4 million, or 4.8%, from \$28.9 million in FY2017 to \$30.3 million in FY2018 due to a marginal increase in the expected level of trade finance associated with servicing large commercial customers.

### 4.8.3.10 Tax expense

Viva Energy's pro forma tax expense as a percentage of profit before tax is assumed to be approximately 30% in FY2018, which is consistent with the Australian corporate income tax rate.

### 4.8.3.11 NPAT

Pro forma NPAT (HC) is forecast to decrease by \$45.4 million, or 12.8%, from \$354.9 million in FY2017 to \$309.5 million in FY2018 as a result of the same factors expected to impact profit before interest and tax (HC), partially offset by the reduced income tax expense resulting from year on year decline in profit before tax.

Pro forma NPAT (RC) is forecast to decline by \$36.9 million, or 10.2%, from \$361.0 million in FY2017 to \$324.1 million in FY2018 as a result of movement in NPAT (HC) as well as the tax affected net inventory loss.

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### 4.8.4 Management discussion and analysis: Pro Forma Forecast Cash Flows for FY2018 compared to pro forma cash flows for FY2017

Table 20: Pro Forma Forecast Cash Flows for FY2018 compared to Pro Forma Historical Cash Flows for FY2017

\$ in millions	Pro Forma Historical and Pro Forma Forecast Cash Flows			
	FY2017	FY2018	Change	% change
<b>Underlying EBITDA (RC)</b>	<b>634.3</b>	<b>605.1</b>	<b>(29.2)</b>	<b>-4.6%</b>
Net inventory (gain)/loss	(8.7)	(20.8)	(12.1)	139.1%
Lease straight-lining	(28.9)	(25.6)	3.3	-11.4%
Share of profit of associates	65.4	38.9	(26.5)	-40.5%
Net gain/(loss) on other disposal of PP&E	15.6	9.6	(6.0)	-38.5%
Revaluation gain/(loss) on FX and oil derivatives	(24.6)	(11.3)	13.3	-54.1%
<b>Profit before interest, tax, depreciation and amortisation (HC)</b>	<b>653.1</b>	<b>595.9</b>	<b>(57.2)</b>	<b>-8.8%</b>
Non-cash items in profit before interest, tax, depreciation and amortisation	(86.6)	(48.5)	38.1	-44.0%
Changes in working capital	(120.7)	46.8	167.5	-138.8%
<b>Operating free cash flow before capital expenditure</b>	<b>445.8</b>	<b>594.2</b>	<b>148.4</b>	<b>33.3%</b>
Capital expenditure	(233.6)	(227.2)	6.4	-2.7%
Retail, Fuels and Marketing	(76.0)	(80.0)	(4.0)	5.3%
Refining	(52.8)	(70.0)	(17.2)	32.6%
Supply, Corporate and Overheads	(104.8)	(77.2)	27.6	-26.3%
Proceeds from sale of PPE and intangibles	26.7	9.0	(17.7)	-66.3%
Dividends received from associates	32.8	38.3	5.5	16.8%
<b>Net free cash flow before financing, tax and dividends</b>	<b>271.7</b>	<b>414.3</b>	<b>142.6</b>	<b>52.5%</b>

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#### 4.8.4.1 Operating free cash flow

Pro forma operating free cash flow before capital expenditure is forecast to increase by \$148.4 million, or 33.3%, from \$445.8 million in FY2017 to \$594.2 million in FY2018. The key forecast changes are summarised below:

- a decrease of \$57.2 million, or 8.8%, in profit before interest, tax, depreciation and amortisation (HC) for the reasons described in Section 4.8.3. However, profit before interest, tax, depreciation and amortisation (HC) in FY2018 is forecast to include a non-cash gain of \$48.5 million, compared to a non-cash gain of \$86.6 million in FY2017, representing an additional \$38.1 million increase in cash items in profit before interest, tax, depreciation and amortisation (HC); and
- an increase in the change in working capital of \$167.5 million in FY2018 primarily driven by a forecast stabilisation of inventory balances post the commissioning of the new crude tank at the Geelong Refinery (see Section 3.6.5).

#### 4.8.4.2 Capital expenditure

In FY2017, pro forma capital expenditure of \$233.6 million was incurred. For details on FY2017 capital expenditure, refer to Section 4.7.5.2.

In FY2018, total capital expenditure of \$227.2 million is forecast, of which:

- Retail, Fuels and Marketing is forecast to account for \$80.0 million, primarily driven by investment in newly acquired Retail Sites, together with completion of the Shell brand refresh program in FY2018 and routine asset integrity expenditure;
- Refining is forecast to account for \$70.0 million, primarily driven by capital maintenance, investment in modernisation projects and minor turnaround expenditure associated with the secondary crude distillation unit in 1H2018; and
- Supply, Corporate and Overheads is forecast to account for \$77.2 million, primarily driven by continuation of the Clyde terminal conversion (as described in Section 3.1.1) for \$28.4 million, conclusion of the ERP system implementation in FY2018 and other minor projects.

#### 4.8.4.3 Net free cash flow before financing, tax and dividends

Pro forma net free cash flow before financing, tax and dividends is forecast to increase by \$142.6 million, or 52.5%, from \$271.7 million in FY2017 to \$414.3 million in FY2018. This increase is primarily attributable to an increase in operating free cash flow for the reasons described above, together with the decrease in capital expenditure as discussed directly above.

### 4.8.5 Management discussion and analysis: Pro Forma Forecast Results for 1H2019 compared to 1H2018 and 12 months ending 30 June 2019 compared to FY2018

The following discussion and analysis relates to both 1H2019 and to the 12 months ending 30 June 2019, compared to 1H2018 and FY2018, respectively. References to “the half year” refer to 1H2019 and references to “the 12 month period” refer to the 12 months ending 30 June 2019.

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Table 21: Pro Forma Forecast Results for 1H2019 compared to 1H2018 and 12 months ending 30 June 2019 compared to FY2018

\$ in millions	Pro Forma Forecast Results				Pro Forma Forecast Results			
	FY2018	12 month June-19	Change	% change	6 month 1H2018	6 month 1H2019	Change	% change
<b>Revenue from sale of goods</b>	<b>16,535.9</b>	<b>17,002.3</b>	<b>466.4</b>	<b>2.8%</b>	<b>7,954.2</b>	<b>8,420.6</b>	<b>466.4</b>	<b>5.9%</b>
Non-fuel income	148.2	151.1	2.9	2.0%	72.6	75.5	2.9	4.0%
Other revenue	17.0	12.8	(4.2)	-24.7%	8.5	4.3	(4.2)	-49.4%
<b>Revenue</b>	<b>16,701.1</b>	<b>17,166.2</b>	<b>465.1</b>	<b>2.8%</b>	<b>8,035.3</b>	<b>8,500.4</b>	<b>465.1</b>	<b>5.8%</b>
Cost of crude oil and refined product (RC)	(10,526.2)	(10,819.8)	(293.6)	2.8%	(5,057.9)	(5,351.5)	(293.6)	5.8%
Sale taxes and duties	(4,139.7)	(4,221.7)	(82.0)	2.0%	(2,012.4)	(2,094.4)	(82.0)	4.1%
Import freight expenses	(261.6)	(270.0)	(8.4)	3.2%	(128.1)	(136.5)	(8.4)	6.6%
<b>Cost of goods sold (RC)</b>	<b>(14,927.5)</b>	<b>(15,311.5)</b>	<b>(384.0)</b>	<b>2.6%</b>	<b>(7,198.4)</b>	<b>(7,582.4)</b>	<b>(384.0)</b>	<b>5.3%</b>
Net inventory gain/(loss)	(20.8)	-	20.8	n.a.	(20.8)	-	20.8	n.a.
<b>Cost of goods sold (HC)</b>	<b>(14,948.3)</b>	<b>(15,311.5)</b>	<b>(363.2)</b>	<b>2.4%</b>	<b>(7,219.2)</b>	<b>(7,582.4)</b>	<b>(363.2)</b>	<b>5.0%</b>
<b>Gross profit (HC)</b>	<b>1,752.8</b>	<b>1,854.7</b>	<b>101.9</b>	<b>5.8%</b>	<b>816.1</b>	<b>918.0</b>	<b>101.9</b>	<b>12.5%</b>
Less: Net inventory gain/(loss)	20.8	-	(20.8)	n.a.	20.8	-	(20.8)	n.a.
<b>Gross profit (RC)</b>	<b>1,773.6</b>	<b>1,854.7</b>	<b>81.1</b>	<b>4.6%</b>	<b>836.9</b>	<b>918.0</b>	<b>81.1</b>	<b>9.7%</b>
<i>Retail, Fuels and Marketing</i>								
Retail	744.1	772.2	28.1	3.8%	359.7	387.8	28.1	7.8%
Commercial	576.3	574.2	(2.1)	-0.4%	294.3	292.2	(2.1)	-0.7%
Refining	413.2	473.8	60.6	14.7%	164.1	224.7	60.6	36.9%
Supply, Corporate and Overheads	40.0	34.5	(5.5)	-13.8%	18.8	13.3	(5.5)	-29.3%
Operating expenses	(1,168.5)	(1,193.4)	(24.9)	2.1%	(570.2)	(595.1)	(24.9)	4.4%
<b>Underlying EBITDA (HC)</b>	<b>584.3</b>	<b>661.3</b>	<b>77.0</b>	<b>13.2%</b>	<b>245.9</b>	<b>322.9</b>	<b>77.0</b>	<b>31.3%</b>
Less: Net inventory gain/(loss)	20.8	-	(20.8)	n.a.	20.8	-	(20.8)	n.a.
<b>Underlying EBITDA (RC)</b>	<b>605.1</b>	<b>661.3</b>	<b>56.2</b>	<b>9.3%</b>	<b>266.7</b>	<b>322.9</b>	<b>56.2</b>	<b>21.1%</b>
<i>Retail, Fuels and Marketing</i>								
Retail	617.6	640.5	22.9	3.7%	299.0	321.9	22.9	7.7%
Commercial	318.3	316.8	(1.5)	-0.5%	166.0	164.5	(1.5)	-0.9%
Refining	216.7	276.4	59.7	27.5%	67.8	127.5	59.7	88.1%
Supply, Corporate and Overheads	(547.5)	(572.4)	(24.9)	4.5%	(266.1)	(291.0)	(24.9)	9.4%
Lease straight-lining	(25.6)	(23.6)	2.0	-7.8%	(13.5)	(11.5)	2.0	-14.8%
Share of profit of associates	38.9	39.9	1.0	2.6%	19.0	20.0	1.0	5.3%
Net gain/(loss) on other disposal of PP&E	9.6	10.6	1.0	10.4%	(0.4)	0.6	1.0	-250.0%
Revaluation gain/(loss) on FX and oil derivatives	(11.3)	-	11.3	n.a.	(11.3)	-	11.3	n.a.
Depreciation and amortisation	(123.4)	(129.8)	(6.4)	5.2%	(59.4)	(65.8)	(6.4)	10.8%
<b>Profit before interest and tax (HC)</b>	<b>472.5</b>	<b>558.4</b>	<b>85.9</b>	<b>18.2%</b>	<b>180.3</b>	<b>266.2</b>	<b>85.9</b>	<b>47.6%</b>
Less: Net inventory gain/(loss)	20.8	-	(20.8)	n.a.	20.8	-	(20.8)	n.a.
<b>Profit before interest and tax (RC)</b>	<b>493.3</b>	<b>558.4</b>	<b>65.1</b>	<b>13.2%</b>	<b>201.1</b>	<b>266.2</b>	<b>65.1</b>	<b>32.4%</b>
Net finance costs	(30.3)	(28.7)	1.6	-5.3%	(15.9)	(14.3)	1.6	-10.1%
<b>Profit before tax (HC)</b>	<b>442.2</b>	<b>529.7</b>	<b>87.5</b>	<b>19.8%</b>	<b>164.4</b>	<b>251.9</b>	<b>87.5</b>	<b>53.2%</b>
Income tax expense	(132.7)	(158.9)	(26.2)	19.7%	(49.3)	(75.5)	(26.2)	53.1%
<b>NPAT (HC)</b>	<b>309.5</b>	<b>370.8</b>	<b>61.3</b>	<b>19.8%</b>	<b>115.1</b>	<b>176.4</b>	<b>61.3</b>	<b>53.3%</b>
Less: Net inventory gain/(loss) net of tax at 30%	14.6	-	(14.6)	n.a.	14.6	-	(14.6)	n.a.
<b>NPAT (RC)</b>	<b>324.1</b>	<b>370.8</b>	<b>46.7</b>	<b>14.4%</b>	<b>129.7</b>	<b>176.4</b>	<b>46.7</b>	<b>36.0%</b>

\$ in millions	Pro Forma Forecast Results				Pro Forma Forecast Results			
	FY2018	12 month June-19	Change	% change	6 month 1H2018	6 month 1H2019	Change	% change
<b>Volumes (ML)</b>								
Petrol: ULP 91	1,966.3	2,046.4	80.1	4.1%	923.2	1,003.3	80.1	8.7%
Petrol: E10	287.0	296.1	9.1	3.2%	134.9	144.0	9.1	6.7%
Petrol: Premium ULP (95 and 98 V Power)	984.4	1,033.3	48.9	5.0%	462.7	511.6	48.9	10.6%
Diesel: Premium (V Power)	16.8	24.0	7.2	42.9%	7.4	14.6	7.2	97.3%
Diesel	6,292.0	6,307.0	15.0	0.2%	3,146.0	3,161.0	15.0	0.5%
Others (LPG, Adblue, Specialties and Marine)	1,133.6	1,167.9	34.3	3.0%	555.5	589.8	34.3	6.2%
Aviation	3,406.2	3,483.2	77.0	2.3%	1,668.6	1,745.6	77.0	4.6%
<b>Total</b>	<b>14,086.3</b>	<b>14,357.9</b>	<b>271.6</b>	<b>1.9%</b>	<b>6,898.3</b>	<b>7,169.9</b>	<b>271.6</b>	<b>3.9%</b>
<b>Operational metrics</b>								
<i>Refining</i>								
Geelong Refining Margin (US\$/barrel)	9.2	9.8	0.6	6.5%	8.3	9.7	1.4	16.9%
Operational Availability (%)	92.2%	96.5%	4.3%		87.8%	96.5%	8.7%	
Refinery intake (M Barrels)	42.2	44.0	1.8	4.3%	19.7	21.5	1.8	9.1%

#### 4.8.5.1 Revenue

Pro forma revenue is forecast to increase by \$465.1 million, or 5.8%, for the half year from \$8,035.3 million in 1H2018 to \$8,500.4 million in 1H2019 and by \$465.1 million, or 2.8%, for the 12 months ending 30 June 2019 from \$16,701.1 million in FY2018 to \$17,166.2 million in the 12 months ending 30 June 2019. In each case, the forecast increase is primarily driven by an anticipated increase in sales volumes, as follows:

- Pro forma sales volumes are forecast to increase by 271.6 million litres, or 3.9%, for the half year from 6,898.3 million litres in 1H2018 to 7,169.9 million litres in 1H2019. For the 12 month period, the increase is forecast to be 271.6 million litres, or 1.9%, from 14,086.3 million litres in FY2018 to 14,357.9 million litres in the 12 months ending 30 June 2019.
- Non-fuel income is forecast to increase by \$2.9 million, or 4.0%, for the half year from \$72.6 million in 1H2018 to \$75.5 million in 1H2019 and by \$2.9 million, or 2.0%, for the 12 month period from \$148.2 million in FY2018 to \$151.1 million in the 12 month period ending 30 June 2019. This is driven in each case by annual escalation in lease and licence fee income, an increase in convenience store royalties and the anticipated addition of seven new Retail Agent Sites in the half year, increasing the number of Retail Sites from which Viva Energy receives lease and licence fee income.

#### 4.8.5.2 Cost of goods sold

Pro forma cost of goods sold (RC) is forecast to increase by \$384.0 million, or 5.3%, for the half year from \$7,198.4 million in 1H2018 to \$7,582.4 million in 1H2019 and by \$384.0 million, or 2.6%, for the 12 month period from \$14,927.5 million in FY2018 to \$15,311.5 million in the 12 months ending 30 June 2019.

Pro forma cost of goods sold (HC) is forecast to increase by \$363.2 million, or 5.0%, for the half year from \$7,219.2 million in 1H2018 to \$7,582.4 million in 1H2019. The forecast includes a net inventory loss of \$20.8 million in 1H2018 for the three months to 31 March 2018. No inventory gain or loss has been forecast for periods after 31 March 2018. For the 12 month period, pro forma cost of goods sold (HC) is forecast to increase by \$363.2 million, or 2.4%, from \$14,948.3 million in FY2018 to \$15,311.5 million in the 12 months ending 30 June 2019, including the same net inventory loss of \$20.8 million in 1H2018.

In each case, the increase is forecast to be primarily driven by the increase in refined product volumes, together with increasing global crude oil and refined product prices and rising import freight expenses due to the higher imported volumes.

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### 4.8.5.3 Gross profit

Pro forma Gross Profit (HC) is forecast to increase by \$101.9 million, or 12.5%, for the half year from \$816.1 million in 1H2018 to \$918.0 million in 1H2019 and by \$101.9 million, or 5.8%, for the 12 month period from \$1,752.8 million in FY2018 to \$1,854.8 million in the 12 months ending 30 June 2019. In each case, forecast Gross Profit includes the \$20.8 million net inventory loss for the three months to 31 March 2018.

Pro forma Gross Profit (RC) is forecast to increase by \$81.1 million, or 9.7%, for the half year from \$836.9 million in 1H2018 to \$918.0 million in 1H2019 and by \$81.1 million, or 4.6%, for the 12 month period from \$1,773.6 million in FY2018 to \$1,854.7 million in the 12 months ending 30 June 2019.

On a segment basis, the drivers of the forecast change in pro forma Gross Profit (RC) are set out below:

#### *Retail, Fuels and Marketing*

Pro forma Gross Profit (RC) for the Retail, Fuels and Marketing segment is forecast to increase by \$26.0 million, or 4.0%, for the half year from \$654.0 million in 1H2018 to \$680.0 million for 1H2019 and by \$26.0 million, or 2.0%, for the half year from \$1,320.4 million in FY2018 to \$1,346.4 million in the 12 months ending 30 June 2019.

#### *Retail*

Gross Profit (RC) for the retail sub-segment is forecast to increase by \$28.1 million, or 7.8%, for the half year from \$359.7 million in 1H2018 to \$387.8 million in 1H2019 and by \$28.1 million, or 3.8%, for the 12 month period from \$744.1 million in FY2018 to \$772.2 million in the 12 months ending 30 June 2019. Gross fuel margins are forecast to increase for both the half year and the 12 month period, primarily driven by:

- the impact of new Company Controlled Sites opened in 1H2018, together with an anticipated seven new Company Controlled Sites opened in 1H2019;
- the increase in volume as Alliance volumes are forecast to grow to a level slightly above those seen in 1H2018;
- the continued roll out of Shell V-Power Diesel; and
- growth in the Retail Agent network and increased prices at existing sites as they mature.

Non-fuel income is forecast to increase as a result of annual escalation together with the addition of new Company Controlled Sites.

#### *Commercial*

Gross Profit (RC) for the commercial sub-segment is forecast to be relatively flat for both the half year and the 12 month period at \$292.2 million for 1H2019 and \$574.2 million for the 12 months ending 30 June 2019. Volumes and margins are forecast to remain relatively flat, with a 77.0 million litre increase in aviation volumes, as well as a 34.3 million litre increase in other and specialty volumes, offset by volume declines elsewhere, primarily arising from the expected loss of a large resources customer following a change of control. Margins are forecast to remain relatively flat, with some variation within business units driven by product mix or contract changes.

#### *Refining*

The Refining segment's Gross Profit (RC) is forecast to increase by \$60.6 million, or 36.9%, for the half year from \$164.1 million in 1H2018 to \$224.7 million in 1H2019 and by \$60.6 million, or 14.7%, for the 12 month period from \$413.2 million in FY2018 to \$473.8 million in the 12 months ending 30 June 2019.

The Refining Margin is forecast to be US\$9.7 per barrel in 1H2019 and US\$9.8 per barrel in the 12 months ending 30 June 2019, compared to US\$8.3 per barrel and US\$9.2 per barrel for 1H2018 and FY2018, respectively. The increase in margin reflects an expected recovery in the Geelong Refining Margin following an unplanned shutdown of the RCCU in 1H2018, as noted in Section 4.7.2.3, together with forecast efficiency gains from ongoing improvement projects.

Operational availability is forecast to improve at the Geelong Refinery from 87.8% in 1H2018 (when it was affected by the Unplanned Downtime and a planned minor turnaround of the secondary crude distillation unit) to 96.5% in 1H2019 and from 92.2% in FY2018 to 96.5% in the 12 months ending 30 June 2019. This reflects a period of low levels of planned turnarounds, and expected improvements in operational reliability. Refinery intake is forecast to be higher at 21.5 million barrels for 1H2019 and 44.0 million barrels in the 12 months ending 30 June 2019 compared to 19.7 million barrels and 42.2



million barrels in 1H2018 and FY2018, respectively, primarily due to ongoing debottlenecking initiatives, including as part of the minor turnaround of the secondary crude distillation unit during 1H2018.

In addition, energy costs are forecast to stabilise at lower levels than 1H2018, as a result of lower forecast electricity prices in Victoria and lower expected energy consumption.

### *Supply, Corporate and Overheads*

The Supply, Corporate and Overheads segment's Gross Profit (RC) is forecast to decrease by \$5.5 million, or 29.3%, for the half year from \$18.8 million in 1H2018 to \$13.3 million in 1H2019 and by \$5.5 million, or 13.8%, from \$40.0 million in FY2018 to \$34.5 million in the 12 months ending 30 June 2019, in each case primarily as a result of the cessation of sub-lease income on Shell's former head office in Melbourne (see Section 4.7.1.3).

#### **4.8.5.4 Operating expenses**

Pro forma operating expenses are forecast to increase by \$24.9 million, or 4.4%, for the half year from \$570.2 million in 1H2018 to \$595.1 million in 1H2019 and by \$24.9 million or 2.1%, for the 12 month period from \$1,168.5 million in FY2018 to \$1,193.4 million in the 12 months ending 30 June 2019, primarily driven by minor increases across all key expense categories, offset by a slight decline in sales and marketing expenses, as follows:

- Salaries and wages are forecast to increase by \$9.4 million, or 7.6%, for the half year from \$124.4 million in 1H2018 to \$133.8 million in 1H2019 and by \$9.4 million, or 3.7%, for the 12 month period from \$254.2 million in FY2018 to \$263.6 million in the 12 months ending 30 June 2019, as a result of annual escalation in salaries and wages and higher employee incentives expected to be achieved.
- Maintenance expenses are forecast to increase by \$5.4 million, or 12.5%, for the half year from \$43.2 million in 1H2018 to \$48.6 million in 1H2019 and by \$5.4 million, or 5.8%, for the 12 month period from \$93.8 million in FY2018 to \$99.2 million in the 12 months ending 30 June 2019, as a result of expected inflation and planned maintenance programs across Retail Sites and supply terminals.
- Transportation expenses are forecast to increase by \$2.6 million, or 1.9%, for the half year from \$140.1 million in 1H2018 to \$142.7 million in 1H2019 and by \$2.6 million, or 0.9%, for the 12 month period from \$294.8 million in FY2018 to \$297.4 million in the 12 months ending 30 June 2019, as a result of higher product volumes.
- Operating lease costs are forecast to increase by \$6.4 million, or 5.0%, for the half year from \$126.9 million in 1H2018 to \$133.3 million in 1H2019 and by \$6.4 million, or 2.5%, for the 12 month period from \$257.9 million in FY2018 to \$264.3 million in the 12 months ending 30 June 2019, as a result of annual escalation and addition of new Retail Sites as well as full year impact of sites added in FY2018, partially offset by cessation of lease expense associated with Shell's former head office in Melbourne in 1H2019 (see Section 4.7.1.3).
- General and administrative expenses are forecast to increase by \$4.6 million, or 5.9%, for the half year from \$77.5 million in 1H2018 to \$82.1 million in 1H2019 and by \$4.6 million or 2.8%, for the 12 month period from \$162.6 million in FY2018 to \$167.2 million in the 12 months ending 30 June 2019, as a result of inflation and ongoing expenses linked to the finalisation of the new ERP system implementation.
- Sales and marketing expenses are forecast to decrease by \$3.5 million, or 6.0%, for the half year from \$58.1 million in 1H2018 to \$54.6 million in 1H2019 and by \$3.5 million, or 3.3%, for the 12 month period from \$105.2 million in FY2018 to \$101.7 million in the 12 months ending 30 June 2019, as a result of a reduction in discretionary promotional activity and the full year impact of Shell brand fee reduction associated with rebranding of the aviation business from Shell to Viva Energy.

#### **4.8.5.5 Underlying EBITDA**

Pro forma Underlying EBITDA (HC) is forecast to increase by \$77.0 million, or 31.3%, for the half year from \$245.9 million in 1H2018 to \$322.9 million in 1H2019 and by \$77.0 million, or 13.2%, for the 12 month period from \$584.3 million in FY2018 to \$661.3 million in the 12 months ending 30 June 2019.

Pro forma Underlying EBITDA (RC) is forecast to increase by \$56.2 million, or 21.1%, for the half year from \$266.7 million in 1H2018 to \$322.9 million in 1H2019 and by \$56.2 million, or 9.3%, for the 12 month period from \$605.1 million in FY2018 to \$661.3 million in the 12 months ending 30 June 2019.

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On a segment basis, the drivers of the forecast change in pro forma Underlying EBITDA (RC) are forecast to be as follows:

### *Retail, Fuels and Marketing*

Pro forma Underlying EBITDA (RC) for the Retail, Fuels and Marketing segment is forecast to increase by \$21.4 million, or 4.6%, for the half year from \$465.0 million in 1H2018 to \$486.4 million in 1H2019, and by \$21.4 million, or 2.3%, from \$935.9 million in FY2018 to \$957.3 million in the 12 months ending 30 June 2019.

#### Retail

Underlying EBITDA (RC) for the retail sub-segment is forecast to increase by \$22.9 million, or 7.7%, for the half year from \$299.0 million in 1H2018 to \$321.9 million in 1H2019 and by \$22.9 million, or 3.7%, from \$617.6 million in FY2018 to \$640.5 million in the 12 months ending 30 June 2019. This is driven by the increase in segment Gross Profit (RC) as described above, partially offset by a marginal uplift in operating expenses principally due to a forecast increase in road transport costs and sales and marketing expenses.

#### Commercial

Underlying EBITDA (RC) for the commercial sub-segment is forecast to decrease by \$1.5 million for the half year from \$164.5 million in 1H2019 compared with \$166.0 million in 1H2018 and to decrease by \$1.5 million, or 0.5%, for the 12 month period from \$318.3 million in FY2018 to \$316.8 million in the 12 months ending 30 June 2019, as a result of the movements in segment Gross Profit (RC) as described above as well as broadly flat operating expenses.

### *Refining*

The Refining segment's pro forma Underlying EBITDA (RC) is forecast to increase by \$59.7 million, or 88.1%, for the half year from \$67.8 million in 1H2018 to \$127.5 million in 1H2019 and by \$59.7 million, or 27.5%, for the 12 month period from \$216.7 million in FY2018 to \$276.4 million in the 12 months ending 30 June 2019, primarily due to a forecast increase in Gross Profit (RC) as described above. Lower forecast demurrage costs are expected to be offset by increased expenditure on chemicals and materials to be used for refining higher margin products and inflationary increase in other general expenses, resulting in broadly flat operating expenses.

### *Supply, Corporate and Overheads*

The Supply, Corporate and Overheads segment's pro forma Underlying EBITDA (RC) is forecast to decline by \$24.9 million, or 9.4%, for the half year from \$(266.1) million in 1H2018 to \$(291.0) million in 1H2019, and by \$24.9 million, or 4.5%, for the 12 month period from \$(547.5) million in FY2018 to \$(572.4) million in the 12 months ending 30 June 2019, as a result of the decline in pro forma Gross Profit (RC) as described above, as well as forecast increases in demurrage costs as a result of the ongoing planned tank maintenance program, and an increase in operating lease costs as a result of annual escalation and the addition of new Company Controlled Retail Sites.

For a reconciliation of Underlying EBITDA (RC) to profit before interest, tax, depreciation and amortisation, refer to Section 4.4.1.

#### 4.8.5.6 Depreciation and amortisation

Depreciation and amortisation is forecast to increase by \$6.4 million, or 10.8%, for the half year from \$59.4 million in 1H2018 to \$65.8 million in 1H2019 and by \$6.4 million, or 5.2%, for the 12 month period from \$123.4 million in FY2018 to \$129.8 million in the 12 months ending 30 June 2019. This increase is primarily driven by continued capital investment in the business over the FY2018 and 1H2019 periods, offset by a reduction in amortisation as a result of the cessation of amortised contracts associated with the rebranding of the Shell Aviation business to Viva Energy.

#### 4.8.5.7 Other items excluded from Underlying EBITDA

Share of profit of associates is forecast to increase by \$1.0 million, or 5.3%, for the half year from \$19.0 million in 1H2018 to \$20.0 million in 1H2019 and by \$1.0 million, or 2.6%, for the 12 month period from \$38.9 million in FY2018 to \$39.9 million in the 12 months ending 30 June 2019, as a result of increasing profits from Viva Energy REIT due to annual rental escalation of 3%.

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Viva Energy's results for the three months ended 31 March 2018 included an \$11.3 million net loss on derivatives and foreign exchange, reflecting the net settlement of contracts to hedge Viva Energy's FX and oil price exposure. No revaluation gains or losses have been forecast for subsequent periods.

#### 4.8.5.8 Profit before interest and tax

Profit before interest and tax (HC) is forecast to increase by \$85.9 million, or 47.6%, for the half year from \$180.3 million in 1H2018 to \$266.2 million in 1H2019 and by \$85.9 million, or 18.2%, for the 12 month period from \$472.5 million in FY2018 to \$558.4 million in the 12 months ending 30 June 2019 for the reasons described above.

Profit before interest and tax (RC) is forecast to increase by \$65.1 million, or 32.4%, for the half year from \$201.1 million in 1H2018 to \$266.2 million in 1H2019 and by \$65.1 million, or 13.2%, for the 12 month period from \$493.3 million in FY2018 to \$558.4 million in the 12 month period ending 30 June 2019, as a result of movement in profit before interest and tax (HC) as well as the net inventory loss.

#### 4.8.5.9 Net finance costs

Pro forma net finance costs is forecast to decrease by \$1.6 million, or 10.1%, for the half year from \$15.9 million in 1H2018 to \$14.3 million in 1H2019 and by \$1.6 million, or 5.3%, for the 12 month period from \$30.3 million in FY2018 to \$28.7 million in the 12 month period to 30 June 2019. This decrease is mainly due to a reduction in interest costs associated with the full year impact of a new Revolving Credit Facility which was put in place in March 2018.

#### 4.8.5.10 Tax expense

Viva Energy's pro forma tax expense as a percentage of profit before tax is forecast to be approximately 30% in each of 1H2018, 1H2019, FY2018 and the 12 months ending 30 June 2019, which is consistent with the Australian corporate income tax rate.

#### 4.8.5.11 NPAT

Pro forma NPAT (HC) is forecast to increase by \$61.3 million, or 53.3%, for the half year from \$115.1 million in 1H2018 to \$176.4 million in 1H2019 and by \$61.3 million, or 19.8%, for the 12 month period from \$309.5 million in FY2018 to \$370.8 million in the 12 months ending 30 June 2019, as a result of the same factors expected to impact profit before interest and tax (HC), offset by the slight decline in the net finance costs.

Pro forma NPAT (RC) is forecast to increase by \$46.7 million, or 36.0%, for the half year from \$129.7 million in 1H2018 to \$176.4 million in 1H2019 and by \$46.7 million, or 14.4%, in the 12 month period from \$324.1 million in FY2018 to \$370.8 million in the 12 months ending 30 June 2019, as a result of movement in NPAT (HC) as well as the tax affected net inventory loss in FY2018.

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### 4.8.6 Management discussion and analysis: Pro Forma Forecast Cash Flows for 1H2019 compared to 1H2018 and 12 months ending 30 June 2019 compared to FY2018

Table 22: Pro Forma Forecast Cash Flows for 1H2019 compared to 1H2018 and 12 months ending 30 June 2019 compared to FY2018

\$ in millions	Pro Forma Forecast Cash Flows				Pro Forma Forecast Cash Flows			
	FY2018	12 month June-19	Change	% change	6 month 1H2018	6 month 1H2019	Change	% change
<b>Underlying EBITDA (RC)</b>	<b>605.1</b>	<b>661.3</b>	<b>56.2</b>	<b>9.3%</b>	<b>266.7</b>	<b>322.9</b>	<b>56.2</b>	<b>21.1%</b>
Net inventory (gain)/loss	(20.8)	-	20.8	-100.0%	(20.8)	-	20.8	n.a.
Lease straight-lining	(25.6)	(23.6)	2.0	-7.8%	(13.5)	(11.5)	2.0	-14.8%
Share of profit of associates	38.9	39.9	1.0	2.6%	19.0	20.0	1.0	5.3%
Net gain/(loss) on other disposal of PP&E	9.6	10.6	1.0	10.4%	(0.4)	0.6	1.0	-250.0%
Revaluation gain/(loss) on FX and oil derivatives	(11.3)	-	11.3	n.a.	(11.3)	-	11.3	n.a.
<b>Profit before interest, tax, depreciation and amortisation (HC)</b>	<b>595.9</b>	<b>688.2</b>	<b>92.3</b>	<b>15.5%</b>	<b>239.7</b>	<b>332.0</b>	<b>92.3</b>	<b>38.5%</b>
Non-cash items in profit before interest, tax, depreciation and amortisation	(48.5)	(50.5)	(2.0)	4.1%	(18.6)	(20.6)	(2.0)	10.8%
Changes in working capital	46.8	-	(46.8)	n.a.	68.8	22.0	(46.8)	-68.0%
<b>Operating free cash flow before capital expenditure</b>	<b>594.2</b>	<b>637.7</b>	<b>43.5</b>	<b>7.3%</b>	<b>289.9</b>	<b>333.4</b>	<b>43.5</b>	<b>15.0%</b>
Capital expenditure	(227.2)	(212.3)	14.9	-6.6%	(113.6)	(98.7)	14.9	-13.1%
Retail, Fuels and Marketing	(80.0)	(77.2)	2.8	-3.5%	(40.0)	(37.2)	2.8	-7.0%
Refining	(70.0)	(71.3)	(1.3)	1.9%	(35.0)	(36.3)	(1.3)	3.7%
Supply, Corporate and Overheads	(77.2)	(63.8)	13.4	-17.4%	(38.6)	(25.2)	13.4	-34.7%
Proceeds from sale of PPE and intangibles	9.0	1.0	(8.0)	-88.9%	9.0	1.0	(8.0)	-88.9%
Dividends received from associates	38.3	38.4	0.1	0.3%	19.0	19.1	0.1	0.5%
<b>Net free cash flow before financing, tax and dividends</b>	<b>414.3</b>	<b>464.8</b>	<b>50.5</b>	<b>12.2%</b>	<b>204.3</b>	<b>254.8</b>	<b>50.5</b>	<b>24.7%</b>

#### 4.8.6.1 Operating free cash flow

Pro forma operating free cash flow before capital expenditure is forecast to increase by \$43.5 million, or 15.0%, for the half year from \$289.9 million in 1H2018 to \$333.4 million in 1H2019 and by \$43.5 million, or 7.3%, for the 12 month period from \$594.2 million in FY2018 to \$637.7 million in the 12 months ending 30 June 2019. The key forecast changes are summarised below:

- increases of \$92.3 million, or 38.5%, and \$92.3 million, or 15.5%, for 1H2019 and the 12 months ending 30 June 2019, respectively, in profit before interest, tax, depreciation and amortisation (HC) for the reasons described in Section 4.8.5. However, profit before interest, tax, depreciation and amortisation (HC) for 1H2019 and the 12 months ending 30 June 2019 is forecast to include non-cash gains of \$20.6 million and \$50.5 million, respectively, compared to non-cash gains of \$18.6 million in 1H2018 and \$48.5 million in FY2018. This represents an increase of \$2.0 million in both 1H2019 and the 12 months ending 30 June 2019 in non-cash items in profit before interest, tax, depreciation and amortisation (HC); and

- decreases in the change in working capital of \$46.8 million in 1H2019 and the 12 months ending 30 June 2019. Working capital balances have been forecast with no material change from historical payment terms or inventory levels and are based on the Directors' estimate of the future base oil price.

#### 4.8.6.2 Capital expenditure

In 1H2018, total capital expenditure of \$113.6 million is forecast, of which:

- Retail, Fuels and Marketing will account for \$40.0 million, primarily driven by investment in new Retail Sites and ongoing investment in the routine asset integrity program;
- Refining will account for \$35.0 million, primarily driven by maintenance, minor turnaround expenditure and expenditure for certain growth projects including tankage for finished products and specialty product export capability;
- Supply, Corporate and Overheads will account for \$38.6 million, primarily driven by continuation of the Clyde terminal conversion as described in Section 3.1.1 for \$14.2 million and other minor projects.

In 1H2019, total capital expenditure of \$98.7 million is forecast of which:

- Retail, Fuels and Marketing will account for \$37.2 million, primarily driven by investment in new Retail Sites;
- Refining will account for \$36.3 million, primarily driven by maintenance and completion of investment in growth projects, including modernisation projects, tankage for finished products and bitumen export capability;
- Supply, Corporate and Overheads will account for \$25.2 million, primarily driven by a range of minor projects and routine maintenance.

In FY2018, total capital expenditure of \$227.2 million is forecast. For details on FY2018 capital expenditure, refer to Section 4.8.4.

In the 12 months ending 30 June 2019, total capital expenditure of \$212.3 million is forecast, of which:

- Retail, Fuels and Marketing is forecast to account for \$77.2 million, primarily driven by investment in new Retail Sites and ongoing investment in the routine asset integrity program;
- Refining is forecast to account for \$71.3 million, primarily driven by maintenance, modernisation projects and investment in refined product tankage and specialty product export capability;
- Supply, Corporate and Overheads is forecast to account for \$63.8 million, primarily driven by the completion of the Clyde terminal conversion as described in Section 3.1.1 and other minor projects.

#### 4.8.6.3 Net free cash flow before financing, tax and dividends

Net free cash flow before financing, tax and dividends is forecast to increase by \$51.5 million, or 23.1%, for the half year from \$222.8 million in 1H2018 to \$274.3 million in 1H2019 and by \$51.5 million or 12.4%, from \$414.3 million in FY2018 to \$465.8 million in the 12 months ending 30 June 2019. These increases are primarily attributable to an increase in operating free cash flow for the reasons described in Section 4.8.6.1, together with the decreases in capital expenditure as discussed directly above.

### 4.9 Sensitivity analysis

The Forecast Financial Information included in Section 4.8 is based on a number of general and specific assumptions which have been outlined above and which are subject to change. The Forecast Financial Information is also subject to a number of risks as outlined in Section 5.

Investors should be aware that future events cannot be predicted with certainty and, as a result, deviations from the figures forecast in this Prospectus are to be expected. To assist investors in assessing the impact of these assumptions on the forecasts, the sensitivity of the forecast pro forma net profit after tax for FY2018, 12 months ending 30 June 2019 and 1H2019 to changes in certain key assumptions is set out below. As noted above, the Pro Forma Results for FY2018 have been derived from the Statutory Forecast Results for the same period, which are comprised of three months of actual results and nine months of forecast results. Accordingly, the sensitivity analysis relating to FY2018 (below) has been determined with reference to the nine months of forecast results, with no change assumed in relation to the actual results for the three months to 31 March 2018.

Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables, in order to illustrate the likely impact on the forecast in isolation. In

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practice, changes in variables may offset each other or be additive, and it is likely that Viva Energy's management would respond to any adverse change in one variable by seeking to minimise the net effect on Viva Energy's NPAT.

The sensitivity analysis is intended to provide a guide only and variations in actual performance could exceed the ranges shown.

Viva Energy has identified six key assumptions for the period of the Forecast Financial Information in respect of which variations may have a material impact on profit:

- fuels volumes;
- fuels margins;
- Refining Margin;
- exchange rates;
- crude oil prices; and
- operating expenses.

A summary of the likely effect that variations of these assumptions may have on Pro forma NPAT is detailed below. The sensitivities for each assumption are not intended to be indicative or predictive of the possible range of outcomes but are for information purposes to allow potential investors to gain an understanding of the potential sensitivity of financial outcomes to changes in these six key assumptions. They should be read in light of the comments immediately above, and the rest of the information in this Prospectus.

**Table 23: Sensitivity analysis on pro forma forecast NPAT for FY2018, 1H2019 and 12 months ending 30 June 2019<sup>4</sup>**

Assumption	Increase/Decrease	Pro forma NPAT impact (RC basis)			Pro forma NPAT impact (HC basis)		
		FY2018 (\$ in millions)	12 month June-19 (\$ in millions)	6 month 1H2019 (\$ in millions)	FY2018 (\$ in millions)	12 month June-19 (\$ in millions)	6 month 1H2019 (\$ in millions)
Fuels volumes	+/- 2%	13.9	19.1	9.5	13.9	19.1	9.5
Fuels margins	+/- 0.5 cents per litre	37.3	50.3	25.1	37.3	50.3	25.1
Refining Margin	+/- US\$1.00 per barrel	29.5	39.7	19.3	25.9	36.2	15.8
Exchange rates	Appreciation of AUD against USD by 3 cents	(10.3)	(13.8)	(6.6)	(23.2)	(26.8)	(19.5)
Exchange rates	Depreciation of AUD against USD by 3 cents	11.2	14.9	7.2	25.1	28.9	21.0
Crude oil refined product prices	+/- US\$5.00 per barrel	-	-	-	16.4	16.6	16.6
Operating expenses	+/- 2%	(9.8)	(13.2)	(6.5)	(9.8)	(13.2)	(6.5)

### 4.9.1 Fuels volumes

The sensitivity analysis shows the estimated impact of a 2% change in fuels sales volumes. The sensitivity assumes a product mix that is broadly consistent with the historical product mix. For the purpose of the sensitivity, it is assumed that no reaction is taken to flex sales prices to react to movements in volumes sold.

4. The FY2018 sensitivity analysis is based on the nine month forecast numbers with actuals for 1Q2018 remaining unchanged.

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#### 4.9.2 Fuels margins

Under normal circumstances, Viva Energy would typically be expected to pass through changes in price inputs to sales prices (albeit with a time lag). Consequently, the risk of significant fuel margin movements should be mitigated. The sensitivity analysis shows the estimated impact of an A\$ 0.5 cent per litre change in the annual average fuels margin from the forecast. This sensitivity is applied to the entire product mix even though different fuels products and channels attract different margins, are subject to different levels of sensitivity and may not move together.

#### 4.9.3 Refining Margin

The sensitivity analysis shows the impact of a US\$1.00/barrel movement from the assumed levels. On the assumption that such sensitivity is Geelong Refinery specific, rather than an impact experienced by all domestic refineries, no corresponding adjustment to sales prices has been assumed for the purpose of the sensitivity.

#### 4.9.4 Exchange rates

Exchange rates movements will impact:

- the cost of imports (which are predominantly denominated in US\$);
- Refining Margin (which is denominated in US\$);
- brand fees payable; and
- revenues denominated in US\$ (some component of aviation volumes and prices charged to certain commercial customers) and consequently affect profits.

The effect of a change in exchange rates on the cost of imports and the price of fuel charged to customers is unlikely to materially impact NPAT as changes in replacement costs are generally passed on to customers. There is a nil impact on NPAT (RC) from price fluctuation as this measure assumes all exchange rate changes are reflected in the selling price of products to customers. However, the translation of Refining Margin in US\$ to A\$ has an impact on NPAT (RC).

During periods of volatility in exchange rates, EBITDA (HC) can be affected by the lags in passing through price movements to customers, and gains/losses on foreign exchange payables and receivables. EBITDA (HC) will be further impacted by exchange rates as a result of changes in the value of stock accounted for under the FIFO accounting convention adopted by Viva Energy in accordance with AASB. For the purposes of the NPAT (HC) sensitivity, the impact of the exchange rate movement is not assumed to be passed through to customers until such time that contractual pricing terms allow, whereas for future purchases beyond that time, it is assumed that the exchange rate fluctuation will be fully recovered in revised sales prices.

#### 4.9.5 Crude oil and refined product prices

Changing oil prices affect the cost of imports and the price charged to customers, and consequently impact revenue, costs of goods sold and working capital requirements. As an indication of the potential impact of a change in crude oil prices, the table above shows the sensitivity of EBITDA (HC) and (RC) to a US\$5/barrel movement in the annual average crude oil price.

In general, there is nil impact on EBITDA (RC) as this measure assumes all crude oil price changes are reflected in the selling price of products to customers. The EBITDA (HC) will, however, reflect the movements in crude oil pricing during the storage period between purchase and sale of inventory, and consequently assuming stable inventory days, there is a linear relationship between US\$ oil price movements and the impact on EBITDA (HC) (excluding any second order demand effects which may result).

For the purposes of the NPAT (HC) sensitivity, the impact of the crude oil price movement is not assumed to be passed through to customers until such time that contractual pricing terms allow, whereas for future purchases beyond that time, it is assumed that the crude oil price fluctuation will be fully recovered in revised sales prices. Viva Energy is exposed to crude oil price changes when sales prices have been revised in line with customer price resets, but cost of goods sold still reflects the costs of existing inventory purchased prior to oil price movements.



## 4. Financial Information

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### 4.9.6 Operating expenses

Changes to operating expenses assume that expenses which are not contracted for the duration of the forecast period (e.g. excluding leases and straight-lining thereof) are subject to the sensitivity. It is noted, however, that certain expenses are discretionary in nature, and in the event of increased expenditure, management may seek to reduce such expenditure to counteract the NPAT impact.

### 4.10 Dividend policy

The payment of any dividend by Viva Energy is at the discretion of the Directors and will be a function of a number of factors, including the general business environment, the operating results and the financial condition of the Company, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by the Company, and any other factors the Directors may consider relevant at that time.

In respect of the 12 month period to 30 June 2019, it is the current intention of the Directors to target a dividend payout ratio of 60% of the Underlying NPAT (RC) for that period. Depending on available profits, the financial position of Viva Energy and such other factors as the Directors may consider appropriate at the time (including those outlined above), it is the intention of the Board to declare a final dividend in respect of the six months ending 31 December 2018, and an interim dividend in respect of the six months ending 30 June 2019, in line with the target dividend payout ratio stated above. Those dividends are expected to be fully franked and the first of them is expected to be paid in April 2019. No dividend will be paid in respect of the six months ending 30 June 2018.

Beyond the forecast period, it is anticipated that the Directors will target a dividend payout ratio of between 50% and 70% of Viva Energy's Underlying NPAT (RC). The actual dividend payout ratio is expected to vary between periods depending on a variety of factors, including those outlined above.

No assurance can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend. Please read the Forecast Financial Information in conjunction with the assumptions underlying its preparation as set out in Sections 4.8.1 and 4.8.2, the risk factors set out in Section 5 and the terms of the New Banking Facilities set out in Section 9.7.

Investors who are not residents of Australia and who acquire Shares may be subject to Australian withholding tax on dividends or other distributions paid in respect of the Shares. Any prospective investor who is not a resident of Australia should consult with their tax adviser regarding the application of Australian withholding or other taxes to their particular situation.



## Section 5: Key risks

## 5. Key risks

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### 5.1 Introduction

This Section 5 describes some of the potential risks associated with an investment in Viva Energy.

An investment in Viva Energy is subject to risks specific to Viva Energy and its business and is also subject to general risks. Each of these risks could, if they eventuate, have a material adverse impact on Viva Energy's business, financial position, operating and financial performance and the value of its Shares. Many of the circumstances giving rise to these risks are beyond the control of Viva Energy and its Directors and management.

You should note that the risks described in this Section 5 are not the only risks faced by Viva Energy. Additional risks (including risks of which Viva Energy and its Directors are currently unaware) also have the potential to have a material adverse effect on Viva Energy's business, financial position, operating and financial performance and the value of its Shares.

Before deciding whether to invest in Viva Energy, you should read this Prospectus carefully and in its entirety, and satisfy yourself that you have a sufficient understanding of the actual and potential risks associated with such an investment. You should consider whether an investment in Viva Energy is suitable for you having regard to your personal circumstances, investment objectives, financial situation, tax position and particular needs. If you do not understand any part of this Prospectus or are in any doubt as to whether to invest in Viva Energy, you should seek professional advice from your stockbroker, accountant, lawyer, financial adviser or other independent professional adviser.

References to Viva Energy in the risk factors below include each member of the Viva Energy Group (unless the context requires otherwise).

### 5.2 Risks specific to an investment in Viva Energy

#### 5.2.1 Key strategic relationships

Viva Energy has a number of key relationships in relation to its business and operations. These include the relationships with Coles Express, Shell, Vitol and Viva Energy REIT, each of which is discussed below. Further details of contractual arrangements with these parties are included in Section 9.

##### *Coles Express*

The operation of the Alliance Sites is ultimately the responsibility of Coles Express. Under the Alliance Agreement, Coles Express has discretion in the way it chooses to operate the Alliance Sites. This includes decisions in relation to fuel pricing and the operation of convenience stores.

The manner in which Coles Express operates the Alliance Sites may have a material impact on Viva Energy's financial performance. If Coles Express does not operate the Alliance Sites in a manner that is competitive with other market participants, this may result in a reduction in both fuel and convenience sales at Alliance Sites. Such a reduction may in turn result in a decrease in the volumes of fuel sold by Viva Energy. For example, in both FY2016 and FY2017, Viva Energy's retail volumes were adversely affected by Coles Express' retail pricing strategies (see Sections 4.7.2.3 and 4.7.4.3). Any of the foregoing may have a material adverse effect on Viva Energy's financial performance.

The Coles Express brand is prominently featured at each Alliance Site, and Viva Energy's alliance with Coles Express is a matter of public record. Events or circumstances which damage the Coles Express brand may have an adverse impact on Viva Energy's financial performance and reputation as well as the value of Viva Energy's Retail Network. Such events or circumstances may be beyond the control of Viva Energy or entirely unrelated to Viva Energy's business (for example, incidents unrelated to the Alliance which are caused by or affect parts of the wider Coles supermarket business).

The Alliance Agreement may be terminated in certain circumstances, including a material unremedied breach by Viva Energy. If this were to occur or the Alliance otherwise ended, then Viva Energy may be required to make material changes to its retail business model, and this may have a material adverse effect on Viva Energy's revenues and profitability, in particular if such changes require material capital expenditure or require significant changes in the management and operational model of Viva Energy.

If the Alliance Agreement is terminated in certain circumstances, Viva Energy may elect to pay Coles Express an amount equal to the independently assessed value of the business of Coles Express. If Viva Energy does not exercise that right, Coles Express may have a right to require that Viva Energy assigns and transfers to Coles Express its rights under the leases in respect of Alliance Sites, such that Coles Express replaces Viva Energy as the tenant. Further, in the case of a material unremedied default by Viva Energy, Coles Express may terminate (among other things) the fuel supply arrangements with Viva Energy and acquire the fuel equipment at each Alliance Site for a nominal purchase price. Such occurrences may have a material adverse effect on Viva Energy's retail business.

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In March 2018, Wesfarmers announced the proposed demerger of Coles such that Coles would become an independent, standalone company listed on the ASX. If the demerger proceeds, then the management and board of directors of Coles will be responsible for the strategic direction of the Coles business, including Coles' participation in the Alliance. The Coles directors may make decisions in relation to the Alliance which are inconsistent with the approach adopted during Wesfarmers' ownership of Coles, including actions that are adverse to the interests of Viva Energy.

## **Shell**

Viva Energy has the sole right to use the Shell brand for the sale of automotive fuels in Australia, and is the sole distributor of Shell lubricants in Australia<sup>1</sup>.

As a result of the prominent use of the Shell brand in Viva Energy's retail business, Viva Energy's retail business is closely associated with the Shell brand. Events or circumstances which damage the Shell brand may have an adverse impact on Viva Energy's business, brand and reputation. Such events or circumstances may be beyond the control of Viva Energy (for example, defects in the Shell lubricants supplied to Viva Energy for sale in Australia) or entirely unrelated to the Viva Energy business (for example, incidents caused by or affecting the Shell business or Shell products in a jurisdiction outside Australia).

The Shell Brands Licence Agreement and Shell Lubricants Distribution Agreement may be terminated in certain circumstances, including a material unremedied breach by Viva Energy. If either agreement were to be terminated or Viva Energy otherwise ceased to have the right to use the Shell brand or to sell Shell lubricants, this may have a material adverse effect on the performance of Viva Energy's business, in particular its retail business (in the case of the Shell brand) and the lubricants business (in the case of Shell lubricants).

## **Vitol**

The Vitol Fuel Supply Agreement gives Viva Energy access to Vitol's trading and logistics expertise, and a long-term source of supply of both crude oil and refined products.

The Vitol Fuel Supply Agreement may be terminated in certain circumstances, including a payment default or certain unremedied breaches by Viva Energy. If this were to occur or the agreement otherwise ceased to be on foot, Viva Energy would need to source feedstock and other hydrocarbon products from alternative sources. There is no guarantee that the Company would be able to do so on equivalent terms or in sufficient volumes and at the necessary times to support operations at the Geelong Refinery or satisfy the requirements of its customers for refined products. Any failure by Viva Energy to source feedstock and other hydrocarbon products as and when required and on competitive terms may have a material adverse effect on the Company's operating and financial results.

Conversely, because the Vitol Fuel Supply Agreement contains exclusivity provisions that restrict Viva Energy from sourcing product from other parties, if more competitive terms were available from suppliers other than Vitol, Viva Energy may be placed at a competitive disadvantage.

## **Viva Energy REIT**

The leases and other contractual arrangements between Viva Energy and Viva Energy REIT are subject to termination in certain circumstances, including certain unremedied breaches by Viva Energy. The termination of such arrangements may have a material adverse impact on Viva Energy's retail business, including by resulting in Viva Energy ceasing to have a leasehold interest in strategically important Retail Sites.

If Viva Energy REIT terminates a lease in respect of an Alliance Site, Coles Express may have the right to "step in" to the lease in the place of Viva Energy, with Viva Energy REIT becoming Coles Express' direct landlord. In this scenario, Viva Energy REIT would be entitled to recover from Viva Energy certain kinds of loss suffered or incurred as a result of the termination of the lease, including any difference between the rent payable by Viva Energy under the terminated lease and the rent or licence fee payable by Coles Express under the relevant Site Agreement.

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1. Viva Energy has granted a sub-licence to Coles Express and certain other operators of Retail Sites in respect of the Shell brand, and has also appointed certain third parties as authorised resellers of Shell lubricants in Australia.

## 5. Key risks

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### 5.2.2 Loss of key contracts and arrangements

Viva Energy's business relies on a number of key contracts and arrangements, including those summarised in Section 9 and those referred to in other risk factors in this Section 5 (including the risk factor in Section 5.2.9). Such contracts and arrangements relate to key business matters such as:

- procuring crude oil and refined product, in particular from Vitol;
- transporting and storing of fuels;
- leasing Retail Sites to which Viva Energy supplies fuel, in particular from Viva Energy REIT;
- selling and buying fuel and other products and services;
- technology infrastructure and software;
- using the Shell brand and selling Shell-branded lubricants in Australia; and
- the Coles Alliance.

Any failure by Viva Energy to maintain, renew or replace key contracts and arrangements on commercially acceptable terms, or any failure by a counterparty to perform its obligations under such contracts or arrangements, could have a material adverse effect on Viva Energy's business, operations and financial performance. Certain key contracts and arrangements may be terminated by the counterparty for convenience, and some supply contracts do not impose minimum volume requirements. In these cases, Viva Energy may not have contractual certainty in respect of the term of the relevant contract or arrangement or the operation of such contract or arrangement (including, where applicable, the volume of product to be sold thereunder). As a result, these contracts and arrangements may give rise to a greater risk of unexpected termination or renegotiation of key commercial terms, or disputes.

### 5.2.3 Price volatility

The volatility of hydrocarbon pricing may have a material impact on the financial performance of Viva Energy. Viva Energy earns a margin from the sale of refined products, and that margin is dependent on the price at which it can obtain crude oil and other feedstocks for use at the Geelong Refinery, and the price at which it can obtain refined products directly imported into Australia. The costs of crude oil, feedstocks and refined products generally account for a significant portion of Viva Energy's total cost of sales.

The cost to acquire crude oil, feedstocks and refined products, and the price at which Viva Energy can ultimately sell refined products, depends upon a variety of factors, many of which are beyond the control of Viva Energy. Such factors include global supply and demand for crude oil, feedstock and refined products, international and domestic economic conditions, the type of crude oil and feedstocks that Viva Energy is able to obtain in the market, global conflicts or acts of terrorism, weather conditions, domestic and foreign governmental regulation, and other factors. These factors drive the pricing for refined products imported into Australia, and in turn drive the pricing for refined products sold by Viva Energy irrespective of whether such products are produced at the Geelong Refinery or imported.

Movements in the prices at which Viva Energy is able to procure crude oil, feedstock and refined products may not always be reflected in changes in the prices customers pay for refined products from Viva Energy, or may not be reflected in a timely manner. The inability to pass on changes in prices, or the delay in doing so, may materially and adversely impact Viva Energy's profitability.

While Viva Energy undertakes certain hedging activities in order to reduce earnings volatility and maintain margins, these activities do not necessarily fully insulate Viva Energy from fluctuations in commodity prices.

See Section 4.5.6 for more information about Viva Energy's management of commodity price risk and Section 4.9.5 for a discussion of the sensitivity of the Forecast Financial Information to movements in crude oil and refined product prices.

### 5.2.4 Changes in the competitive environment

Retail and commercial fuel markets in Australia are subject to intense competition for market share. Competitors may seek to increase their market share in a variety of ways, including through pricing strategies, discounts, incentives, loyalty programs and targeted marketing campaigns. Competitors may also seek to increase their market share by adding new Retail Sites, expanding the range of products and services they offer, pricing their products more competitively and/or improving the customer experience.

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Because Viva Energy's activities are limited to the Australian downstream petroleum industry, competitors with more diverse operations than Viva Energy (such as global oil majors) may be able to price their products and services more cheaply than Viva Energy due to integration with their global operations, or by cross-subsidising or bundling with other products and services that are not offered by, or available to, Viva Energy.

There is a risk that the competitive market dynamics will shift as a result of consolidation or other acquisitions, and that such shift will be detrimental to Viva Energy's business. A recent example of potential consolidation in the retail market is the proposed acquisition of Woolworths' network of Retail Sites by BP, which, if concluded, would potentially change the competitive market dynamics. It is not possible to predict with certainty whether the impact of such transaction (if it proceeds) would be adverse to Viva Energy, as this would depend on a range of factors which are beyond the control of, and currently not known by, Viva Energy (including decisions by BP in relation to pricing and the broader operation of its Retail Network)<sup>2</sup>.

The threat of potential new entrants into the Australian downstream petroleum industry also exists. For example, supermarkets, other large retail chains or large overseas companies are potentially capable of acquiring or establishing the infrastructure to import and distribute refined products in Australia. This may reduce demand for Viva Energy's products and/or require Viva Energy to reduce its pricing in order to maintain its market share.

If Viva Energy does not appropriately respond to changes in the competitive environment, this may have a material adverse impact on Viva Energy's market share, revenues and/or profitability.

### **5.2.5 Decrease in demand for Viva Energy's products**

Viva Energy operates across a range of customer segments, including retail and wholesale fuels, aviation, lubricants, bitumen, resources, marine and transport. Viva Energy's financial performance is impacted by the level of demand from each of these segments. The demand in these segments is sensitive to a number of factors, including the level of economic activity in Australia, oil and other commodity prices, foreign currency movements, environmental issues and industry-specific factors (such as changes in the competitive environment, as referred to in the risk factor in Section 5.2.4 above).

Viva Energy's current fuel products may be displaced or suffer reduced demand due to increased access to, or adoption of, new technologies, products and services to meet changing consumer demands. For example, there may be a significant increase in the uptake of alternative fuel vehicles, such as electricity, hydrogen or gas-powered vehicles. The adoption of alternative technologies may be accelerated or facilitated by governmental support (for example, in the form of subsidies) or regulation. There is also a risk that conventionally powered forms of transport will continue to reduce their consumption of Viva Energy's current fuel products as a result of fuel efficiency improvements. Further, Viva Energy's customers may seek to reduce their consumption of fuel products currently sourced from Viva Energy in the interests of minimising potential harmful impacts to the environment. Each of these factors may depress demand for Viva Energy's fuel products.

Changes in demand between the various transport sectors (including road transport, maritime and aviation) or between private and public transport may also depress demand for Viva Energy's fuel products. For example, events such as accidents, natural disasters, terrorist attacks and global pandemics or epidemics may have a material adverse effect on Viva Energy's aviation fuel business due to declines in air traffic and travel. Similarly, demand for Viva Energy's transport fuel products may be materially and adversely affected by changes in transportation networks such as the imposition of tolls on new or existing roads, the introduction of new roads and/or the closure of existing roads.

### **5.2.6 Disruptions to the supply chain and operations**

Viva Energy has a complex supply chain with a number of interlinked components. These include international and domestic crude oil supply, international and domestic refined product supply, international and domestic maritime logistics, distribution logistics and domestic pipelines, terminals and storage facilities. Disruption to any one or more of these components may lead to significant disruption of Viva Energy's operations, and may limit the volume and type of products that it is able to manufacture and/or supply to customers, thereby adversely impacting Viva Energy's overall profitability and cash flows.

Viva Energy's operation of its integrated manufacturing, supply and distribution network, including the refining, transportation and storage of crude oil, feedstocks and refined petroleum products, may be adversely affected by a range of factors such as extreme weather events, accidents, shipping incidents, breakdown or failure of infrastructure or

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2. In December 2017, the ACCC announced that it intends to oppose the transaction on the basis that it is likely to substantially lessen competition in the retail supply of fuel.



## 5. Key risks

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equipment, interruption in power supply, human error, fires, explosions, release of toxic fumes, contaminated product, engineering problems, natural disasters, cyber security incidents and other unforeseen circumstances. These types of disruptions may result in product shortfalls, facility shutdowns, equipment repair or replacement, increased insurance costs, personal injuries, increased transport or shipping costs, environmental impacts, loss of life and/or unplanned inventory build-up, all of which could have a material adverse effect on the business, results of operations and financial condition of Viva Energy. An event of this nature occurred in early 2018 when extreme weather conditions constrained the amount of seawater that could be taken in by the cooling system at the Geelong Refinery. This contributed to a key piece of machinery being unavailable for a number of weeks, which had an adverse impact on the operational and financial performance of the Geelong Refinery in the first quarter of FY2018.

Viva Energy uses a number of pipelines in its operations to transport crude oil and refined products. Some pipelines that are important to Viva Energy's operations rely on access to third-party land for their use and do not have formal documentation evidencing these access rights (specifically, the installation of the Gore Bay pipeline predated the *Pipelines Act 1967* (NSW) and its tenure is therefore not covered by that legislation). Such pipelines rely on continuous use for ongoing access. The inability to operate one or more pipelines may adversely affect Viva Energy's business and operations.

It may take Viva Energy time to address supply chain interruptions or establish alternative arrangements. There is no guarantee that Viva Energy's insurance would compensate Viva Energy for any or all of the losses suffered by it in these circumstances. Any supply chain interruption could have a significant impact on Viva Energy's brand and reputation and, consequently, may adversely affect its ability to maintain or increase its market share and/or profitability.

### 5.2.7 Performance of the Geelong Refinery

The operations at the Geelong Refinery are vital to Viva Energy's business and overall financial performance. These operations are subject to certain risks, some of which are described below.

If there is a material decline in the performance of the Geelong Refinery over a sustained period (including as a result of one or more of the factors outlined above), continued operations at the Geelong Refinery may cease to be economically sustainable in the same manner as currently conducted. Such an event may in the short term result in Viva Energy needing to source material amounts of refined product from alternative sources, which may have a material adverse effect on Viva Energy's operating and financial results (including by materially increasing procurement and supply chain costs). Additionally, such an event may in the longer term result in the Geelong Refinery site being repurposed (e.g. converted into an import terminal), which may give rise to significant costs for Viva Energy, including engineering and remediation costs.

### Refining Margin

The refining margin achieved from the Geelong Refinery, being the "**Refining Margin**" or the "**Geelong Refining Margin**", is a key metric in assessing the financial performance of the refinery. The Refining Margin is based on the difference between the value of the refined products that the Geelong Refinery manufactures and the cost of the crude oil and feedstock it consumes to do so. A description of the manner in which the Refining Margin is calculated is set out in Section 4.3.1.

Factors which could adversely impact the Refining Margin include:

- a decline in global and regional economic activity, leading to a surplus in refining capacity;
- a decline in demand for any of the finished products produced by the Geelong Refinery, which includes gasoline (regular and premium grades), jet fuel, diesel, fuel oil, hydrocarbon solvents, aviation gasoline and bitumen;
- increased refinery capacity ahead of demand growth, caused by new or expanded refining facilities in Australia or throughout the Asia Pacific region or globally;
- a decrease in refined product freight rates relative to crude freight rates;
- an increase in the premium paid for light/sweet crude oils (e.g. Brent crude) used by Viva Energy compared with the heavy/sour crude oils used by other refineries (the sweet/sour spread); and
- the Australian dollar strengthening versus the U.S. dollar (noting that, as the margin components are U.S. dollar based, the strengthening of the Australian dollar relative to the U.S. dollar reduces the Australian dollar Refining Margin).

The Geelong Refinery is also a major consumer of energy, through the use of both gas and electricity. Increases in the market price of electricity and gas can have a material adverse impact on the costs incurred by the Geelong Refinery, the ultimate Refining Margin and the performance of Viva Energy as a whole. Gas and electricity are commodities that trade on wholesale markets, or which are acquired through wholesale or retail contracts, and Viva Energy cannot necessarily ensure that it will not be exposed to fluctuations in the markets for these commodities.



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Given the number of variables and other factors that may influence the Refining Margin, undue reliance should not be placed on historical results. The past performance of the Geelong Refinery is not necessarily indicative of its future performance.

### *Crude slate*

The types and mix of crude oil that are able to be processed by a refinery, typically known as the “crude slate”, can impact its performance. The optimum crude slate for a refinery depends on the refinery’s design and complexity, and the demand for different refined products at different times. The performance of the Geelong Refinery may be impacted by the availability and pricing of different types of crude oil in the market, as well as the demand for the products that are able to be produced from the refinery’s crude slate and the costs of producing such products.

### *Operational risks*

The Geelong Refinery may experience or be subject to mechanical failures, equipment shutdowns and other events that disrupt operations. Any such event may have a material adverse impact on Viva Energy’s production capacity and the volume of refined product available for sale, which may in turn adversely affect Viva Energy’s profitability and overall financial performance. In addition, such events may cause personal injury and loss of life, severe damage to or destruction of property and equipment, and environmental damage, and may result in loss of permits or licences, suspension of operations and/or the imposition of civil or criminal penalties.

Every four to six years, Viva Energy undertakes major maintenance events (or “turnarounds”) at the Geelong Refinery. This involves shutting down parts of the refinery so that major units can be assessed, cleaned and repaired where necessary. Turnarounds are necessary but involve material capital expenditure. Turnarounds may result in reductions in the Refining Margin as, during a turnaround, the refinery is not operating at optimal capacity. Therefore, turnarounds may have a material adverse impact on Viva Energy’s financial performance, in particular if they cost more or take longer to complete than anticipated.

### *Environmental risks*

There are currently, and have been for a number of years, significant soil and groundwater contamination issues at the Geelong Refinery. This site is currently regulated by a clean-up notice in accordance with which Viva Energy carries out certain activities to monitor and manage the contamination issues. It is Viva Energy’s understanding that more extensive remediation works will not be required to be carried out at the Geelong Refinery for so long as the site is used as a refinery. Viva Energy has no present intention to use the site for any other purpose. If, however, this were to change in the future and Viva Energy were to close the Geelong Refinery or alter its use (for example, by converting the site into an import terminal), then Viva Energy may be required to carry out additional remediation works and the costs associated with such works may be significant.

### *Lyondellbasell*

Lyondellbasell Australia Pty Ltd operates a polypropylene manufacturing plant (the “LBA Plant”) that is adjacent and connected to the Geelong Refinery. The LBA Plant takes product generated from refining activities at the Geelong Refinery under a long-term supply contract and uses such product as feedstock to its own plant. If there is a material decrease in the product from the Geelong Refinery used by the LBA Plant (including, for example, due to performance issues at the LBA Plant relating to, or arising from, unplanned shutdowns, employee disputes and other operational issues), the operational and financial performance of the Geelong Refinery may be adversely impacted.

## **5.2.8 Environmental risks**

Environmental risks are inherent to the downstream petroleum industry.

### *Manufacturing, transportation and storage of refined product*

Part of Viva Energy’s business involves, or is associated with, the transportation of crude oil and refined product by land and sea, and storing crude oil and refined product on land at various locations. There are substantial risks to Viva Energy’s business in the event that any of these operations cause significant damage to the environment, even where it is a party other than Viva Energy that is primarily responsible.

## 5. Key risks

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Crude oil and refined products associated with Viva Energy's operations, and the waste and emissions created in the manufacturing, storage and transportation of refined products, can cause contamination by being discharged into air, land and water on and around Viva Energy's sites.

The risk of pollution is particularly relevant in relation to marine environments, as the transport of crude oil and refined product by ships is generally in relatively large quantities. Marine spills can be difficult to contain or remediate, as spills can disperse over wide areas. Crude oil or refined product could be spilled in marine environments by, for example, the sinking of, or any damage to, a large ocean-going oil tanker, coastal vessel or barge. This could occur if these vessels are not properly maintained, if there is operational negligence, or as a result of other events outside of Viva Energy's control such as storms or other adverse weather conditions.

Refined product may be spilled on land, including because of deterioration or failure of, or damage to or destruction of, pipelines or storage facilities used by Viva Energy. This could occur if, for example, these facilities are faulty when installed, corrode or otherwise deteriorate over time, or are inadequately maintained or suffer inadvertent damage, as a result of either acts or omissions by Viva Energy or third parties.

### *Remediation obligations*

Viva Energy is aware of soil and groundwater contamination at a number of its sites, in many cases resulting from incidents which occurred some time ago. Viva Energy actively monitors and assesses such contamination and, where required or otherwise considered reasonable to do so, carries out remediation and related actions. Refer to the risk factor in Section 5.2.7 above for further discussion of environmental risks relevant to the Geelong Refinery.

Viva Energy may have additional remediation obligations in the future, and other unknown environmental issues of which it and its Directors are not currently aware may arise. These issues may relate to former sites for which Viva Energy is responsible and sites used in Viva Energy's ongoing operations. Consequently, Viva Energy may be required to investigate and/or remediate historical sites, operational sites and other sites affected by contamination, including operational sites which Viva Energy decides to sell or exit. Monitoring or remediation of such sites may continue for a number of years.

The potential costs of actual and potential environmental liabilities, including remediation and monitoring activities and any obligation to compensate owners of affected land, may be greater than Viva Energy has anticipated (as reflected in its operational expenditure budget and financial provisions). This may have a material adverse effect on Viva Energy's profitability.

### *Indemnities*

Members of the Viva Energy Group have given certain indemnities in respect of environmental liabilities, including indemnities in favour of Viva Energy REIT in respect of losses arising from contamination on, in or under, or migrating from, any property in the portfolio of 425 service station sites that were transferred to Viva Energy REIT as part of its listing (see Section 3.5). Such indemnity is not subject to a monetary cap on claims.

Beneficiaries of these indemnities may become entitled to make, and may make, an indemnity claim against Viva Energy. Subject to the quantum of such claim, this may have a material adverse effect on the financial position of Viva Energy.

### *Enforcement*

If Viva Energy, joint ventures in which Viva Energy is a participant or third-party contractors engaged by Viva Energy do not comply with environmental laws and regulations, Viva Energy could be subject to a range of enforcement actions by governmental agencies (including the imposition of material fines or penalties), and may be required to engage in financially material remediation activities. Viva Energy is currently subject to such enforcement actions relating to certain environmental incidents. Environmental issues may also result in partial or total suspension or withdrawal of regulatory approvals required for the conduct of the Viva Energy business, which could have a material adverse effect on Viva Energy's operations. Further, non-compliances with environmental laws and regulations could cause significant brand and reputational damage.

If a major environmental event were to occur, there is no guarantee that Viva Energy's reserves (including its insurance policies) would be sufficient to cover any losses suffered by Viva Energy. Accordingly, any such event could have a material adverse effect on Viva Energy's financial position.

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### 5.2.9 Change of control risk

Some of Viva Energy's commercial arrangements contain "change of control" clauses or other provisions which will or may be triggered by this Prospectus, the Offer or a future change in ownership.

If the relevant counterparties do not provide the necessary consents or waivers, then such counterparties may seek to exercise or enforce rights in connection with this Prospectus, the Offer or a future change in ownership. This may result in the termination of material commercial arrangements and/or damages claims against Viva Energy for breach of contract. Any of the foregoing may have a material adverse effect on Viva Energy's operating and financial performance.

Set out below are summaries of specific commercial arrangements which are considered material to Viva Energy's business and which contain change of control clauses.

#### *Aviation joint venture agreements*

In respect of various airports at which Viva Energy is an aviation fuel supplier (including the main airport in each of Sydney, Melbourne, Brisbane, Perth and Adelaide), Viva Energy jointly owns a joint user hydrant installation ("**JUHI**") facility at those airports pursuant to agreements with certain joint venture partners (each a "**JUHI Agreement**"). A JUHI is a storage and reticulation system for aviation fuel. Participation in a JUHI joint venture confers rights to use the JUHI. Without access to the JUHI at an airport, it would be less efficient for Viva Energy to sell aviation fuel at that airport, or it might be that Viva Energy could only sell fuel through other parties at less profitable rates.

Most of the JUHI Agreements, including the agreement for the Sydney Airport JUHI, include a change of control provision that requires each participant to offer to sell its ownership interest in the JUHI to the other participants if there is a change, or impending change, in the effective control of that participant. The interpretation of many of these provisions is complex, and in the past there has been disagreement among JUHI participants as to the circumstances in which such an offer must be made and can be accepted. On Viva Energy's interpretation of the current circumstances, these provisions will not result in Viva Energy being required to sell its joint venture interests to other participants as a result of the Offer. However, other participants may disagree with Viva Energy's interpretation, in which case there may be commercial disputes with respect to Viva Energy's continued participation in one or more JUHI joint ventures.

#### *Customer agreements*

Viva Energy is a party to a large number of agreements pursuant to which it supplies fuel, lubricants, chemicals, bitumen and other products to customers.

Certain of the agreements contain change of control clauses which will or may be triggered by the Offer. Unless the consent of the relevant counterparties is obtained, the Offer may result in such counterparties enforcing (or seeking to enforce) rights under or in respect of the relevant agreements, including rights of termination. The enforcement of such rights, in particular the termination of such agreements, may have an adverse impact on Viva Energy's revenue and overall financial performance.

#### *Leases, sub-leases and licences*

Viva Energy is a party to various leases, sub-leases and licences in respect of Retail Sites and other facilities, a number of which contain change of control clauses which may be triggered by the Offer. Failure to obtain the consent of the relevant parties under such leases, sub-leases and licences may constitute a breach giving rise to a right of termination on the part of such parties. The termination of such leases, sub-leases or licences may (among other things) result in Viva Energy losing its right to occupy such sites and may have an adverse effect on Viva Energy's financial performance and market share.

### 5.2.10 Reliance on third parties

Viva Energy's business relies on a range of third-party arrangements. This includes arrangements with third-party providers of transport and logistics services (for example, vessels, and road transport services), and also includes arrangements in respect of the use of infrastructure owned and/or partly owned (in conjunction with Viva Energy) by third parties (for example, terminals, wharves and pipelines). Some of these arrangements are material to Viva Energy's business, such as joint ventures for the storage and delivery of jet fuel at Australian airports.

Any deterioration in or other changes relating to Viva Energy's relationships with such third parties (including any termination or material amendment to contractual arrangements with such third parties) could result in delayed or lost deliveries, or in Viva Energy ceasing to be able to store or transport its products on commercially acceptable terms (or at all).

## 5. Key risks

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Viva Energy does not control the relevant third parties, who may decide to increase their prices for services or discontinue their relationship with Viva Energy (subject to any applicable contractual arrangements). There is no assurance that Viva Energy will be able to negotiate or maintain terms commercially acceptable to it, or put in place alternative arrangements on a timely basis.

Changes in Viva Energy's relationships with third parties could materially and adversely affect Viva Energy's business and operations, as well as its profitability and competitiveness.

### 5.2.11 Damage to brand and reputation

Viva Energy's brand and reputation could be adversely impacted by a number of factors, including all of the risks identified in this Section 5 (were such risks to materialise).

Specific factors that may adversely impact Viva Energy's brand and reputation include:

- disruptions to Viva Energy's supply chain;
- health and safety or environmental incidents;
- failure to appropriately control and implement Viva Energy's strategy;
- supplying products that are defective or contaminated;
- data security breaches, including those that involve confidential customer and/or employee information;
- adverse publicity about Viva Energy or about third parties with whom Viva Energy has a commercial relationship (refer to the parts of the risk factor in Section 5.2.1 above relating to Coles Express and Shell); and
- disputes or litigation with third parties such as regulatory bodies, employees (arising from workplace incidents or otherwise), suppliers, customers or others with whom Viva Energy has material business dealings.

Damage to Viva Energy's brand or reputation could have a material adverse effect on customer loyalty, relationships with key suppliers, employee retention rates and demand for Viva Energy's products and services, any of which could materially and adversely impact Viva Energy's market share and financial and operating performance.

### 5.2.12 Product liability

Viva Energy is responsible for the products that it imports, manufactures and sells. As a result, Viva Energy may be liable for any damage or harm (whether to persons, property or the environment) caused by, or arising from or in connection with, such products. This can be the case whether or not the damage or harm is the result of Viva Energy's actions.

Refined product supplied by Viva Energy may be contaminated or may fail to meet relevant specifications, the Geelong Refinery may produce off-specification product, or refined product could be contaminated in transit from the refinery to the customer. Any of these situations may lead to product liability and associated adverse impacts on Viva Energy's operations and reputation, including product recalls and supply chain interruptions.

If off-specification or contaminated products supplied by Viva Energy cause damage or harm to persons, property or the environment, this may have a material adverse effect on Viva Energy's business, operations and financial condition (including through the imposition of fines or penalties, legal claims by third parties and through the loss of permits or licences), and may have a material negative impact on its brand and reputation.

### 5.2.13 Health and safety risks

The processing, transportation and storage of crude oil and refined products, and the operation and maintenance of the Geelong Refinery and fuel storage facilities, involves potentially hazardous and dangerous activities. For example, crude oil and refined products may be flammable or combustible and/or have vapour cloud forming properties; therefore, handling these substances comes with the inherent risk of fire or explosion. As a result, Viva Energy's employees and contractors work in environments which are potentially hazardous.

Viva Energy is subject to health and safety laws and regulations in connection with its operations. Failure to comply with such laws and regulations may expose Viva Energy to a range of enforcement actions by governmental agencies (including the imposition of material fines or penalties), and may require Viva Energy to engage in financially material remediation activities. Further, non-compliances with health and safety laws and regulations may cause significant brand and reputational damage.

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From time to time there, are incidents or occurrences which result in non-compliances by Viva Energy with health and safety laws and regulations and/or personal injury. In addition to potentially having a material adverse effect on Viva Energy's relations with its workforce and, as a result, the conduct of its operations, such incidents or occurrences may give rise to enforcement actions by regulators (including prosecution), common law claims under contract and other claims such as workers' compensation (or similar) claims by current or former employees or contractors. Such incidents and occurrences may also cause personal injury, loss of life, severe damage to or destruction of property and equipment and environmental damage, and may result in loss of permits or licences, suspension of operations and/or the imposition of civil or criminal penalties.

#### **5.2.14 Exposure to foreign exchange markets**

Viva Energy purchases crude oil, feedstock and finished products in U.S. dollars. Movements in the A\$/US\$ exchange rate can have an adverse effect on the financial performance of Viva Energy. For example, where there is a decrease in the A\$/US\$ exchange rate between the time Viva Energy assumes liability for crude oil and the time it subsequently pays for it, this can negatively impact Viva Energy's payables, earnings and cash flows.

Viva Energy operates a hedging program in respect of its A\$/US\$ exchange rate exposure that is designed to reduce the impact of short-term movements in the exchange rate. However, these hedging activities are not designed to fully insulate Viva Energy from exchange rate fluctuations and may be ineffective.

#### **5.2.15 Changes in consumer behaviour in the convenience sector**

Viva Energy's financial performance is, to an extent, linked to sales from the convenience stores at Retail Sites to which Viva Energy supplies fuel. For example, in relation to the Alliance Sites, Viva Energy is entitled to royalty payments where certain sales (including from the convenience stores at such sites) exceed agreed thresholds. More generally, higher levels of demand for products sold at convenience stores is likely to facilitate higher levels of consumption of fuel from the relevant Retail Sites.

Customer traffic at Retail Sites is generally driven by consumer preferences and spending trends, growth rates for automobile and truck traffic, and trends in travel and tourism. Changes in economic conditions in the retail and convenience markets, and changes in the preferences of consumers may adversely affect discretionary consumer spending patterns and travel and tourism. Changes in regulation (for example, "plain packaging" rules for tobacco, or changes in the taxes applicable to certain products such as tobacco and fuel products) may have an adverse impact on demand for convenience goods. Additionally, a decline in the number of potential customers using fuel stations and convenience stores at Retail Sites to which Viva Energy supplies fuel could have a material adverse effect on Viva Energy's financial performance.

#### **5.2.16 Cost and availability of funding**

Viva Energy has substantial working capital requirements due to the need to purchase large shipments of crude oil and refined products. Viva Energy relies on banks and supply and trade financing arrangements to provide working capital funding. Viva Energy has a US\$700 million debt facility with a syndicate of domestic and international banks, as described in Section 9.7.

Adverse changes in Viva Energy's relations with providers of funding or in financial markets which reduce its access to, or increase its cost of, funding could adversely impact Viva Energy's financial position.

There are also various representations, financial covenants and general and information undertakings associated with these sources of funding. If these are not complied with, Viva Energy may be required to repay borrowed amounts and may not be able to borrow further amounts. More onerous terms and conditions may also be imposed upon Viva Energy by the lenders in these circumstances, which could limit or otherwise restrict the manner in which it conducts its business and/or operations.

From time to time, Viva Energy will be required to refinance its debt facilities. There is no certainty as to the availability of debt facilities or the terms on which such facilities may be provided to Viva Energy in the future. Viva Energy's ability to refinance its debt on acceptable terms, its ability to raise further finance on acceptable terms and to pursue growth and other opportunities will depend on market conditions and Viva Energy's future operating performance.

## 5. Key risks

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### 5.2.17 Expansion of Retail Network may not meet its objectives

Viva Energy's ability to expand its Retail Network depends on a range of factors, including Viva Energy identifying suitable sites and negotiating acceptable lease or licence terms (if applicable). The establishment of new Retail Sites could also be affected by delays, cost overruns, environmental issues, disputes with landowners or failures to obtain regulatory approvals. Delay or failure to establish new Retail Sites may have a material adverse effect on Viva Energy's future financial performance.

There can be no assurance that new Retail Sites will meet performance targets. There is a risk that such sites may be less profitable or unprofitable due to, for example, the sites not being well located or failing to address consumer demands.

Viva Energy intends to grow its retail business both through the Coles Alliance and independently of the Alliance. Growth within the Coles Alliance will depend in part on the alignment between Coles Express and Viva Energy in respect of business strategy, which cannot be guaranteed. Growth outside the Coles Alliance will depend in part on Viva Energy's ability to partner with Retail Agents and other third parties who can successfully operate Retail Sites, as well as the success of the Liberty Oil business. Viva Energy does not control such third parties, and there is no assurance that it will partner with third parties who run Retail Sites successfully or in a manner that does not cause harm to Viva Energy's brand (or use of the Shell brand) and reputation.

Finally, Viva Energy's ability to effectively expand its Retail Network to a large degree relies on the continued use of the Shell brand at Retail Sites. In this respect, the Shell Brands Licence Agreement includes certain requirements and restrictions on Viva Energy, which may affect its ability to expand the Shell-branded network, and also expand its network using alternative brands.

### 5.2.18 Growth initiatives and opportunities

Viva Energy's management has developed a number of growth initiatives for the business. In addition to expanding the Retail Network (see Section 5.2.17 above), these include growing fuel and non-fuel margins, expanding its presence in commercial market segments and improving refining reliability and performance at the Geelong Refinery (as discussed in more detail in Section 3.6.5). If such growth initiatives are ineffective, poorly implemented or implemented later than expected, Viva Energy may not meet its forecast financial performance (see Section 4). This may be the outcome if, for example, Viva Energy's recent roll-out of Shell V-Power Diesel does not result in the anticipated levels of demand for this product, or if capital investments do not deliver the anticipated returns or cost savings, or take longer than expected to do so.

### 5.2.19 Availability of key personnel

Viva Energy's success depends on its ability to retain and attract experienced and high-performing executives. The loss of key executives or the delay in their replacement, or the inability to attract key executives with the requisite skills and experience, could materially and adversely affect Viva Energy's ability to implement its business strategies.

There is also a risk that Viva Energy may not be able to secure or retain the necessary labour for operations and development projects, which may result in an increase in costs or development projects potentially being delayed or becoming uneconomic and not proceeding as planned. There is a finite availability of skilled labour in the Australian market with expertise in the sectors in which Viva Energy operates, and some of Viva Energy's operations require individuals with specialist knowledge of a particular asset or a specialist skill set. The loss or failure to retain such skilled labour and individuals may impede the ability of Viva Energy to undertake activities as efficiently and effectively as it otherwise would have been able to, which may have a materially adverse effect on Viva Energy's operating performance and financial results.

### 5.2.20 Industrial disputes

Viva Energy's operations depend on the availability and costs of labour and maintaining good relations with employees and labour unions. Approximately 37% (as at 30 April 2018) of Viva Energy's employees are covered by an enterprise agreement. These agreements are entered into for fixed terms, and some have expired or are due to expire in the near term. In these cases, Viva Energy is in discussions, or intends to shortly commence discussions, with the relevant employee representatives in relation to the terms of new or extended enterprise agreements. However, there is no guarantee that terms will be able to be agreed with the relevant unions in a timely manner (or at all), or that Viva Energy's labour costs will not materially increase under any new or extended agreement.

Disputes may arise with employee representative bodies and unions from time to time. Employees are entitled to take protected industrial action in support of bargaining negotiations for a new enterprise agreement, provided they comply with certain legislative requirements. In addition, disputes may lead to "unprotected" industrial action. All of these



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circumstances are relevant in the context of both employees of Viva Energy and employees of third parties with whom Viva Energy has a commercial relationship. Such disputes or industrial action may disrupt Viva Energy's operations by causing unplanned delays, shutdowns or other business interruptions, or by impacting the ability of third parties to provide services to Viva Energy (for example, in relation to maintenance at the Geelong Refinery or the transportation of fuel products).

The failure to agree satisfactory terms of enterprise agreements may lead to strikes or other forms of industrial action, and could result in materially increased labour costs for Viva Energy and/or subject Viva Energy to labour disruptions. Any of these events could have a material adverse effect on Viva Energy's operating performance and financial results.

### **5.2.21 Permits and licences**

Viva Energy operates its facilities under various permits, licences, approvals and authorisations from regulatory bodies, including environmental licences, Major Hazard Facility licences at key infrastructure assets and operations, and licences of key pipelines. If any such permits, licences, approvals or authorisations are revoked or not renewed, or if Viva Energy breaches its permitted operating conditions, it may lose its right to operate the relevant facilities, whether temporarily or permanently. This may have a material adverse impact on Viva Energy's operations and profitability.

### **5.2.22 Regulatory risks**

Viva Energy is subject to a wide range of legislative and regulatory obligations, some of which are described in Section 3.8. A failure to comply with such obligations may cause material damage to Viva Energy's brand and reputation, and could also result in fines, injunctions, penalties, requirements for remedial works and other sanctions that may have an adverse effect on Viva Energy's business.

The introduction of new, or variation of existing, laws, standards or regulations (including changes to laws, standards or regulations relating to fuel quality standards, health and safety, the environment, industrial/employee matters, or changes impacting Viva Energy's trading activities), or a change in the way existing laws, standards or regulations are interpreted or applied, may require changes to the way Viva Energy conducts its business and operations. Such changes may require significant expenditures and/or inhibit Viva Energy's ability to obtain inputs and process, distribute, market and/or sell its products, which may have a materially adverse effect on Viva Energy's operating performance and financial results.

For example, the IMO has set a global limit for sulphur content in fuel oil used on board ships of a maximum of 0.50% m/m (mass by mass), to apply from 1 January 2020 (refer to Section 3.8 for more details). This will significantly reduce the amount of sulphur-based emissions from ships, and may impact the type, the quality and the quantity of marine fuels acquired by ship owners. The impact of this change cannot be predicted with certainty, as ship owners may either decide to acquire fuel oil with lower sulphur components that meet the standards, or install and operate exhaust gas scrubbing units aboard their ships. Further, the compliance of ship owners with the regulations in a timely manner cannot be predicted with certainty. That being said, this change has the potential to impact the price of low sulphur crudes and feedstocks that the Geelong Refinery processes relative to higher sulphur crudes and feedstocks, and could therefore have a material impact on the Refining Margin.

See also the risk factor in Section 5.2.23 below.

### **5.2.23 Changes in fuel specifications**

Viva Energy is required to adhere to quality and product specifications set out in Australian federal, state and territory legislation (including the *Fuel Quality Standards Act 2000* (Cth)), as well as specifications set by certain international bodies and organisations. In order to meet these requirements, Viva Energy must either manufacture (at the Geelong Refinery) or acquire and import products that meet these standards. Further regulation may require end-users to adhere to certain quality or emissions targets which, while they do not apply to Viva Energy directly, may impact demand for refined products produced by Viva Energy. Product specification requirements may change from time to time, and Viva Energy may not be able to predict or adequately plan for such changes or may be unable to comply with new standards without significant expenditures (or at all). Changes in product specification requirements may have an adverse impact on Viva Energy's operational and financial performance, including by increasing the cost of producing refined products that meet such requirements and/or by reducing revenue generated from the sale of refined products (for example, due to a decrease in demand).

In October 2015, the Commonwealth Government established a Ministerial Forum to address emissions from motor vehicles (refer to Section 3.8 for more details). The ministerial forum released various consultation papers, including a discussion paper on reducing vehicle emissions, which proposed a number of potential amendments to fuel standards (including to levels of sulphur, aromatics and possibly octane in petrol, as well as polycyclic aromatic hydrocarbons and



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cetane in diesel). If adopted, some of these new standards would require changes to the processes at the Geelong Refinery, which would likely involve material capital expenditure and increases in processing costs, and could also result in an increase in the price of refined products purchased by Viva Energy. This could have an adverse impact on the Refining Margin and Viva Energy's overall financial performance.

### 5.2.24 Property risks

Viva Energy owns or leases/licenses a significant number of properties nationwide, including leases in respect of Alliance Sites and leases under which Viva Energy REIT is the landlord (see risk factor in Section 5.2.2 above). Some of the leases/licences have expired and are currently being "held over" pending negotiation of an extension to the lease/licence or a new lease/licence. There is no guarantee that Viva Energy will be able to negotiate such an extension or new lease/licence on commercially acceptable terms (or at all).

Events that adversely affect Viva Energy's ability to occupy, access or use sites may include failure by Viva Energy to meet lease/licence terms or renew leases/licences, expiry of leases/licences without securing future property rights or expropriation by authorities. Any such events may reduce Viva Energy's access to products and/or markets and may raise costs or reduce revenues.

### 5.2.25 VIPL will retain a significant interest in Viva Energy post Listing

It is currently anticipated that VIPL will indirectly hold at least 40% of the issued capital of Viva Energy immediately following Completion, and that the Board will include two Directors nominated by VIPL.<sup>3</sup> Consequently, VIPL may be in a position to materially influence matters requiring the approval of Shareholders, including the election of Directors of Viva Energy. VIPL's retained interest in Viva Energy may also place it in a position to materially influence the outcome of any takeover offer for the Shares or similar transaction involving the acquisition of the Shares. The interests of VIPL may differ from the interests of Viva Energy and its other Shareholders, and this may adversely affect the Share price and other Shareholders.

VIPL's retained interest in Viva Energy may reduce the liquidity of trading in the Shares. A significant sale of Shares by Viva Energy B.V. (being the wholly owned subsidiary of VIPL through which it will hold its interest in Viva Energy), or the perception that such sale might occur, could adversely affect the market price for the Shares.

### 5.2.26 Litigation risks

Viva Energy may from time to time be, and is currently, a party to, or the subject of, legal proceedings, complaints, inquiries, investigations, audits, claims or disputes with or involving a variety of parties and relating to matters such as asset ownership, resource use, product quality, supply issues, injury, health, environmental, safety or operational concerns, nuisance, negligence, failure to comply with applicable laws and regulations or failure to comply with contractual obligations ("**Legal Proceedings**"). The relevant parties may include, but are not limited to, current and former suppliers, customers, employees and landlords/licensors, as well as governmental agencies, regulators and other third parties. The outcome of Legal Proceedings is often uncertain. Even where successfully addressed without direct adverse financial effect, they can have an adverse effect on Viva Energy's brand and reputation and divert financial and management resources away from more beneficial uses. Viva Energy may be found liable in connection with Legal Proceedings, which may adversely affect its operating and financial performance, including by resulting in fines, penalties or other sanctions and/or the revocation of, or an adverse amendment to the terms of, permits, licences, approvals or authorisations held by Viva Energy and required for the conduct of its business.

### 5.2.27 Information technology, cyber security and data risks

The Viva Energy business uses a number of information technology systems including IT infrastructure such as servers, storage, databases and telecommunications infrastructure, as well as software applications and control and processing systems at the Geelong Refinery. Viva Energy relies on technology systems for functions such as procurement, sales, and pipeline and terminal operations, in particular the timely production and movement of crude, intermediate and refined products. Viva Energy recently transitioned its enterprise resource planning system to a new third-party service provider. Such transition is a major change to the IT infrastructure, and the failure to implement or transition systems efficiently and without disruption may have a material adverse effect on Viva Energy's business.

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3. Vitrol Investment Partnership presently expects to hold between 40% and 50% of the Shares upon Completion of the Offer, but it reserves the right to hold a greater percentage of the Shares at that time taking into consideration market conditions and such other factors as it may consider relevant.

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These services may fail or be subject to disruption as a result of external threats or system errors, which would have an adverse effect on Viva Energy's operations and profitability. Such systems could also be subject to data integrity problems or suffer security breaches leading to loss of confidential or personal data. Loss of such data may expose Viva Energy to litigation, claims, fines and penalties. Certain systems are operated or maintained by third parties whom Viva Energy does not control, and the failure of third parties to effectively or efficiently perform such services may disrupt Viva Energy's operations and/or cause harm to its reputation.

Unauthorised access to or a breach or failure of Viva Energy's digital infrastructure due to cyber-attacks, negligence or other actions could disrupt the Company's operations and result in the loss or misuse of data or sensitive information, injury to people, harm to the environment or Viva Energy's assets, legal or regulatory breaches and potential legal liability. Strategic targets, such as energy-related assets and transportation assets, may be at greater risk of future cyber-attacks than other targets in Australia.

If Viva Energy fails to replace or upgrade systems in a timely manner, or if it fails to effectively manage the recent transition to a new enterprise planning system, it may incur substantial costs and may experience interruptions to its normal business activities or loss of critical data or consumer confidence.

Any matters affecting Viva Energy's information technology or telecommunications systems could have a material adverse effect on its business, both financially and by way of brand and reputational damage.

### **5.2.28 Intellectual property risks**

Viva Energy's ability to benefit from its innovation and expertise depends in part upon its ability to protect its intellectual property and any improvements to it, as well as Viva Energy's confidential information. Intellectual property that is important to Viva Energy includes its know-how, trademarks, domain names, website, business names and logos. Viva Energy relies on a number of third-party licences of intellectual property, including in respect of the Shell trade mark and Shell technology. Viva Energy relies on general law protections in respect of its intellectual property portfolio. Some intellectual property is more challenging to contain and protect than others; for example, know-how is not a traditional intellectual property right and is generally protected through contractual and practical measures only. If it became necessary for Viva Energy to bring or defend intellectual property enforcement proceedings, this may (like any contentious legal proceedings) result in significant costs being incurred by Viva Energy.

Also refer to the risk factor in Section 5.2.1 above in relation to Viva Energy's use of the Shell brand in its retail business and associated risks.

### **5.2.29 Insurance risks**

Insured or uninsured catastrophic events such as acts of God, fires, floods, earthquakes, widespread health emergencies, pandemics, epidemics, wars and strikes may affect the value or the availability of Viva Energy's assets and its ability to sustain operations, provide essential products and services or recover operating costs. Some events of this type, and some assets, are uninsurable, or Viva Energy has chosen not to insure against them. Should damage to Viva Energy's assets or business be sustained because of any uninsured risks, its profitability and cash flows may be adversely affected.

Also, Viva Energy's insurance policies are subject to certain limits and sub-limits, and there is a risk that an insured event could occur which causes a loss materially in excess of the applicable limit or sub-limit, or that insurers do not have the resources to pay.

### **5.2.30 Tax risks**

Tax and revenue authorities regularly review the tax treatment of transactions entered into by Viva Energy. Multiple reviews of this nature are currently on foot. Where considered appropriate, provisions have been included in Viva Energy's financial statements in respect of such matters (see Section 4.5.5.2). The outcome of such reviews cannot be predicted with certainty, and the adequacy of any such provisions cannot be guaranteed. Viva Energy may be liable to pay amounts in respect of matters the subject of reviews which are in excess of the provisions (if any) included in its financial statements. Further, the outcome of such reviews may result in changes in the carrying value of assets in Viva Energy's financial statements. Any of the foregoing may have a material adverse effect on Viva Energy's financial position.

The Offer will give rise to certain taxation implications for Viva Energy that are likely to have an impact on its deferred tax balances, the precise quantum of which will be confirmed after Completion.

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### 5.2.31 Credit risk

Credit risk is the risk that a customer or counterparty fails to meet its contractual obligations under a financial instrument and that this results in a loss to Viva Energy. Viva Energy is exposed to counterparty credit risk arising from its operating activities.

Viva Energy manages the risk by establishing credit limits and managing exposure to individual entities and, where appropriate, by taking out credit insurance. Credit evaluations are performed on all customers requiring credit over a certain amount.

### 5.2.32 Climate change risk

Climate change issues are relevant to Viva Energy's business.

Fossil fuel-related emissions are a significant source of greenhouse gases which are argued to be contributing to climate change. Viva Energy produces fossil fuels such as refined products for sale to customers, and also uses fossil fuels in its refining operations and across its national distribution network (either directly or through the purchase of fossil fuel-based electricity). There is growing public concern about the environmental impact of climate change, and a number of national governments, including the Australian Government, have introduced, or are contemplating the introduction of, regulatory responses to greenhouse gas emissions to address the impacts of climate change.

Compliance with changes in laws, regulations and obligations relating to climate change could increase Viva Energy's costs related to operating and maintaining its assets, and may require it to install new emission controls, acquire allowances or pay taxes related to greenhouse gas emissions, or administer and manage a greenhouse gas emissions program. Any of the foregoing may involve significant expenditures and have a material adverse impact on Viva Energy's financial and operating performance.

## 5.3 General risks

### 5.3.1 Price of Shares may fluctuate

Once Viva Energy becomes a publicly listed company on the ASX, it will become subject to general market risk that is inherent in all securities listed on a stock exchange. This may result in fluctuations in its Share price that are not explained by the fundamental operations and performance of Viva Energy.

The price at which Shares are quoted on the ASX may increase or decrease due to a number of factors. These factors may cause the Shares to trade at prices below the Final Price. There is no assurance that the price of the Shares will increase following quotation on the ASX, even if Viva Energy's earnings increase. Some of the factors which may affect the price of the Shares include:

- fluctuations in the domestic and international markets for listed stocks;
- general economic conditions, including gross domestic product growth, interest rates, inflation rates, foreign currency fluctuations and commodity and oil prices;
- changes in fiscal, monetary or regulatory policies, legislation or regulation;
- inclusion in, or removal from, market indices;
- variations in sector performance, which can lead to investors exiting one sector in preference for another;
- initiatives by other sector participants which may lead to investors switching from one stock to another;
- the nature of the markets in which Viva Energy operates; and
- general operational and business risks.

### 5.3.2 Shareholders may suffer dilution

In the future, Viva Energy may elect to issue Shares (including pursuant to employee and management incentive arrangements) or engage in fundraisings including to fund acquisitions or growth initiatives that Viva Energy may pursue. While Viva Energy will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12 month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues of Shares and fundraisings.

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### 5.3.3 Trading in Shares may not be liquid

There is currently no public market through which Shares may be sold. There can be no guarantee that an active market in the Shares will develop, or that the price of Shares will increase, following Completion. There may be relatively few potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the market price of Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less or more than the price that Shareholders paid.

### 5.3.4 Changes in tax

Tax laws may change in the future. Any change to the current rates of taxes imposed on Viva Energy is likely to affect returns to Shareholders. An interpretation of tax laws by the ATO, or any other relevant authority or body, that is contrary to Viva Energy's view of those laws, may increase the amount of tax to be paid or cause changes in the carrying value of tax assets or liabilities in Viva Energy's financial statements. In addition, any change in tax rules could have a material adverse effect on the level of dividend franking and Shareholder returns.

### 5.3.5 Australian Accounting Standards may change

AAS are issued by the AASB and are not within the control of Viva Energy and its Directors. The AASB may, from time to time, introduce new or refined AAS, which may affect the future measurement and recognition of key statement of profit or loss and balance sheet items. There is also a risk that interpretation of existing AAS, including those relating to the measurement and recognition of key statement of profit or loss or balance sheet items, may differ. Any changes to the AAS or to the interpretation of those standards may have a material adverse effect on the reported financial performance and position of Viva Energy.

### 5.3.6 Inability to pay dividends

Viva Energy's ability to pay dividends or make other distributions in the future is contingent on its profits and certain other factors, including the capital and operational expenditure requirements of the business. Therefore, there is no assurance that dividends will be paid. Moreover, to the extent Viva Energy pays any dividends, its ability to offer fully franked dividends is contingent on making taxable profits. Viva Energy's taxable profits may be difficult to predict, making the payment of franked dividends unpredictable. The value of franking credits to a Shareholder will differ depending on the Shareholder's particular tax circumstances.

Shareholders should also be aware that the ability to use franking credits, either as a tax offset or to claim a refund after the end of the income year, will depend on the individual tax position of each Shareholder.

### 5.3.7 Expected future events may not occur

Certain statements in this Prospectus constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements of Viva Energy to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Given these uncertainties, prospective investors should not place undue reliance on forward-looking statements, in particular forecasts prepared by Wood Mackenzie in relation to matters such as electric vehicle penetration and demand for Viva Energy's products. In addition, under no circumstances should forward-looking statements be regarded as a representation or warranty by Viva Energy, any member of the Viva Energy Group or any other person referred to in this Prospectus that a particular outcome or future event is guaranteed.

### 5.3.8 Interest rate fluctuations

Changes in interest rates will affect borrowings which bear interest at floating rates. Any increase in interest rates will affect Viva Energy's costs of servicing borrowings, and may affect the relative strength of the Australian and the U.S. dollar, each of which could materially and adversely affect its financial performance and position.

## 5. Key risks

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### 5.3.9 Force majeure events may occur

Events may occur within or outside Australia that negatively impact global, Australian or other local economies relevant to Viva Energy's financial performance, the operations of Viva Energy and/or the price of the Shares. Some events of this nature, and their potential impact on Viva Energy, are referred to in risk factors above (see, for example, the risk factors set out in Section 5.2.5, Section 5.2.8 and Section 5.2.28). These events include, but are not limited to, acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events or occurrences that may have a material adverse effect on Viva Energy's supply chain, the demand for Viva Energy's products and services and its ability to conduct business.



## Section 6:

# Key individuals, interests and benefits



## 6. Key individuals, interests and benefits

### 6.1 Directors

The Directors bring to the Board relevant skills and experience, including business and industry knowledge, corporate strategy, operational and financial management and corporate governance.



**Robert Hill**

#### Chairman

##### Independent, Non-Executive

- The Hon. Robert M Hill AC is a former barrister and solicitor who specialised in corporate and taxation law and who now consults in the area of international political risk. He has had extensive experience serving on boards and as chairman of public and private institutions, particularly in the environment and defence sectors. For the last three years, he has been an independent Director of Viva Energy Holding.
- Robert was previously Australia's Minister for Defence, Minister for the Environment and Leader of the Government in the Senate during his time as a Senator for South Australia. He served as Australia's Ambassador and Permanent Representative to the United Nations in New York. He is a former Chancellor of the University of Adelaide. In 2012, he was made a Companion of the Order of Australia for services to government and the parliament.
- In the not-for-profit sector, Robert's current responsibilities include Chairman of the Antarctic Science Foundation and Chairman of the NSW Biodiversity Conservation Trust.
- Robert holds a Bachelor of Laws, a Bachelor of Arts and a Doctor of Laws (Hon) from the University of Adelaide, a Master of Laws from the University of London, and a Doctor of Political Science (Hon) from the University of Queensland.



**Scott Wyatt**

#### Chief Executive Officer

- Scott Wyatt has more than 30 years' experience in the oil and gas sector and has held various leadership roles within Viva Energy's downstream oil and gas business (formerly Shell) including strategy, marketing (consumer and commercial) and supply and distribution.
- After a long career with Shell in New Zealand, Australia and Singapore, Scott moved permanently to Australia in 2006 as Distribution Manager (Australia and New Zealand) and in 2009 was appointed General Manager of Supply and Distribution Australia. In July 2013, Scott was appointed Vice President Downstream Australia, responsible for the downstream businesses in Australia.
- Scott is also a Non-Independent Non-Executive Director of Viva Energy REIT.



**Arnoud De Meyer**

#### Independent, Non-Executive Director

- Arnoud De Meyer is the current President of Singapore Management University, and was previously a Professor in Management Studies at the University of Cambridge and Director of Judge Business School. Arnoud was also associated with INSEAD as a professor for 23 years, and was the founding Dean of INSEAD's Asia Campus in Singapore.
- Arnoud currently serves on the boards of Singapore Symphonia Company, Singapore International Chamber of Commerce, Temasek Management Services and Dassault Systèmes, listed on the Euronext Paris exchange. Arnoud previously served as an independent director for the Department for Business Enterprise and Regulatory Reform (UK) and the Singapore Economic Review Committee.
- Arnoud holds a Master of Science in Electrical Engineering, a Master of Science in Business Administration, a Doctor of Philosophy in Management and an Honorary Doctorate from the University of Gent in Belgium.





**Dat Duong**

#### Non-Executive Director

- Dat Duong is the Head of Investments for Vitol in Asia Pacific.
- Dat joined Vitol in 2010 and prior to joining Vitol was an Associate Partner at Leopard Capital, an investment fund focused on Asia's frontier and emerging markets.
- Dat also has extensive international investment banking experience, including with Merrill Lynch in the Global Energy and Power Investment Banking Group in both Hong Kong and Canada, where he led multiple landmark downstream oil transactions.
- Dat commenced his career at Esso Imperial Oil in Canada as a business analyst.
- Dat graduated with a Bachelors Degree in Business Administration from the Schulich School of Business at York University, Canada and is also a Chartered Financial Analyst.
- Dat has been a Director of Viva Energy Holding since 2016.



**Hui Meng Kho**

#### Non-Executive Director

- Hui Meng Kho is the President and CEO of Vitol Asia Pte Ltd and a member of the Vitol Group Board of Directors. Hui Meng joined Vitol in 1987 and has been the head of Vitol Asia since 1999.
- Hui Meng is also a director of Boustead Petroleum Sdn. Bhd. (formerly BP Malaysia) and on the Board of Trustees of Singapore Management University.
- Prior to joining Vitol, Hui Meng was with Esso Singapore, involved in logistics, planning, trading and refinery operations.
- Hui Meng was educated in Malaysia and the United Kingdom and holds a Bachelor of Science (Hon) in Chemical Engineering from the University of Manchester Institute of Science and Technology. Hui Meng was also conferred the title "Dato" by the Ruler of the Malaysian state of Pahang in 2004.
- Hui Meng has been a Director of Viva Energy Holding since 2014.



**Jane McAloon**

#### Independent, Non-Executive Director

- Jane McAloon has over 25 years of business, government and regulatory experience at senior executive and board levels across the energy, infrastructure and natural resources sectors.
- Jane is a non-executive director at Healthscope, Energy Australia, Cogstate and the Port of Melbourne. Jane is also currently a member of the Civil Aviation Safety Authority.
- Jane was an executive at BHP Billiton and AGL. Prior to this, she held positions in government in energy, rail and natural resources. Jane holds a Bachelor of Economics (Hon), a Bachelor of Laws from Monash University and a Graduate Diploma in Applied Corporate Governance.



**Sarah Ryan**

#### Independent, Non-Executive Director

- Sarah Ryan has almost 30 years of international experience in the energy industry, ranging from technical and operational roles at a number of oil and gas companies, to a decade of experience as an equity analyst covering natural resources.
- Sarah currently serves as a non-executive director of Woodside Petroleum, where she is a member of the Audit and Risk, and Sustainability board committees.
- Sarah is a Fellow of the Australian Academy of Technological Sciences and Engineering, a Fellow of the Australian Institute of Energy, a Member of the Australian Institute of Company Directors, a Member of Women Corporate Directors and a Member of Chief Executive Women. Sarah is a member of the selection panel of the General Sir John Monash Foundation.
- Sarah holds a Bachelor of Science in Geology from the University of Melbourne, a Bachelor of Science in Geophysics (Hon 1) and Doctor of Philosophy in Petroleum Geology and Geophysics from the University of Adelaide.

## 6. Key individuals, interests and benefits

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### 6.2 Executive leadership team



**Scott Wyatt**

- See Section 6.1 for more details.



**Jevan Bouzo**

#### Chief Financial Officer

- Prior to joining Viva Energy in April 2015 Jevan Bouzo worked at Ernst & Young in assurance and business services, where he led assurance and business improvement projects for clients in the energy and retail sectors as well as a number of ASX-listed companies. Since joining Viva Energy, Jevan has overseen corporate finance, business finance and credit, treasury and a number of strategic projects culminating in his appointment as Chief Financial Officer.
- Jevan is a Chartered Accountant and has a degree in Bachelor of Commerce majoring in Accounting and Finance.



**Lachlan Pfeiffer**

#### General Counsel and Company Secretary

- Prior to joining Viva Energy in October 2014, Lachlan Pfeiffer worked as a corporate lawyer for Skadden, Arps, Slate, Meagher and Flom (UK) LLP, based in London for seven years. Lachlan started his career in Melbourne working for Norton Rose Fulbright (Australia).
- Lachlan is a legal practitioner and holds a Bachelor of Commerce and a Bachelor of Laws. He is also a member of the Australian Institute of Company Directors.
- Lachlan is also a Non-Independent Non-Executive Director of Viva Energy REIT.



**Daniel Ridgway**

#### General Manager, Retail

- Daniel Ridgway has more than 20 years' experience in the oil and gas industry, starting his career as a petroleum engineer in Shell's upstream exploration business in the North Sea for five years, based in Aberdeen.
- Daniel moved into Viva Energy's downstream oil and gas business (formerly Shell) in 2003 when returning to Australia, and has since worked in many areas of the business including pricing, wholesale sales, fuels strategy, Shell Card, bitumen, chemicals and lubricants.
- Previously Daniel was the General Manager for Commercial and Supply Chain at Viva Energy, as well as having leadership roles in Shell Global Strategy and Shell Card Asia Pacific.



**Denis Urtizberea**

#### **General Manager, Commercial**

- Denis Urtizberea joined Viva Energy Australia late 2015, bringing 25 years of experience in the oil and gas industry. He developed a passion for customer centricity through a number of diverse sales and marketing leadership positions, primarily in the business to business arena.
- Starting his career in a small subsidiary of Total, moving then to BP/Castrol Group before joining Puma Energy and finally Viva Energy and Viva Energy Australia, Denis has had the opportunity to build a strong international culture through negotiating deals in more than 100 countries across the globe.



**Thys Heyns**

#### **General Manager, Geelong Refinery**

- Thys Heyns has almost 32 years' experience in the oil and gas industry, including being Refinery General Manager for BP's refineries in Kwinana, Western Australia and Rotterdam, The Netherlands.
- Thys has a Bachelor of Commerce in Accounting and Economics as well as a Master of Business Administration.



**Jodie Haydon**

#### **General Manager, Human Resources**

- Jodie Haydon has worked across all parts of the downstream business in various Human Resources roles and has been part of many projects changing and shaping the business during her 20+ years with Shell and Viva Energy. She worked in IT and project management roles before moving into human resources.

## 6. Key individuals, interests and benefits

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### 6.3 Interests and benefits

This Section 6.3 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director of Viva Energy;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of Viva Energy; or
- underwriter to the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of Viva Energy;
- property acquired or proposed to be acquired by Viva Energy in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such persons for services in connection with the formation or promotion of Viva Energy or the Offer or to any Director or proposed Director of Viva Energy to induce them to become, or qualify as, a Director.

#### 6.3.1 Directors' interest and remuneration

##### 6.3.1.1 Chief Executive Officer

Scott Wyatt is employed as the Chief Executive Officer of Viva Energy. Refer to Section 6.4.1 for further details.

##### 6.3.1.2 Non-Executive Directors

Under the Constitution, the Directors decide the total amount paid to all Non-Executive Directors as remuneration for their services as a Director. However, under the Constitution and the ASX Listing Rules, the total amount paid to all Non-Executive Directors must not exceed in aggregate in any year the amount fixed by Viva Energy in a general meeting for that purpose. This amount has been fixed by Viva Energy at \$1.9 million per annum.

The annual Non-Executive Directors' fees, inclusive of superannuation, currently agreed to be paid by Viva Energy are \$400,000 to the Chairman, Robert Hill, and \$165,000 to each of the other independent Non-Executive Directors (Arnoud De Meyer, Jane McAloon and Sarah Ryan). Dat Duong and Hui Meng Kho have agreed to forgo Director fees.

In addition, with the exception of Robert Hill, the Chair of each Board committee (see Section 6.6.3) will be paid \$35,000 annually and each Non-Executive Director who is a member (but not the Chair) of one of those committees will receive an additional \$17,500 per annum for serving on that committee. All of these amounts are inclusive of superannuation contributions.

Each independent Non-Executive Director is entitled to a payment for consulting services provided in respect of the Offer during the period prior to their appointment as a director of the Company. The amount of this payment will be \$186,687 for Robert Hill, \$77,000 for Arnoud De Meyer and \$49,500 for each of Jane McAloon and Sarah Ryan. In addition, each independent Non-Executive Director will receive a fee for their contribution to the due diligence process for the Offer. The amount of such fee will be \$150,000 for Robert Hill and \$100,000 for each of the other independent Non-Executive Directors.

##### 6.3.1.3 Deeds of access, insurance and indemnity

The Company has entered into a deed of access, insurance and indemnity with each Director, which confirms the Director's right of access to certain books and records of Viva Energy for the period from the date of the deed until seven years after the Director ceases to hold office of the Company. This seven year period can be extended where certain proceedings or investigations commence before the period expires.

Under the deeds of access, insurance and indemnity, the Company indemnifies each Director against any loss that may arise from, or in connection with, any act or omission by that Director in the performance of, or relating to or in connection with, their position as an officer of the Company or the execution or discharge of duties as such an officer, to the full extent permitted by law. Each deed provides that the Company must meet the full amount of any such loss, including legal costs (calculated on a full indemnity basis) that are reasonably incurred, charges and expenses.

Under the deeds of access, insurance and indemnity, the Company must arrange and maintain a directors' and officers' insurance policy for its Directors to the extent permitted by law, and must use reasonable endeavours to maintain such insurance for the period from the date of the deed until seven years after the Director ceases to hold office. This seven year period can be extended where certain actions or proceedings commence before the period expires.

#### 6.3.1.4 Directors' interests in Shares

The Directors are not required by the Company's Constitution to hold any Shares. However, the Board intends to adopt a policy requiring each member of the Executive Leadership Team and all Independent Directors to accumulate a minimum shareholding equivalent to 100% of their fixed annual remuneration within five years of Completion of the Offer or the date on which they become a member of the Executive Leadership Team or a Director (whichever is later), and to maintain such minimum shareholding for so long as they remain a member of the Executive Leadership Team or a Director.

None of the Directors currently hold Shares<sup>1</sup>. Certain Directors intend to apply for Shares under the Offer. Final Directors' shareholdings will be notified to the ASX on Listing. The Directors' respective holdings of Shares on Completion of the Offer are outlined below.

Directors	Shares acquired under the Offer	Shares held on Completion (including Shares acquired under the Offer)
Robert Hill	\$100,000 worth of Shares (approximately 37,735 Shares based on the high end of the Indicative Price Range)	\$100,000 worth of Shares (up to 40,000 Shares based on the low end of the Indicative Price Range)
Scott Wyatt	Nil	5,191,066 <sup>2</sup>
Arnoud De Meyer	\$50,000 worth of Shares (approximately 18,867 Shares based on the high end of the Indicative Price Range)	\$50,000 worth of Shares (up to 20,000 Shares based on the low end of the Indicative Price Range)
Dat Duong	Nil	Nil
Hui Meng Kho	Nil	Nil
Jane McAloon	\$50,000 worth of Shares (approximately 18,867 Shares based on the high end of the Indicative Price Range)	\$50,000 worth of Shares (up to 20,000 Shares based on the low end of the Indicative Price Range)
Sarah Ryan	\$50,000 worth of Shares (approximately 18,867 Shares based on the high end of the Indicative Price Range)	\$50,000 worth of Shares (up to 20,000 Shares based on the low end of the Indicative Price Range)

Directors may hold their interests in the Shares shown above directly, or through holdings by companies or trusts.

Scott Wyatt is a participant in the Company's Legacy LTIP and will participate in the Company's LTIP and STIP. As a result of such participation, Scott Wyatt may also acquire Performance Rights, Share Rights and New Options (see Section 6.4.1).

#### 6.3.1.5 Other information about Directors' interests and benefits

Directors may be reimbursed for travel and other expenses incurred in attending to Viva Energy's affairs, including attending and returning from general meetings of the Company, Board meetings or meetings of Board committees. If a Director renders or is called on to perform extra services or to make special exertions in connection with the affairs of the Company, the Directors may arrange for a special remuneration to be paid to that Director, either in addition to or in substitution for that Director's remuneration as set out in this Section 6.3.

There are no retirement benefits payable to Non-Executive Directors, other than statutory entitlements.

<sup>1</sup> Scott Wyatt holds 6,069,926 Existing Options, as described in Section 10.4.3.1.

<sup>2</sup> These Shares are to be issued to Scott Wyatt upon the exercise of New Options, as described in Section 10.4.3.2.

## 6. Key individuals, interests and benefits

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### 6.3.2 Interests of advisers

The following professional advisers have been engaged in relation to the Offer:

- Merrill Lynch Equities (Australia) Limited and Deutsche Bank AG, Sydney Branch have acted as Joint Global Coordinators and Joint Lead Managers to the Offer, and UBS AG, Australia Branch has acted as Joint Lead Manager to the Offer. Viva Energy has paid, or agreed to pay, the Joint Lead Managers the fees described in Section 9.8 for these services. Subject to the terms of the Debt Facility Agreement, Deutsche Bank and Bank of America NA, Australian Branch, a banking affiliate of Merrill Lynch, are lenders to Viva Energy under the Debt Facility Agreement summarised in Section 9.7.
- Morgans Financial Limited has acted as Co-Lead Manager to the Offer. Viva Energy has paid, or agreed to pay, the Co-Lead Manager the fees described in Section 9.8 for these services.
- Bell Potter Securities Limited, Craigs Investment Partners Limited, Crestone Wealth Management Limited, Evans and Partners Pty Ltd (part of the EVANS DIXON group), JBWere Limited, National Australia Bank Limited, Ord Minnett Limited and Wilsons Corporate Finance Limited have acted as Co-Managers to the Offer. Viva Energy has paid, or agreed to pay, the Co-Managers the fees described in Section 9.8 for these services.
- DBS Bank Ltd., Mizuho Securities Asia Limited, SMBC Nikko Capital Markets Limited, The Bank of Nova Scotia, Australia Branch and The Hongkong and Shanghai Banking Corporation Limited are the Transaction Participants. Viva Energy Holding has paid, or agreed to pay, each Transaction Participant a fee of A\$150,000 (subject to Completion of the Offer).
- Gilbert + Tobin has acted as Australian legal adviser (other than in respect of taxation and stamp duty) in relation to the Offer. Viva Energy has paid, or agreed to pay, approximately \$2.75 million (plus disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to Gilbert + Tobin in accordance with its normal time-based charges.
- PricewaterhouseCoopers Securities Ltd has acted as the Investigating Accountant in connection with the Offer and has performed work in relation to the Investigating Accountant's Reports. Viva Energy has paid, or agreed to pay, approximately \$1.30 million (plus disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to PricewaterhouseCoopers Securities Ltd in accordance with its normal time-based charges.
- PricewaterhouseCoopers has acted as tax adviser in connection with the Offer. Viva Energy has paid, or agreed to pay, approximately \$100,000 (plus disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to PwC in accordance with its normal time-based charges.
- Wood Mackenzie Asia Pacific Pte Ltd has acted as industry consultant in connection with the Offer. Viva Energy has paid, or agreed to pay, approximately US\$105,000 (plus disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to Wood Mackenzie in accordance with its normal time-based charges.

These amounts, and other expenses of the Offer, will be borne by Viva Energy out of funds raised under the Offer. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.1.3.

In connection with the bookbuild process described in Section 7.9.2, one or more investors may elect to acquire an economic interest in Shares instead of subscribing for or acquiring the legal or beneficial interest in those Shares. One or more of the Joint Lead Managers (or their affiliates) may, for their own account, write derivative transactions with those investors relating to certain Shares to provide the economic interest, or otherwise acquire Shares in connection with the writing of such derivative transactions in the bookbuild and/or in the secondary market. As a result of such transactions, one or more of the Joint Lead Managers (or their affiliates) may be allocated, subscribe for or acquire Shares in the bookbuild and/or in the secondary market, including to hedge those derivative transactions, as well as hold long or short positions in such Shares. These transactions may, together with other Shares acquired by the Joint Lead Managers or their affiliates in connection with their ordinary course sales and trading, principal investing and other activities, result in a Joint Lead Manager or its affiliates disclosing a substantial holding and earning fees.

## 6.4 Executive remuneration

In setting executive remuneration post-Listing, the Board determined that it would typically set fixed remuneration, STI and LTI at or around the median for ASX-listed companies of a similar size and industry. For 2018, it determined that this would not be the best use of Shareholder capital, recognising the value and retentive impact of the Legacy LTIP (see Section 10.4.3). Therefore, the Board has set fixed remuneration, STI and LTI for 2018 significantly below that offered by direct comparators.

Executive remuneration quantum will be reviewed annually. It is envisioned that increases to fixed remuneration, STI and LTI will be required to be made by the Board in future years to ensure that arrangements appropriately motivate, engage and retain executives following expiry of the Legacy LTIP.



## 6.4.1 Chief Executive Officer

Term	Description
Employer	Scott Wyatt is employed by Viva Energy Australia as the Chief Executive Officer.
Fixed annual remuneration	Under the terms of his employment, Scott Wyatt is entitled to fixed annual remuneration (" <b>FAR</b> ") of \$896,000 inclusive of superannuation contributions.
Short term incentive (" <b>STI</b> ")	<p>Scott Wyatt is eligible under his employment agreement to receive an STI award of up to \$1.2 million for the FY2018 performance period. The amount of any such STI award will depend on the extent to which specific financial and non-financial targets are achieved, as set and assessed by the Board.</p> <p>An additional gateway will apply in respect of both FY2018 and FY2019 STI awards, such that any STI award will be conditional upon exceeding the Underlying EBITDA (RC) forecast for the relevant period (as set out in this Prospectus).</p> <p>Any STI award in respect of FY2018 will be delivered to Scott Wyatt 50% in cash and 50% in Share Rights, being rights to be issued or transferred Shares on a one-for-one basis subject to vesting of the Share Rights. 50% of the Share Rights will vest 12 months after the date of grant, with the remaining 50% to vest 24 months after such date, in each case subject to Scott Wyatt's continued employment with the Viva Energy Group unless the Board has exercised its discretion to waive that vesting condition.</p>
Long term incentive (" <b>LTI</b> ")	Scott Wyatt will participate in the LTI Offer on the terms outlined in Section 6.4.3. As a result of such participation, and subject to Completion of the Offer, Scott Wyatt will be granted Performance Rights having a face value of approximately \$1.2 million <sup>3</sup> .
Other benefits	<p>Scott Wyatt's Existing Options will be treated in the manner described in Section 10.4.3 in connection with the Offer. As a result of such treatment, and subject to settlement of the Offer, Scott Wyatt will receive: (i) 14,419,631 New Options as consideration for the sale to the Company of the Existing Options held by him; (ii) a cash bonus of US\$3,367,009; (iii) an Option Cancellation Fee in respect of the cancellation of 3,460,711 of his vested New Options<sup>4</sup>; and (iv) 5,191,066 Shares pursuant to the exercise of that same number of his vested New Options (representing all of his vested New Options which are not cancelled). 50% of the Shares referred to in (iv) will be subject to escrow restrictions until the end of the Prospectus forecast period (30 June 2019), with the other 50% subject to escrow restrictions for an additional 12 months following the end of the Prospectus forecast period (30 June 2020) (see Section 7.11).</p> <p>Following these transactions, Scott Wyatt will hold 5,767,854 unvested New Options, 2,883,926 of which are scheduled to vest and become exercisable on 1 January 2019 and 2,883,928 of which are scheduled to vest and become exercisable on 1 January 2020, in each case subject to Scott Wyatt's continued employment with the Group and the terms of the LTIP.</p>

<sup>3</sup> The number of Performance Rights to be granted to Scott Wyatt will be calculated by dividing \$1.2 million by the Final Price.

<sup>4</sup> The quantum of the Option Cancellation Fee will be calculated by reference to the difference between the Final Price and the exercise price for the relevant vested New Options.



## 6. Key individuals, interests and benefits

Term	Description
Notice period, termination and termination payments	<p>Scott Wyatt's employment may be terminated by either party upon providing 12 months' written notice.</p> <p>Viva Energy Australia may elect to pay Scott Wyatt in lieu of all or part of such notice period, with any such payment to be based on Scott Wyatt's FAR over the relevant period. Scott Wyatt may also be required to serve out the whole or part of the notice period on an active or passive basis at the Board's discretion.</p> <p>Scott Wyatt's employment may also be terminated by Viva Energy Australia without notice in certain circumstances such as unremedied material breach, serious misconduct (including dishonesty, fraud or wilful breach of duty), bankruptcy, failure to comply with a lawful and reasonable direction from the Board, and if he makes a personal profit at the expense of the Viva Energy Group to which he is not legally entitled.</p> <p>Any payments made to Scott Wyatt upon termination of his employment will be limited to the maximum amount permitted by the Corporations Act. The Shareholders of the Company and Viva Energy Australia have approved the provision of benefits on cessation of employment to Scott Wyatt, including the benefits summarised in this Section 6.4.1.</p>
Non-solicitation/restrictions on future activities	<p>For a period of 12 months following the termination of Scott Wyatt's employment, he must not induce any Director or senior employee of the Viva Energy Group to terminate their employment with the Viva Energy Group, or solicit a material supplier or material customer of the Viva Energy Group to cease or reduce their business with the Viva Energy Group.</p> <p>Scott Wyatt will also be restrained for a period of up to 12 months following termination from participating in any business that competes with a material business of the Viva Energy Group or a planned material future business activity of the Viva Energy Group.</p> <p>The enforceability of the restraint clause is subject to all usual legal requirements. In the event of resignation, Viva Energy Australia has the option of making a monthly payment in support of the restraint to a maximum value of 12 months' FAR (subject to Scott Wyatt's compliance with the terms of the restraint).</p>

### 6.4.2 Other members of Executive Leadership Team

Members of the Executive Leadership Team other than Scott Wyatt (as listed in Section 6.2) ("**ELT Members**") are party to individual employment contracts with Viva Energy Australia.

These contracts include an entitlement to fixed annual remuneration, inclusive of superannuation contributions.

The ELT Members will participate in the STI Plan, subject to the terms of that plan. The ELT Members may receive an STI award of up to a specified amount in respect of a performance period depending on the extent to which certain performance measures are achieved, as set and assessed by the Board. Such performance measures may include financial and non-financial targets. Consistent with the position for Scott Wyatt (as described in Section 6.4.1 above), any STI award granted to an ELT Member in respect of FY2018 will be delivered 50% in cash and 50% in Share Rights, with the Share Rights to be subject to the same vesting conditions and schedule as applicable to Scott Wyatt. Also consistent with the position for Scott Wyatt, an ELT Member will only receive an STI award in respect of FY2018 or FY2019 if the Underlying EBITDA forecast for the relevant period (as set out in this Prospectus) is achieved.

The ELT Members will participate in the LTI Offer on the terms outlined in Section 6.4.3. As a result of such participation, and subject to Completion of the Offer, the ELT Members will be granted Performance Rights having an aggregate face value of \$2.8 million<sup>5</sup>.

<sup>5</sup> The number of Performance Rights to be granted to the ELT Members will be calculated by dividing \$2.8 million by the Final Price.

The Existing Options held by the ELT Members will be treated in the manner described in Section 10.4.3 in connection with the Offer. As a result of such treatment, and subject to settlement of the Offer, the ELT Members will, in aggregate, receive: (i) 24,032,715 New Options as consideration for the sale to the Company of the Existing Options held by them; (ii) cash bonuses of an aggregate amount of US\$5,224,959; (iii) Option Cancellation Fees in respect of the cancellation of 5,767,844 of their New Options<sup>6</sup>; and (iv) 7,498,205 Shares pursuant to the exercise of that same number of their New Options (representing all of the vested New Options held by ELT Members which are not cancelled). 50% of the Shares referred to in (iv) will be subject to escrow restrictions until the end of the Prospectus forecast period (30 June 2019), with the other 50% subject to escrow restrictions for an additional 12 months following the end of the Prospectus forecast period (30 June 2020) (see Section 7.10). Following these transactions, the ELT Members will hold 10,775,666 unvested New Options scheduled to vest on various dates between 1 January 2019 and 1 January 2022, in each case subject to the relevant ELT Member's continued employment with Viva Energy and the terms of the LTIP.

The ELT Members will be eligible to participate in the ESP as described in Section 10.4.4.

Under their contractual arrangements, the ELT Members have 12 month notice periods. Similar to the position for Scott Wyatt, Viva Energy Australia may elect to pay the ELT Members in lieu of all or part of their respective notice periods. The ELT Members may also be required to serve out the whole or part of the relevant notice period on an active or passive basis at the discretion of Viva Energy Australia.

Viva Energy Australia may terminate the employment of each ELT Member without notice in the same circumstances as outlined above in respect of Scott Wyatt (see Section 6.4.1).

On termination of employment, the ELT Members will be subject to the same non-solicitation restriction and restraint as outlined above in respect of Scott Wyatt (see Section 6.4.1), including a restraint period of up to 12 months. The enforceability of the restraint clauses is subject to all usual legal requirements, and Viva Energy Australia has the option of making a monthly payment in support of the restraint to a maximum value of 12 months' of the relevant ELT Member's FAR (subject to the ELT Member's compliance with the terms of the restraint).

Any payments made to an ELT Member upon termination of his or her employment will be limited to the maximum amount permitted by the Corporations Act. The Shareholders of the Company and Viva Energy Australia have approved the provision of benefits on cessation of employment to each ELT Member, including the benefits summarised in this Section 6.4.2.

### 6.4.3 Incentive plans

Refer to Section 10.4 for additional information on:

- the STIP and the FY2018 STI Award (see Section 10.4.1);
- the LTIP and the LTI Offer (see Section 10.4.2);
- the Legacy LTIP and the manner in which Existing Options will be treated in connection with the Offer (see Section 10.4.3); and
- the ESP proposed to be established by the Company to enable eligible employees to acquire up to \$5,000 worth of Shares annually through a salary sacrifice mechanism.

These additional disclosures are important to understanding the remuneration arrangements for Scott Wyatt and ELT Members as described in Sections 6.4.1 and 6.4.2 respectively.

The LTIP, the STIP and the ESP will be administered by the Board. The Board has broad discretion under these incentive plans, including with respect to the terms on which awards are made and the waiver of vesting conditions or other requirements, and other relevant decisions.

## 6.5 Related party arrangements

As at the Prospectus Date, Vitol controls Viva Energy Holding by reason of its upstream control of Vitol Investment Partnership. If immediately following Completion of the Offer and as is expected, Vitol Investment Partnership's indirect ownership interest in Viva Energy Holding falls below 50%, then Vitol will cease to control Viva Energy Holding at that time.

Notwithstanding that cessation of control, it is expected that Viva Energy and affiliates of Vitol will, following Completion of the Offer, remain parties to certain contractual arrangements that are on foot as at the Prospectus Date. Certain of these arrangements are in the nature of long-term commercial contracts, namely the Vitol Fuel Supply Agreement and the Vitol Aviation Fuel Supply Agreement, each of which is summarised in Section 9.

<sup>6</sup> The quantum of the Option Cancellation Fees will be calculated by reference to the difference between the Final Price and the exercise price for the New Options.

## 6. Key individuals, interests and benefits

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In addition to those two contracts, Viva Energy has also entered into the following commercial agreements with affiliates of Vitol. These agreements are not considered to be material by Viva Energy, but they are summarised below to ensure that investors are aware of their existence and key terms:

- **IT Services Agreement** – pursuant to this agreement, an affiliate of Vitol has agreed to provide Viva Energy with access to certain IT software and related support services. Viva Energy uses that software in connection with its foreign exchange hedging program. The contract is terminable in a range of circumstances, including by either party on not less than 12 months' written notice. Viva Energy is required to pay licence and user rate fees to the Vitol entity on arm's length commercial terms.
- **Hedge Agreement** – an affiliate of Vitol and Viva Energy are parties to a standard-form ISDA Master Agreement pursuant to which Viva Energy hedges the price risks associated with the volatility of crude oil pricing. Each member of the Viva Energy Group has provided a guarantee to the relevant Vitol entity in respect of Viva Energy's performance under this agreement. The agreement will remain on foot until terminated by agreement of the parties or otherwise in accordance with its terms.
- **Secondment Agreement** – an affiliate of Vitol provides Viva Energy with the services of certain employees on a full-time or part-time basis in connection with Viva Energy's sourcing and procurement activities. Viva Energy pays a fee for the provision of those secondees, the amount of which is referable to the actual costs Vitol incurs in connection with the employment of those persons.
- **Coastal Freight Agreement** – from time to time, Viva Energy charters vessels from Mansel Limited (a member of the Vitol Group) pursuant to a charter agreement, predominantly for coastal freight services, including transferring materials from the Geelong Refinery. Viva Energy pays a fee in respect of each voyage under that agreement, with the amount of that fee being determined by reference to the location of the port of commencement and the destination port and also taking into account demurrage costs, fairwork crew costs, certain licence fees and other costs and charges.
- **Subscription service** – Viva Energy utilises an internet-based subscription service to which Vitol has access and for which access Viva Energy pays Vitol a fee for use. Access to the service assists Viva Energy to track procurement pricing in the market.

In addition, Cockett Marine Oil, being an entity in which the Vitol Group has a 50% interest, and which provides refuelling/bunkering to ships coming to Australia, also runs tender processes for the supply of fuel. From time to time Viva Energy is the successful tenderer and, as a result, is selected to supply the fuel products.

Viva Energy considers that any financial benefits it gives to Vitol or any of its affiliates under these arrangements are on arm's length terms or terms more favourable than that from Viva Energy's perspective.

In addition to the above, Viva Energy and a wholly owned subsidiary of Vitol Investment Partnership Limited will, prior to Completion of the Offer, enter into a number of agreements in respect of certain parcels of land that are (or will in the future be) surplus to Viva Energy's operational requirements and which were either transferred to such wholly owned subsidiary prior to the Prospectus Date or in respect of which binding contracts for sale will be executed prior to, and settle after, Completion of the Offer. The financial impact of those property transfers is reflected in the Pro Forma Financial Information, with each such transfer being made at book value. In connection with those property transfers, the parties will enter into an agreement under which Viva Energy agrees, and will be permitted to satisfy certain remediation obligations it has at law in respect of contamination of the land. To that end, the agreement will provide that such wholly owned subsidiary of Vitol Investment Partnership:

- must grant Viva Energy a lease in respect of each site at which remediation works are to be undertaken for nominal consideration; and
- will pay to Viva Energy the actual costs Viva Energy incurs in connection with the completion of such remediation works plus a fee in respect of financing costs, and such payments may be settled within an agreed period after the remediation works are completed, or upon the disposal of that site to a third party.

The expected costs of such remediation works are expected to be immaterial, other than in respect of the land at Clyde, New South Wales. The works to be undertaken in respect of that land at Clyde will form part of a wider remediation project that Viva Energy will complete at that site.

Following Completion of the Offer, all decisions that are made by Viva Energy in relation to the above-described commercial arrangements with Vitol and Vitol Investment Partnership will be taken under the oversight of the Board, which has a majority of Directors who are independent of Vitol and Vitol Investment Partnership. In addition, to the extent that any Director has a material personal interest in the outcome of any such decision, that Director will not be entitled to vote in respect of that matter.

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## 6.6 Corporate governance

This Section 6.6 explains how the Board will oversee the management of Viva Energy. Details of Viva Energy's key policies and practices and the charters for the Board and each of its committees will be available from Listing at <https://www.vivaenergy.com.au>.

The Board is responsible for corporate governance at Viva Energy, and accordingly is accountable for monitoring Viva Energy's business affairs and strategic direction, establishing policies and overseeing Viva Energy's operational and financial position and performance. The Board is committed to maximising performance, generating appropriate levels of returns for Shareholders and ensuring the continued growth and success of Viva Energy. In conducting business with these objectives, the Board is concerned to ensure that Viva Energy is appropriately managed to protect and enhance Shareholder interests, and that Viva Energy, its Directors, officers and employees operate in an appropriate environment of corporate governance.

The Board has established a framework for managing Viva Energy, including corporate governance policies and practices, relevant internal controls and risk management processes designed to promote the responsible management and conduct of Viva Energy. The Board has designed its corporate governance policies and practices having regard to the third edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. The Board also had regard to the proposed changes to the ASX Recommendations as set out in the fourth edition consultation draft released by the ASX in May 2018. However, as a listed entity, Viva Energy will be required to report annually the extent to which it has followed the ASX Recommendations during each financial year. If it has not followed a particular ASX Recommendation during the year, Viva Energy must identify the recommendation that has not been followed and disclose its reasons for not doing so. Upon Listing, Viva Energy will be in compliance with all of the ASX Recommendations, and the Company intends to continue to comply with the ASX Recommendations.

### 6.6.1 Board composition

The Board is comprised of seven Directors, being the independent Chairman, the Chief Executive Officer and five other Non-Executive Directors. Biographies of the Directors are set out in Section 6.

Each Director has confirmed to Viva Energy that they anticipate being able to perform their duties without conflict from other commitments.

The Board considers an independent Director to be a Non-Executive Director who is free of any interest, position, association or relationship that might influence, or could reasonably be perceived to influence, his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of Viva Energy and its Shareholders generally. The materiality of any relevant interest, position, association or relationship is determined on a case-by-case basis. The Board reviews the independence of each Director in light of information disclosed to the Board. In assessing independence, the Board will have regard to the factors set out in the ASX Recommendations.

Scott Wyatt is not considered by the Board to be an independent Director given his role as Chief Executive Officer. Dat Duong and Hui Meng Kho are also not currently considered by the Board to be independent given that they were nominated as Directors by VIPL, which will remain a substantial Shareholder in Viva Energy at Completion (through an indirectly wholly owned subsidiary, Viva Energy B.V.). The Board believes that each of the nominee Directors brings objective and unbiased judgement to the Board's deliberations and, additionally, that each of the nominee Directors brings extensive experience to the Board and will make invaluable contributions to Viva Energy through their deep understanding of its business and the industries in which it operates.

The Board considers that the Chairman, Robert Hill, and three of the other Non-Executive Directors, namely Arnoud De Meyer, Sarah Ryan and Jane McAloon, are each independent, and that each such Director is able to fulfil the role of an independent Director for the purposes of the ASX Recommendations. Accordingly, at Listing, the Board will consist of a majority of independent Directors consistent with the ASX Recommendations.

### 6.6.2 Board Charter

The Board has adopted a written charter to provide a framework for the effective operation of the Board, setting out:

- the composition of the Board;
- the role and functions of the Board; and
- the authority delegated by the Board to the management team and Board committees.

## 6. Key individuals, interests and benefits

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The responsibilities of the Board, as set down in the Board Charter, include (among other things):

- defining the Company's purpose and approving the Company's strategies, budgets, major capital expenditure and business plans;
- appointing the Chief Executive Officer and other members of senior management, and evaluating their performance;
- overseeing management in its implementation of the Company's business model, achievement of the Company's strategic objectives and instilling the Company's values generally;
- ensuring that the Company acts legally and responsibly and in accordance with responsible ethical standards; and
- approving policies regarding disclosure and communications with the market and Shareholders.

The Board Charter provides that the Board should be comprised of Directors with the appropriate mix of skills, experience, expertise and diversity that are relevant to the Company's businesses and the Board's responsibility.

The Chief Executive Officer has been delegated the authority and power to manage the Company and its business as directed by the Board. The Chief Executive Officer may delegate aspects of his or her authority and power, but remains accountable to the Board for the Company's performance and is required to report regularly to the Board.

The Board Charter also allows the Board to delegate powers and responsibilities to committees established by the Board. The Board retains ultimate accountability to Shareholders in discharging its duties.

The Board collectively, and each Director individually, has the right to seek independent professional advice, provided such advice is necessary for the Director to discharge his or her responsibilities as a Director of the Company, and subject to the approval of the Chairman (or where the Director seeking such advice is the Chairman, subject to the approval of the Chair of the Company's Audit and Risk Committee).

### 6.6.3 Board committees

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The Board has established an Audit and Risk Committee, a Remuneration and Nomination Committee, a HSSEC Committee and an Investment Committee. Other committees may be established by the Board as and when required. Membership of committees will be based on the skills and experience appropriate for that committee as well as any statutory or regulatory requirements.

#### Audit and Risk Committee

The Audit and Risk Committee assists the Board in fulfilling its responsibilities for corporate governance and oversight of the Company's financial reporting, internal control structure, risk management systems and internal and external audit functions. The Audit and Risk Committee will comprise three Non-Executive Directors being Sarah Ryan (Chair), Jane McAloon and Dat Duong, the majority of whom are independent Directors.

The Audit and Risk Committee's responsibilities include:

- reviewing the Company's financial statements and reports, and recommending such financial reports for consideration (and approval) by the Board;
- reviewing and monitoring the effectiveness of the Company's risk management strategy, policies, procedures and systems, including overseeing the Company's financial controls, systems and corporate reporting processes;
- overseeing the Company's engagement of, and the performance of, the external auditor and the external audit function, including managing the independence of the external auditor; and
- overseeing the Company's internal audit function, including recommending the appointment (and replacement) of the head of internal audit to the Board.

The Audit and Risk Committee will comprise members with the necessary technical, accounting and financial expertise, and all committee members will be financially literate and have a sufficient understanding of the Company's businesses and the industries in which it operates, for the purpose of discharging the role of the committee effectively.

#### Remuneration and Nomination Committee

The Remuneration and Nomination Committee assists the Board in fulfilling its responsibilities for corporate governance and oversight of the Company's nomination and remuneration policies and practices. The Remuneration and Nomination

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Committee will comprise three Non-Executive Directors being Robert Hill (Chair), Hui Meng Kho and Arnoud De Meyer, the majority of whom are independent Directors.

The Remuneration and Nomination Committee's responsibilities include reviewing:

- the size, composition and skills of the Board, and a process for the performance evaluation of the Board, the committees of the Board and individual Directors;
- the remuneration of the Non-Executive Directors;
- the appointment of, and succession of, the Chief Executive Officer and his or her direct reports;
- the remuneration packages (including fixed remuneration, incentive plans and any other benefits or arrangements) of the Chief Executive Officer and other members of senior management; and
- the administration and operation of equity and incentive plans and assessing the effectiveness and implementation of such plans.

## HSSEC Committee

The HSSEC Committee assists the Board in fulfilling its responsibilities for corporate governance and oversight of Viva Energy's policies and practices with respect to quality, health, safety, security, sustainability and environmental risk matters. The HSSEC Committee will comprise three Non-Executive Directors being Jane McAloon (Chair), Sarah Ryan and Robert Hill, all of whom are independent Directors.

The HSSEC Committee's responsibilities include:

- reviewing Viva Energy's HSSE Risk Management Framework and HSSE Management System, including the adequacy and effectiveness of the relevant framework, systems and controls;
- reviewing the performance of Viva Energy in relation to the health, safety and environmental consequences of the activities of Viva Energy, including the impacts on employees, the environment and the community in which Viva Energy operates;
- evaluating the adequacy of the resourcing to support the HSSE Management System, including recommending the appointment (and replacement) of the group safety manager to the Board; and
- reviewing and advising the Board in respect of economic, environmental and social sustainability matters, and overseeing the preparation of disclosure in respect of such sustainability matters.

## Investment Committee

The Investment Committee assists the Board in fulfilling its responsibilities for corporate governance and oversight of the Company's key investment and capital decisions. The Investment Committee will comprise all of the Directors. The Chair of the Investment Committee will be Arnoud De Meyer, who is an independent Director.

The Investment Committee's responsibilities include:

- reviewing any proposals of the Company in respect of material acquisitions, disposals of assets and capital investments above certain monetary thresholds, or which are otherwise strategic to Viva Energy or involve significant risks to the business of Viva Energy;
- reviewing the annual capital plan and the performance of strategic assets of Viva Energy; and
- reviewing the performance of key projects conducted by Viva Energy.

### 6.6.4 Corporate governance policies

#### Disclosure Policy

As an ASX-listed entity, Viva Energy will be required to comply with the continuous disclosure requirements in the ASX Listing Rules and the Corporations Act. Subject to exceptions contained in the ASX Listing Rules, Viva Energy will be required to disclose any information concerning Viva Energy which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares.

Viva Energy has adopted a Disclosure Policy, to take effect from Listing, which establishes procedures aimed at ensuring that Viva Energy fulfils its obligations in relation to the timely disclosure of market-sensitive information. The Disclosure Policy also sets out procedures for dealing with external communications that seek to ensure, among other things, that market-sensitive information is first disclosed to the ASX before being communicated to external parties.



## 6. Key individuals, interests and benefits

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All information disclosed to the ASX in compliance with the Disclosure Policy will be promptly made available to Shareholders (and other stakeholders) on the Company's corporate website following receipt of the acknowledgement from the ASX that such information has been released to the market.

### Business Principles and Code of Conduct

Viva Energy recognises the importance of observing the highest standards of corporate practice and business conduct and is committed to promoting and protecting its brand. Accordingly, Viva Energy has long standing Business Principles that reflect the core values of Viva Energy and guide the conduct and operations of the Viva Energy Group. Viva Energy also has a Code of Conduct which outlines how Viva Energy expects its employees, officers and Directors to behave and conduct themselves in the workplace.

Viva Energy's Business Principles are built on the fundamental values of honesty, integrity and respect for people, and outline the responsibilities that Viva Energy recognises that it has to its Shareholders, customers, employees and business partners, and to society. The Code of Conduct is designed to:

- foster ethical and professional behaviour throughout the Viva Energy Group;
- promote a fair, safe and productive environment, and equal opportunity, for all employees;
- ensure that Viva Energy makes all reasonable efforts to comply with laws and regulations that apply to Viva Energy;
- ensure that there is an appropriate mechanism for employees to report conduct which breaches the Code of Conduct; and
- ensure that employees are aware of the consequences they face should they breach the Code of Conduct.

### Securities Trading Policy

Viva Energy has adopted a Securities Trading Policy that explains the types of conduct in relation to dealings in securities that are prohibited by law and establishes procedures for the buying and selling of securities that protect Directors and employees against the misuse of unpublished information which could materially affect the price or value of Viva Energy's securities.

The Securities Trading Policy provides that Directors, employees and their connected persons must not deal in Viva Energy's securities when they are in possession of "inside" information.

The Securities Trading Policy further provides that Directors, certain restricted employees and their connected persons must not engage in short-term or speculative trading in Viva Energy's securities.

Directors, certain restricted employees and their connected persons must also not deal in Viva Energy's securities during any of the following blackout periods (except in exceptional circumstances with approval, as assessed on a case-by-case basis):

- the period from the close of trading of the ASX trading day on 16 June each year, until 10:00am (Melbourne time) on the ASX trading day following the day on which an announcement is made to the ASX of the Company's half-yearly results;
- the period from the close of trading of the ASX trading day on 17 December each year, until 10:00am (Melbourne time) on the ASX trading day following the day on which an announcement is made to the ASX of the Company's full-year results; and
- any other period that the Board specifies from time to time.

Outside these blackout periods, Directors and certain restricted employees must receive prior approval for any proposed dealing in Viva Energy's securities (including any proposed dealing by one of their connected persons). In all instances, buying or selling securities is not permitted at any time by any person who possesses "inside" information.

### Shareholder Communication Policy

The Board's aim is to ensure that Shareholders are informed in a timely and readily accessible manner of major developments affecting Viva Energy. The Board has adopted a Shareholder Communication Policy in order to facilitate this aim and promote effective communication with Shareholders and other stakeholders and to encourage and facilitate participation at the Company's general meetings and to deal promptly with the enquiries of Shareholders and other stakeholders.

Information will be disclosed to the ASX in accordance with the ASX Listing Rules and by publishing information on Viva Energy's website. Information will also be sent to Shareholders electronically at their registered email address.



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All announcements to the ASX will be published to the Viva Energy website as soon as possible following disclosure to the market.

## HSSE Policy

Viva Energy strives to be an industry leader in relation to its approach to Health, Safety, Security and Environment (HSSE) matters through operating in a responsible and sustainable manner. Accordingly, the Board has adopted a HSSE Policy in order to promote the management of HSSE risks and to affirm its commitment to providing a safe and healthy workplace, and to operate in a way so as to minimise adverse impacts on health, safety and the environment.

The HSSE Policy sets out Viva Energy's commitment to:

- demonstrate visible and felt leadership for health, safety and the environment;
- ensure that its business plans consider associated HSSE risks including potential impact;
- create targets that measure, assess and report to reduce incidents;
- audit and maintain systems to identify and manage risks and prevent incidents;
- provide appropriate information, instruction, training and supervision;
- comply with our legal obligations and Company procedures;
- communicate, support and consult with employees, contractors and stakeholders;
- encourage people to intervene, report unsafe situations and have positive conversations; and
- conduct regular reviews and share learnings to continuously improve our performance.

## Diversity Policy

The Board has adopted a Diversity Policy which sets out Viva Energy's recognition of the benefits of diversity in the workplace. The Diversity Policy recognises that diversity includes (among other things) matters of gender identity or expression, age, cultural heritage, ethnicity, nationality, language, sexual orientation, marital or family status (including carer commitments), religion, physical ability, socioeconomic background, perspective, experience, thinking styles and mental impairment. The Diversity Policy aims to ensure that recruitment and selection practices at all levels are appropriately structured so that a diverse range of candidates are considered and that there are no conscious or unconscious biases that might discriminate against certain types of candidates. The Diversity Policy also reflects that Viva Energy will not tolerate any form of workplace discrimination, bullying or harassment.

The Board will disclose in relation to each reporting period a summary of Viva Energy's progress towards achieving the measurable objectives set by the Board under the Diversity Policy.

## Anti-bribery and Corruption Policy

Viva Energy is committed to operating in a manner consistent with the laws and regulations of the jurisdictions in which its businesses operate, including those relating to bribery and corruption. Accordingly, the Board has adopted an Anti-bribery and Corruption Policy which sets out the responsibilities of Viva Energy and its employees or other personnel or representatives in observing and upholding the prohibition on bribery and related improper conduct and provides information and guidance on how to recognise and deal with instances of bribery and corruption.

The Board will be informed of any material breaches of the Anti-bribery and Corruption Policy.

## Whistleblower Policy

Viva Energy has adopted a Whistleblower Policy to encourage its employees, suppliers, contractors, customers, tenderers and other persons who have business dealings with Viva Energy to raise any concerns and report instances of unethical, illegal, socially irresponsible or fraudulent conduct, where there are reasonable grounds to suspect such conduct, without fear of intimidation, disadvantage or reprisal. The Whistleblower Policy sets out Viva Energy's commitment to investigating all matters reported in an objective and fair manner as soon as possible after the matter has been reported. The Board will be informed of any material concerns raised under the Whistleblower Policy that call into question the culture of Viva Energy.





## Section 7:

# Details of the Offer

## 7. Details of the Offer

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### 7.1 The Offer

This Prospectus relates to an initial public offering of Shares to be issued by Viva Energy. Based on the Indicative Price Range of \$2.50 to \$2.65 per Share, 959.6 million to 1,154.0 million Shares will be available under the Offer to raise total proceeds of \$2,399 million to \$3,058 million<sup>1</sup>.

It is expected that Vitol Investment Partnership will hold between 40% and 50% of the Shares on issue immediately following Completion of the Offer, but it reserves the right to hold a greater percentage of the Shares at that time taking into consideration market conditions and such other factors as it may consider relevant.

The total number of Shares on issue at Completion will be 1,944.5 million. All Shares will rank equally with each other.

Successful Applicants under the Offer will pay the Final Price (other than Applicants under the Employee Gift Offer, who will receive up to \$1,000 worth of Shares at no cost). The Final Price will be determined at the conclusion of the institutional bookbuild and may be set at a price above, below or within the Indicative Price Range. See Section 7.9.2 for further details.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus or the relevant Institutional Offering Circular (as applicable).

#### 7.1.1 Structure of the Offer

The Offer comprises:

- the **Retail Offer**, which consists of the:
  - **Broker Firm Offer**, which is open to Australian and New Zealand resident retail clients of Brokers who have received a firm allocation of Shares from such Brokers at the Final Price;
  - **Employee Offer**, which is open to Eligible Employees in Australia who may apply for a guaranteed allocation of up to \$20,000 worth of Shares (and up to a maximum of \$40,000 worth of Shares) at the Final Price;
  - **Employee Gift Offer**, which is open to Eligible Employees<sup>2</sup> in Australia who wish to apply for up to \$1,000 worth of Shares at no cost; and
  - **Priority Offer**, which is open to selected investors nominated by Viva Energy Holding in Australia and certain other eligible jurisdictions outside the United States who have received a Priority Offer invitation to apply for Shares at the Final Price; and
- the **Institutional Offer**, which consists of an offer to Institutional Investors in Australia, New Zealand and certain other jurisdictions around the world, made under this Prospectus or the relevant Institutional Offering Circular (as applicable).

The allocation of Shares between the Retail Offer and the Institutional Offer will be determined by agreement of Viva Energy and the Joint Lead Managers, having regard to the allocation policies outlined in Sections 7.3.4, 7.4.4, 7.5.4 and 7.6.4.

#### 7.1.2 Purpose of the Offer

The purpose of the Offer is to provide:

- Viva Energy with access to the capital markets, which it expects will improve capital management flexibility; and
- a liquid market for Shares and an opportunity for others to invest in Viva Energy; and
- Viva Energy with the benefits of an increased profile that arise from being a listed entity; and
- Vitol Investment Partnership with an opportunity to realise a portion of its investment in Viva Energy.

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1. The number of Shares available for issue under the Offer, and the proceeds of the Offer, will depend on the Final Price and the size of Vitol Investment Partnership's retained interest in Viva Energy immediately following Completion.

2. To be eligible to participate in the Employee Gift Offer, Eligible Employees on a fixed term contract must have been employed for a minimum period of 12 months or have a minimum of 12 months remaining on the contract period as at the Prospectus Date.

### 7.1.3 Use of proceeds

The proceeds of the Offer will be received by Viva Energy and applied as set out in the table below.

Figure 7.1: Sources and uses of funds (at Completion of the Offer)<sup>3</sup>

Sources of funds	\$ million	Uses of funds	\$ million
Cash proceeds received under the Offer	\$2,972	Payment of cash consideration to Vitol Investment Partnership under Share Purchase Agreement <sup>4</sup>	\$2,866
		Funds forgone by Vitol Investment Partnership to fund the Employee Gift Offer	\$1 <sup>5</sup>
		Costs of the Offer <sup>6</sup>	\$104
<b>Total sources of funds</b>	<b>\$2,972</b>	<b>Total uses of funds</b>	<b>\$2,972</b>

### 7.1.4 Shareholding structure

As at the Prospectus Date, Viva Energy B.V. (being an indirectly wholly owned subsidiary of Vitol Investment Partnership) holds 100% of the Shares on issue. The Company also has 10 Options on issue.<sup>7</sup>

Details of the ownership of Shares on Completion of the Offer are set out below.

Figure 7.2: Shareholding structure at Completion of the Offer<sup>8</sup>

Shareholder	Number of Shares held on Completion of the Offer	Shareholding on Completion of the Offer (%)
Vitol Investment Partnership <sup>9</sup>	777.8 million to 972.3 million	40.0% to 50.0%
Management and Directors	12.8 million	0.7%
New Shareholders <sup>10</sup>	1,153.9 million to 959.5 million	59.3% to 49.3%

### 7.1.5 Control implications of the Offer

Vitol Investment Partnership (acting through its indirect wholly owned subsidiary, Viva Energy B.V.) expects to hold between 40% and 50% of the Shares upon Completion of the Offer, but it reserves the right to hold a greater percentage of the Shares at that time taking into consideration market conditions and such other factors as it may consider relevant.

### 7.1.6 Potential effect of the fundraising on the future of Viva Energy

The Directors believe that, following Completion of the Offer, Viva Energy will have sufficient working capital to carry out its stated business objectives.

- The figures in this table assume that 1,154 million Shares are available under the Offer and that the Final Price is at the mid-point of the Indicative Price Range.
- The cash consideration is represented by the Promissory Note which is to be issued to Viva Energy B.V. (an indirectly wholly owned subsidiary of Vitol Investment Partnership) as part of the consideration payable by the Company for all of the shares in Viva Energy Holding. See summary of the Share Purchase Agreement in Section 9.6.
- Based on employee details as at the Prospectus Date.
- These estimated costs include fees payable to the Joint Lead Managers, legal fees, accounting and tax advisory fees, and other transaction costs. This includes the net amount payable by Viva Energy to the Optionholders under the agreements described in Section 10.4.3.2.
- The Options are held by the Company's Chief Financial Officer, have an exercise price of \$1 per Option, are exercisable into Shares on a one for one basis, are not transferable and lapse if they are not exercised by the Business Day after Completion of the Offer.
- The figures in this table assume that Vitol Investment Partnership retains a 40% to 50% interest in Viva Energy immediately following Completion.
- Vitol Investment Partnership will hold Shares through its indirectly wholly owned subsidiary, Viva Energy B.V.
- This does not include the Shares that will be held by management and Directors of Viva Energy on Completion of the Offer.

## 7. Details of the Offer

### 7.2 Terms and conditions of the Offer

Topic	Summary
What is the type of security being offered?	<ul style="list-style-type: none"><li>• Shares (being fully paid ordinary shares in the issued capital of Viva Energy).</li></ul>
What are the rights and liabilities attached to the security being offered?	<ul style="list-style-type: none"><li>• A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.14.</li></ul>
What is the consideration payable for each security being offered?	<ul style="list-style-type: none"><li>• The Indicative Price Range for the Offer is \$2.50 to \$2.65 per Share.</li><li>• Successful Applicants under the Offer (other than the Employee Gift Offer) will pay the Final Price.</li><li>• The Final Price will be determined at the conclusion of the Institutional Offer bookbuild process and may be set at a price above, below or within the Indicative Price Range. The Indicative Price Range may be varied at any time by Viva Energy Holding and the Joint Lead Managers.</li><li>• Applicants under the Retail Offer will apply for a set dollar value of Shares. Accordingly, Applicants will not know the number of Shares they will receive at the time they make their investment decision, nor will they know the Final Price.</li><li>• Except as required by law, Applicants cannot withdraw or vary their Applications.</li></ul>
What is the Offer Period?	<ul style="list-style-type: none"><li>• The key dates, including details of the opening and closing dates for each component of the Offer, are set out on page 6.</li><li>• The key dates are indicative only and may change. Viva Energy, Viva Energy Holding and the Joint Lead Managers reserve the right to amend any and all of these dates without notice including (subject to the ASX Listing Rules and the Corporations Act) to close the Offer early, to extend the Offer Period relating to any component of the Offer or to accept late Applications, either generally or in particular cases, or to cancel or withdraw the Offer before the allocation and issue of Shares to Successful Applicants, in each case without notifying any recipient of this Prospectus or Applicants.</li><li>• If the Offer is cancelled or withdrawn before the allocation and issue of Shares to Successful Applicants, then all Application Monies will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.</li><li>• No Shares will be issued on the basis of this Prospectus later than the expiry date of 13 months after the Prospectus Date.</li></ul>
What are the cash proceeds to be raised?	<ul style="list-style-type: none"><li>• \$2,399 million to \$3,058 million is expected to be raised under the Offer.<sup>11</sup></li></ul>
Is the Offer underwritten?	<ul style="list-style-type: none"><li>• No. The Offer is not underwritten.</li></ul>

11. The Offer proceeds will depend on the size of Vitol Investment Partnership's retained interest in Viva Energy immediately following Completion (see Section 7.1 for further details).

Topic	Summary
What is the minimum and maximum Application size under the Retail Offer?	<p><b>Broker Firm Offer</b></p> <ul style="list-style-type: none"> <li>• The minimum Application under the Broker Firm Offer is \$2,000 worth of Shares and in multiples of \$500 worth of Shares thereafter.</li> <li>• There is no maximum value of Shares that may be applied for under the Broker Firm Offer.</li> <li>• Viva Energy, Viva Energy Holding and the Joint Lead Managers reserve the right to treat any Applications in the Broker Firm Offer that are from persons who they believe may be Institutional Investors as bids in the Institutional Offer, or to reject or scale back Applications.</li> </ul> <p><b>Employee Offer</b></p> <ul style="list-style-type: none"> <li>• Applications under the Employee Offer must be for a minimum of \$2,000 worth of Shares and in multiples of \$500 worth of Shares thereafter.</li> <li>• Each Eligible Employee is guaranteed a minimum allocation of \$20,000 worth of Shares.</li> <li>• Applicants under the Employee Offer may apply for a maximum of \$40,000 worth of Shares under the Employee Offer, however such applications may be subject to scale-back depending on the extent to which there are excess Shares available as a result of Eligible Employees not taking up their guaranteed minimum allocation.</li> <li>• Viva Energy, Viva Energy Holding and the Joint Lead Managers reserve the right to reject an Application or to allocate a lesser number of Shares than applied for, in their absolute discretion (and subject to the guaranteed minimum allocation).</li> </ul> <p><b>Employee Gift Offer</b></p> <ul style="list-style-type: none"> <li>• Under the Employee Gift Offer, Eligible Employees<sup>12</sup> will be offered the opportunity to apply for up to \$1,000 worth of Shares at no cost.</li> </ul> <p><b>Priority Offer</b></p> <ul style="list-style-type: none"> <li>• Applications under the Priority Offer must be for a minimum of \$2,000 worth of Shares and in multiples of \$500 worth of Shares thereafter.</li> <li>• There is no maximum value of Shares that may be applied for under the Priority Offer.</li> <li>• Viva Energy, Viva Energy Holding and the Joint Lead Managers reserve the right to reject an Application or to allocate a lesser number of Shares than applied for, in their absolute discretion.</li> </ul> <p>The aggregate number of Shares issued under the Employee Offer, Employee Gift Offer and Priority Offer will not exceed \$28,598,000 worth of Shares in aggregate.</p>
What is the allocation policy?	<ul style="list-style-type: none"> <li>• The allocation of Shares between the Retail Offer and the Institutional Offer, and the number of Shares allocated to each component of the Offer and to participants in the Institutional Offer and Broker Firm Offer, will be determined by agreement of Viva Energy Holding and the Joint Lead Managers, having regard to the allocation policies outlined in Sections 7.3.4, 7.4.4, 7.5.4 and 7.6.4.</li> <li>• In respect of the Broker Firm Offer, it is a matter for each Broker to decide how it allocates Shares amongst its retail clients. Participating Brokers (and not Viva Energy, Viva Energy Holding or the Joint Lead Managers) will be responsible for ensuring that retail clients who are allocated Shares receive the relevant Shares.</li> <li>• In respect of the other components of the Retail Offer, Viva Energy Holding will (in its absolute discretion) determine the allocation of Shares to participants within each of the Employee Offer, Employee Gift Offer and Priority Offer.</li> </ul>

12. To be eligible to participate in the Employee Gift Offer, Eligible Employees on a fixed term contract must have been employed for a minimum period of 12 months or have a minimum of 12 months remaining on the contract period as at the Prospectus Date.



## 7. Details of the Offer

Topic	Summary
When will I receive confirmation that my Application has been successful?	<ul style="list-style-type: none"> <li>It is expected that initial holding statements will be dispatched by standard post on or around Thursday, 19 July 2018.</li> <li>Refunds (without interest) to Applicants who make an Application and are scaled back (or otherwise receive Shares having a lesser value than the amount of Application Monies they have paid) will be made as soon as possible after Completion of the Offer.</li> <li>No refunds will be made where the overpayments relate solely to rounding at the Final Price.</li> </ul>
Will the Shares be quoted on the ASX?	<ul style="list-style-type: none"> <li>Viva Energy will apply within seven days of the Prospectus Date to the ASX for admission to the Official List and quotation of Shares on the ASX (which is expected to be under the code "VEA").</li> <li>Completion is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.</li> <li>Viva Energy will be required to comply with the ASX Listing Rules, subject to any waivers Viva Energy may obtain from time to time.</li> <li>The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that Viva Energy may be admitted to the Official List is not to be taken as an indication of the merits of Viva Energy or the Shares offered for sale.</li> </ul>
When are the Shares expected to commence trading?	<ul style="list-style-type: none"> <li>It is expected that trading of the Shares on the ASX will commence on or around Friday, 13 July 2018, initially on a conditional and deferred settlement basis. See Section 7.13.3 for further details.</li> <li>Shares are expected to commence trading on the ASX on an unconditional and deferred settlement basis on or around Wednesday, 18 July 2018.</li> <li>Shares are expected to commence trading on the ASX on an unconditional and normal settlement basis on or around Friday, 20 July 2018.</li> <li>It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. Applicants who sell Shares before receiving a holding statement do so at their own risk.</li> <li>Viva Energy, Viva Energy Holding, the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their holding statement, whether on the basis of a confirmation of allocation provided by any of them or a Broker or from the Viva Energy Offer Information Line.</li> </ul>
Are there any escrow arrangements?	<ul style="list-style-type: none"> <li>Yes. Refer to Section 7.10 for more information.</li> </ul>
Has ASIC relief or an ASX waiver been obtained or been relied on?	<ul style="list-style-type: none"> <li>Yes. Refer to Section 10.10.</li> </ul>
Are there any tax considerations?	<ul style="list-style-type: none"> <li>Yes. Refer to Section 10.7.</li> </ul>
Are there any brokerage, commission or stamp duty considerations?	<ul style="list-style-type: none"> <li>No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.</li> <li>See Section 6.3.2 for details of various fees payable by the Company to the Joint Lead Managers and Transaction Participants and by the Joint Lead Managers to the Co-Lead Manager, Co-Managers and Brokers (on behalf of the Company).</li> </ul>

Topic	Summary
What should I do with any enquiries?	<ul style="list-style-type: none"> <li>• All enquiries in relation to this Prospectus should be directed to the Viva Energy Offer Information Line on 1800 129 431 (within Australia) and +61 1800 129 431 (outside Australia) from 8:30am until 5:30pm (AEST), Monday to Friday (excluding public holidays).</li> <li>• All enquiries in relation to the Broker Firm Offer should be directed to your Broker.</li> <li>• If you have any questions about whether to invest in the Company, you should seek professional guidance from your stockbroker, accountant, lawyer, financial adviser or other professional adviser before deciding whether to invest in Shares.</li> </ul>

## 7.3 Broker Firm Offer

### 7.3.1 Who may apply

The Broker Firm Offer is open to retail clients of Brokers who received a firm allocation of Shares from their Broker and who have a registered address in Australia or New Zealand and are not located in the United States. You should contact your Broker to determine whether you can receive an allocation of Shares under the Broker Firm Offer.

### 7.3.2 How to apply

If you have received an allocation of Shares from your Broker and wish to apply for those Shares under the Broker Firm Offer, you should contact your Broker for information about how to submit your Broker Firm Offer Application Form and for payment instructions. Applicants under the Broker Firm Offer must not send their Application Forms or Application Monies to the Share Registry.

Applicants under the Broker Firm Offer should contact their Broker to request a Prospectus and Broker Firm Application Form, or download a copy at <http://www.vivaenergyIPO.com.au>. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Application Form and Application Monies are received before 5:00pm (AEST) on the Closing Date or any earlier closing date as determined by your Broker.

Broker clients should complete and lodge their Broker Firm Offer Application Form with the Broker from whom they received their invitation to acquire Shares under this Prospectus. Broker Firm Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the Broker Firm Application Form.

The minimum Application under the Broker Firm Offer is \$2,000 worth of Shares and in multiples of \$500 worth of Shares thereafter. There is no maximum value of Shares that may be applied for under the Broker Firm Offer. Viva Energy, Viva Energy Holding and the Joint Lead Managers reserve the right to aggregate any Applications that they believe may be multiple Applications from the same person or reject or scale back any Applications in the Broker Firm Offer. Viva Energy and Viva Energy Holding may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer Application procedures or requirements, in its discretion in compliance with applicable laws.

None of Viva Energy, Viva Energy Holding, the Joint Lead Managers or the Share Registry takes any responsibility for any acts or omissions of your Broker in connection with your Application.

The Broker Firm Offer opens at 9:00am (AEST) on Thursday, 28 June 2018 and is expected to close at 5:00pm (AEST) on Tuesday, 10 July 2018. Viva Energy, Viva Energy Holding and the Joint Lead Managers may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer, or any part of it, may be closed at any earlier date and time, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your Broker for instructions.

### 7.3.3 How to pay

Applicants under the Broker Firm Offer must pay their Application Monies to their Broker in accordance with instructions provided by that Broker.

## 7. Details of the Offer

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### 7.3.4 Allocation policy

The allocation of Shares to the Broker Firm Offer, and the identity and level of participation of Brokers participating in the Broker Firm Offer, will be determined by agreement of Viva Energy Holding and the Joint Lead Managers.

Shares that are allocated to Brokers for allocation to their Australian and New Zealand resident clients will be issued to the Applicants nominated by those Brokers (subject to the right of Viva Energy, Viva Energy Holding and the Joint Lead Managers to reject, aggregate or scale back Applications).

It will be a matter for each Broker as to how they allocate Shares among their retail clients, and they (and not Viva Energy, Viva Energy Holding or the Joint Lead Managers) will be responsible for ensuring that retail clients who have received an allocation from them receive the relevant Shares. Applicants under the Broker Firm Offer should confirm their allocation through the Broker from whom they received their allocation.

## 7.4 Employee Offer

### 7.4.1 Who may apply

The Employee Offer is open to Eligible Employees who have a registered address in Australia and are not located in the United States.

Eligible Employees will receive a personalised invitation to apply for Shares under the Employee Offer on the Prospectus Date. Eligible Employees should read the invitation carefully and in its entirety before deciding whether to apply under the Employee Offer. If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

### 7.4.2 How to apply

Eligible Employees who wish to apply for Shares under the Employee Offer must apply for Shares online by visiting <http://www.vivanenergyIPO.com.au>. Eligible Employees must comply with the instructions on their personalised invitation.

Applications under the Employee Offer must be received on or before the Closing Date of 5:00pm (AEST) on Tuesday, 10 July 2018.

Applications under the Employee Offer must be for a minimum of \$2,000 worth of Shares and in multiples of \$500 worth of Shares thereafter.

Each Eligible Employee is guaranteed a minimum allocation of \$20,000 under the Employee Offer. Eligible Employees may apply for a maximum of \$40,000 worth of Shares, however such applications may be subject to scale-back depending on the extent to which there are excess Shares available as a result of Eligible Employees not taking up their guaranteed minimum allocation. Viva Energy, Viva Energy Holding and the Joint Lead Managers reserve the right to reject or scale back any Applications (or aggregation of Applications) in the Employee Offer (subject to the guaranteed minimum allocation).

### 7.4.3 How to pay

Payment must be made in Australian dollars and via BPAY®, and must otherwise be made in accordance with the instructions provided on your personalised invitation.

Application Monies must be received by the Share Registry by 5:00pm (AEST) on Tuesday, 10 July 2018.

It is your responsibility to ensure that your BPAY® payment is received by the Share Registry by no later than 5:00pm (AEST) on Tuesday, 10 July 2018. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment.

### 7.4.4 Allocation policy

Eligible Employees will receive a guaranteed minimum allocation of \$20,000 worth of Shares at the Final Price. Eligible Employees may apply for additional Shares in excess of that guaranteed minimum allocation up to a maximum of \$40,000 worth of Shares. The aggregate number of Shares issued under the Employee Offer, Employee Gift Offer and Priority Offer will not exceed \$28,598,000 worth of Shares in aggregate. Subject to the guaranteed minimum allocation, the final allocation of Shares to Applicants under the Employee Offer will be determined by Viva Energy Holding. Viva Energy Holding has absolute discretion regarding the final allocation of Shares to Applicants in the Employee Offer and may reject an Application, or allocate a lesser number of Shares than applied for, in its absolute discretion (subject to the guaranteed minimum allocation).

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## 7.5 Employee Gift Offer

### 7.5.1 Who may apply

The Employee Gift Offer is open to Eligible Employees who have a registered address in Australia and are not located in the United States. Additionally, Eligible Employees on a fixed term contract must have been employed for a minimum period of 12 months or have a minimum of 12 months remaining on the contract period as at the Prospectus Date. Directors of the Company are not eligible to participate in the Employee Gift Offer.

Eligible Employees will receive a personalised invitation to apply for Shares under the Employee Gift Offer on the Prospectus Date. Eligible Employees should read the invitation carefully and in its entirety before deciding whether to apply under the Employee Gift Offer. If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

### 7.5.2 How to apply

Eligible Employees who wish to apply for Shares under the Employee Gift Offer must apply for Shares online by visiting <http://www.vivanenergyIPO.com.au>. Eligible Employees must comply with the instructions on their personalised invitation.

Applications under the Employee Gift Offer must be received on or before the Closing Date of 5:00pm (AEST) on Tuesday, 10 July 2018.

Applications under the Employee Gift Offer may be for up to \$1,000 worth of Shares (rounded down to the nearest whole Share based on the Final Price).

### 7.5.3 How to pay

No payment for Shares is required under the Employee Gift Offer.

### 7.5.4 Allocation policy

Eligible Employees will receive a guaranteed allocation of \$1,000 worth of Shares or such lesser value of Shares applied for (rounded down to the nearest whole Share based on the Final Price).

### 7.5.5 Restrictions on disposing of Shares

Eligible Employees may not sell, transfer or otherwise dispose of any Shares acquired under the Employee Gift Offer for a minimum period of three years, unless the Eligible Employee ceases to be employed by the Viva Energy Group, the Board allows it or the dealing is required by law.

Viva Energy will implement necessary arrangements to give effect to this restriction. By applying for Shares under the Employee Gift Offer, Eligible Employees will be agreeing to the imposition of any restriction, including a holding lock, on a sale, transfer or disposal of those Shares.

## 7.6 Priority Offer

### 7.6.1 Who may apply

The Priority Offer is open to selected investors nominated by Viva Energy Holding. If you are an Applicant under the Priority Offer, you should have received a personalised invitation to apply for Shares in the Priority Offer. The Priority Offer is not open to persons in the United States.

### 7.6.2 How to apply

If you have received a personalised invitation to apply for Shares under the Priority Offer and you wish to apply for some or all of those Shares, you should follow the instructions on your personalised invitation.

Applications under the Priority Offer must be for a minimum of \$2,000 worth of Shares and in multiples of \$500 worth of Shares thereafter. There is no maximum number or value of Shares that may be applied for under the Priority Offer.

Applications must be received by the Share Registry on or before the Closing Date of 5:00pm (AEST) on Tuesday, 10 July 2018.

## 7. Details of the Offer

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### 7.6.3 How to pay

Payment must be made in Australian dollars and via BPAY® (for Priority Offer Applicants in Australia) or by electronic funds transfer (for Priority Offer Applicants outside Australia), and must otherwise be made in accordance with the instructions provided on your personalised invitation.

Application Monies must be received by the Share Registry by 5:00pm (AEST) on Tuesday, 10 July 2018.

It is your responsibility to ensure that your BPAY® payment is received by the Share Registry by no later than 5:00pm (AEST) on Tuesday, 10 July 2018. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment.

### 7.6.4 Allocation policy

The aggregate number of Shares issued under the Employee Offer, Employee Gift Offer and Priority Offer will not exceed \$28,598,000 worth of Shares in aggregate.

Allocations under the Priority Offer will be made at the absolute discretion of Viva Energy Holding. Viva Energy Holding may reject an Application, or allocate a lesser dollar amount of Shares than the amount applied for, in its absolute discretion.

## 7.7 Acceptance of Applications under the Retail Offer

An Application under the Retail Offer is an offer by you to Viva Energy to apply for Shares in the dollar amount specified on the Application Form on the terms and conditions set out in this Prospectus (including any supplementary or replacement Prospectus) and the Application Form.

By making an Application, you declare that you were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a paper copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

To the extent permitted by law, an Application by an Applicant may not be varied and is irrevocable.

An Application may be accepted in respect of the full amount specified on the Application Form, or any amount lower than that, without further notice to the Applicant. Viva Energy and Viva Energy Holding reserve the right to decline any Application (in whole or in part) if it believes any provisions or procedures in this Prospectus, the Application Form or other laws or regulations may not be complied with in relation to the Application, or for any other reason.

Viva Energy, Viva Energy Holding and the Joint Lead Managers reserve the right to reject any Application which is not correctly completed or which is submitted by a person whom they believe is ineligible to participate in the Retail Offer, or to waive or correct any errors made by an Applicant in completing their Application. In addition, Viva Energy, Viva Energy Holding and the Joint Lead Managers reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person or reject or scale back any Applications (or aggregation of Applications) which they believe may be from an Institutional Investor, or are for more than \$250,000 worth of Shares.

Successful Applicants in the Retail Offer will be issued Shares at the Final Price. Acceptance of an Application will give rise to a binding contract, conditional on Settlement and quotation of Shares on the ASX.

## 7.8 Application Monies

Application Monies received under the Retail Offer will be held in a special purpose account until Shares are issued to Successful Applicants. Applicants under the Retail Offer whose Applications are not accepted, or who are allocated a lesser dollar amount of Shares than the amount applied for, will receive a refund (without interest) of all or part of their Application Monies, as applicable. No refunds pursuant solely to rounding will be provided. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by Viva Energy.

You should ensure that sufficient funds are held in the relevant account(s) to cover the amount of your BPAY® payment or electronic funds transfer. If the amount of your BPAY® payment or electronic funds transfer is less than the amount specified on the Application Form, you may be taken to have applied for such lower dollar amount of Shares.

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## 7.9 Institutional Offer

### 7.9.1 Invitations to bid

Viva Energy is inviting certain eligible Institutional Investors to bid for Shares in the Institutional Offer. The Institutional Offer will comprise an invitation to Institutional Investors in Australia and New Zealand to bid for Shares under this Prospectus, and an invitation to eligible Institutional Investors in certain jurisdictions outside Australia and New Zealand to bid for Shares under an Institutional Offering Circular.

The Institutional Offer includes a cornerstone process which was completed prior to the Prospectus Date. As a result of that process, certain Institutional Investors have made a commitment to acquire Shares under the Institutional Offer. The extent to which Shares are allocated to those Institutional Investors under the Institutional Offer will be determined in accordance with the allocation policy for the Offer and depend on the Final Price.

### 7.9.2 Bookbuild process

The Institutional Offer will be conducted using a bookbuild process managed by the Joint Lead Managers. Full details of how to participate, including bidding instructions, will be provided to eligible Institutional Investors by the Joint Lead Managers.

Institutional Investors can only bid into the bookbuild for Shares through the Joint Lead Managers. They may bid for Shares at specific prices or at the Final Price. Participants may bid above or within the Indicative Price Range, which is \$2.50 to \$2.65 per Share. The Indicative Price Range may be varied at any time by Viva Energy Holding and the Joint Lead Managers.

The Institutional Offer will open on Tuesday, 10 July 2018 and close on Wednesday, 11 July 2018. Viva Energy, Viva Energy Holding and the Joint Lead Managers reserve the right to vary the times and dates of the Offer, including closing the Offer early, extending the Offer or accepting late bids, either generally or in particular cases, without notification.

Bids in the Institutional Offer may be amended or withdrawn at any time up to the close of the Institutional Offer. Any bid not withdrawn at the close of the Institutional Offer is an irrevocable offer by the relevant bidder to subscribe or procure subscribers for the Shares bid for (or such lesser number as may be allocated) at the price per Share bid or at the Final Price (where this is below the price per Share bid), on the terms and conditions set out in this Prospectus (including any supplementary or replacement document) and in accordance with any bidding instructions provided by the Joint Lead Managers to participants.

Bids can be accepted or rejected in whole or in part without further notice to the bidder. Acceptance of a bid will give rise to a binding contract on allocation of Shares to successful bidders conditional on the quotation of Shares on the ASX and Settlement.

Details of the arrangements for notification and settlement of allocations applying to participants in the Institutional Offer will be provided to participants in the bookbuild process.

### 7.9.3 Final Price

The Institutional Offer bookbuild process will be used to determine the Final Price. Under the terms of the Offer Management Agreement, the Final Price will be determined by agreement between Viva Energy Holding and the Joint Lead Managers after the close of the Retail Offer and the Institutional Offer.

It is expected that the Final Price will be announced to the market on Thursday, 12 July 2018. In determining the Final Price, consideration will be given to, but will not be limited to, the following factors:

- the level of demand for Shares under the Institutional Offer at various prices;
- the level of demand for Shares under the Retail Offer;
- the objective of maximising the proceeds of the Offer; and
- the desire for an orderly secondary market in the Shares.

The Final Price will not necessarily be the highest price at which Shares could be sold. The Final Price may be set above, below or within the Indicative Price Range. All successful bidders under the Institutional Offer will pay the Final Price.

## 7. Details of the Offer

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### 7.9.4 Allocation policy

The allocation of Shares among bidders in the Institutional Offer will be determined by agreement of Viva Energy Holding and the Joint Lead Managers. Viva Energy Holding and the Joint Lead Managers have absolute discretion regarding the basis of allocation of Shares among Institutional Investors.

The initial determinant of the allocation of Shares under the Institutional Offer will be the Final Price. Bids lodged at prices below the Final Price will not receive an allocation of Shares.

The allocation policy will also be influenced by a range of factors, including:

- the price and number of Shares bid for by particular bidders;
- the timeliness of the bid by particular bidders; and
- any other factors that Viva Energy Holding and the Joint Lead Managers consider appropriate in their absolute discretion.

## 7.10 Voluntary escrow arrangements

Each member of Viva Energy's Executive Leadership Team (as listed in Section 6.2) (each a **"Senior Executive"**) has entered into a voluntary escrow deed with Viva Energy under which each Senior Executive has agreed to all Shares issued to them upon exercise of their New Options<sup>13</sup> (**"Escrowed Shares"**) being subject to voluntary escrow restrictions.

50% of the Escrowed Shares will be escrowed until the end of the Prospectus forecast period (30 June 2019), with the remaining 50% to be escrowed for an additional 12 months (i.e. until 30 June 2020). During the escrow period, each Senior Executive must not dispose of their Escrowed Shares other than as permitted by the voluntary escrow deed. The restriction on "disposing" is broadly defined and includes, among other things:

- selling, assigning, transferring or otherwise disposing of any legal, beneficial or economic interest in the Escrowed Shares;
- encumbering or granting a security interest over the Escrowed Shares;
- granting or exercising an option over the Escrowed Shares; doing, or omitting to do, any act if the act or omission would have the effect of transferring (directly or indirectly) effective ownership or control of, or legal, beneficial or economic interest in, the Escrowed Shares; or
- agreeing to do any of those things.

Each Senior Executive may be released from these escrow restrictions during the escrow period to enable:

- the Senior Executive to accept an offer under a takeover bid for Shares, or to tender their Escrowed Shares into a bid acceptance facility established in connection with such a bid, where at least half of the Shares (excluding the Escrowed Shares) have been accepted into the bid or tendered into such a bid acceptance facility (and not withdrawn); or
- the Escrowed Shares to be transferred or cancelled as part of a merger or acquisition by scheme of arrangement under Part 5.1 of the Corporations Act.

During the escrow period, each Senior Executive may dispose of any of their Escrowed Shares to the extent required by applicable law (including an order of a court of competent jurisdiction). Disposals are also permitted in the event of the death or the serious disability or permanent incapacity of the relevant Senior Executive.

## 7.11 Restrictions on distribution

No action has been taken to register or qualify the Shares that are the subject of the Offer, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia or New Zealand. The Offer is not an offer or invitation in any jurisdiction where, or to any person to whom, such an offer or invitation would be unlawful.

The distribution of this Prospectus in jurisdictions outside Australia or New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. In particular, the Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act and any

13. See Section 10.4.3 for a summary of the transactions that will result in the exercise of the New Options held by the Senior Executives.



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other applicable U.S. securities laws. Offers to any persons in the United States are only being made pursuant to, and in accordance with the terms described in, the relevant Institutional Offering Circular.

This Prospectus may not be released or distributed in the United States or elsewhere outside Australia or New Zealand, unless it is attached to, or constitutes part of, an Institutional Offering Circular that describes selling restrictions applicable in the United States and other selected jurisdictions, and may only be distributed to persons to whom the Offer may be lawfully made in accordance with the laws of any applicable jurisdiction.

Each Applicant in the Retail Offer, as well as each person in Australia and New Zealand to whom the Institutional Offer is made under this Prospectus, will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or resold in the United States except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act and any other applicable U.S. securities laws;
- it is not in the United States;
- it has not sent and will not send this Prospectus or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia and New Zealand except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold.

Each bidder under the Institutional Offer will be required to make certain representations, warranties and undertakings set out in the confirmation of allocation letter distributed to it.

## **7.12 Discretion regarding the Offer**

Viva Energy and Viva Energy Holding may withdraw the Offer at any time before the successful completion of the bookbuild. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

Viva Energy, Viva Energy Holding and the Joint Lead Managers also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate a lesser number of Shares than that applied or bid for.

## **7.13 ASX listing, registers and holding statements, and conditional and deferred settlement trading**

### **7.13.1 Application to the ASX for Listing of Viva Energy and quotation of Shares**

Viva Energy will apply for admission to the Official List and quotation of the Shares on the ASX within seven days of the Prospectus Date (which is expected to be under the code “VEA”).

The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit Viva Energy to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered under this Prospectus.

If permission is not granted for the official quotation of the Shares on the ASX within three months after the Prospectus Date (or any later date permitted by law), the Offer will be withdrawn and all Application Monies received by Viva Energy will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

From Listing, Viva Energy will be required to comply with the ASX Listing Rules, subject to any waivers obtained by Viva Energy from time to time (including those described in Section 10.10.2).

### **7.13.2 CHESS and issuer sponsored holdings**

Viva Energy will apply to participate in CHESS and must comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in an electronic form.

## 7. Details of the Offer

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When the Shares become approved financial products under the ASX Settlement Operating Rules, holdings will be registered in one of two subregisters, being an electronic CHESS subregister or an issuer sponsored subregister. For all Successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister.

Following Completion, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (HIN) for CHESS holders or, where applicable, the Securityholder Reference Number (SRN) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their holding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister. Viva Energy and the Share Registry may charge a fee for these additional issuer sponsored statements.

### 7.13.3 Conditional and deferred settlement trading and selling Shares on market

It is expected that the Shares will commence trading on the ASX on Friday, 13 July 2018, initially on a conditional and deferred settlement basis.

If the Offer is withdrawn before Shares have commenced trading on an unconditional basis, all contracts for the sale of the Shares on the ASX would be cancelled and any Application Monies will be refunded as soon as practicable (without interest).

Conditional and deferred settlement trading will continue until Viva Energy has advised the ASX that (i) Settlement has occurred, (ii) the Share Transfer has completed, and (iii) Shares have been allotted to Successful Applicants under this Prospectus. This is expected to be on or around Wednesday, 18 July 2018. Trading will then be on an unconditional but deferred settlement basis until Viva Energy has advised the ASX that holding statements have been dispatched to Shareholders, which is expected to be on or around Thursday, 19 July 2018. Normal settlement trading is expected to commence on or around Friday, 20 July 2018.

If Viva Energy has not advised the ASX that the conditions of the conditional market have been satisfied within 14 days (or such longer period as the ASX allows) after the day Shares are first quoted on the ASX, the Offer and all contracts arising on acceptance of Applications and bids will be cancelled and of no further effect and all Application Monies will be refunded (without interest). In these circumstances, all purchases and sales made through the ASX participating organisations during the conditional trading period will be cancelled and of no effect.

To assist Applicants in determining their allocation prior to receipt of a holding statement, Viva Energy will announce details of pricing and the basis for allocations on Viva Energy's website (<http://www.vivaenergyIPO.com.au>). After the basis for allocations has been determined, to confirm their allocations, Applicants will be able to call the Viva Energy Offer Information Line on 1800 129 431 (within Australia) or +61 1800 129 431 (outside Australia) from 8:30am to 5:30pm (AEST), Monday to Friday (excluding public holidays) from Thursday, 12 July 2018 until Completion. Applicants under the Broker Firm Offer should contact their Brokers to confirm their allocation.

It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. If you sell Shares before receiving a holding statement, you do so at your own risk. Viva Energy, Viva Energy Holding, the Joint Lead Managers and the Share Registry disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their holding statement, whether on the basis of a confirmation of allocation provided by any of them or a Broker or from the Viva Energy Offer Information Line.

## 7.14 Summary of rights and liabilities attaching to Shares and other material provisions of the Constitution

### 7.14.1 Introduction

The rights and liabilities attaching to the ownership of Shares arise from a combination of the Constitution, statute, the ASX Listing Rules and general law. A summary of the significant rights, liabilities and obligations attaching to Shares and a description of other material provisions of the Constitution is set out below. This summary is not exhaustive nor does

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it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that Viva Energy is admitted to the Official List.

### **7.14.2 Meeting of members**

Every Shareholder is entitled to receive notice of, attend and vote at general meetings of Viva Energy and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, Corporations Act and ASX Listing Rules. Viva Energy must give at least 28 days' written notice of a general meeting.

### **7.14.3 Voting at a general meeting**

At a general meeting of Viva Energy, a resolution put to the vote must be decided on a poll, and every Shareholder present (in person or by proxy, representative or attorney) and entitled to vote is entitled to one vote on a poll for each Share held by the Shareholder (with adjusted voting rights for partly paid shares). If the votes are equal on a proposed resolution, the Chair of the meeting does not have a casting vote in addition to any deliberative vote.

### **7.14.4 Dividends**

The Board may pay any interim, special or final dividends that, in its judgement, the financial position of Viva Energy justifies. The Board may also pay any dividend required to be paid under the terms of issue of a Share, and fix a record date for a dividend and method of payment.

### **7.14.5 Transfer of Shares**

Subject to the Constitution and to any restrictions attached to any Share or classes of shares, Shares may be transferred by proper ASTC transfer (effected in accordance with the ASX Settlement Operating Rules, Corporations Regulations and ASX Listing Rules) or by a written transfer in any usual form or in any other form approved by the Board and permitted by the relevant laws and ASX requirements. The Board may, in accordance with the Corporations Act or the ASX Listing Rules, decline to register, or prevent registration of, a transfer of Shares or apply a holding lock to prevent a transfer.

### **7.14.6 Issue of Shares**

The Board may, subject to the Constitution, Corporations Act, ASX Listing Rules and ASX Settlement Operating Rules issue or grant options for, or otherwise dispose of, Shares in Viva Energy on such terms as the Board decides.

### **7.14.7 Preference shares**

Viva Energy may issue preference shares, including preference shares which are, or at the option of Viva Energy or a holder are, liable to be redeemed or converted into Shares. The rights attaching to preference shares are those set out in the Constitution.

### **7.14.8 Winding up**

If Viva Energy is wound up, then subject to the Constitution, the Corporations Act and any rights or restrictions attached to any Shares or classes of Shares, any surplus property must be divided among Shareholders in proportion to the Shares held by them (irrespective of the amounts paid or credited as paid on the Shares), less any amounts which remain unpaid on these Shares at the date of distribution.

If Viva Energy is wound up, the liquidator may, with the sanction of a special resolution, divide among the Shareholders the whole or part of Viva Energy's property and decide how the division is to be carried out as between Shareholders or different classes of Shareholders.

### **7.14.9 Non-marketable parcels**

In accordance with the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules, the Board may sell the Shares of a Shareholder who holds less than a marketable parcel of those Shares by following the procedures set out in the Constitution. A marketable parcel of Shares is defined in the ASX Listing Rules and is generally a holding of Shares with a market value of at least \$500.

## 7. Details of the Offer

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### 7.14.10 Proportional takeover provisions

The Constitution contains provisions requiring Shareholder approval in relation to any proportional takeover bid. These provisions will cease to apply unless renewed by Shareholders passing a special resolution by the third anniversary of either the date those provisions were adopted or the date those rules were last renewed.

### 7.14.11 Variation of class rights

The procedure set out in the Constitution must be followed for any variation of rights attached to the Shares. Under the Constitution, and subject to the Corporations Act and the terms of issue of a class of shares, the rights attached to any class of shares may be varied:

- with the written consent of the holders of 75% of the shares of the class; or
- by a special resolution passed at a separate meeting of the holders of shares of the class.

### 7.14.12 Directors – appointment and retirement

Under the Constitution, the number of Directors shall be a minimum of three Directors and a maximum of 12 Directors or such lower number as the Directors determine, provided Viva Energy resolves to authorise such determination at a general meeting. Directors are elected or re-elected at general meetings of Viva Energy.

No Director (other than the Managing Director) may hold office without re-election after three years or beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected (whichever is later). The Board may also appoint any eligible person to be a Director (but not the Managing Director), either to fill a casual vacancy on the Board or as an addition to the existing Directors, who will hold office until the conclusion of the next annual general meeting of Viva Energy following their appointment.

A person is eligible for election to the office of a Director at a general meeting if they are nominated by the Board or by another Shareholder in accordance with procedures in the Constitution (subject to timing requirements).

### 7.14.13 Directors – voting

Questions arising at a meeting of the Board must be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of an equality of votes on a resolution, the Chair of the meeting has a casting vote in addition to his or her deliberative vote, unless there are only two Directors present or entitled to vote, in which case the Chair of the meeting does not have a second or casting vote and the proposed resolution is taken as lost.

A written resolution of the Board may be passed without holding a meeting of the Board, if all of the Directors sign or assent to the resolution (other than Directors permitted not to vote on the resolution in accordance with the terms of the Constitution).

### 7.14.14 Directors – remuneration

Under the Constitution, the Board may decide the remuneration from Viva Energy to which each Director is entitled for his or her services as a Director. The total aggregate amount provided to all Non-Executive Directors for their services as Directors must not exceed in any financial year the amount fixed by Viva Energy in general meeting for that purpose. The remuneration of a Director must not include a commission on, or a percentage of operating revenue. The current maximum aggregate sum of Non-Executive Director remuneration is set out in Section 6.3.1.2. Any change to that maximum aggregate amount needs to be approved by Shareholders.

Directors may be reimbursed for travel and other expenses properly incurred in attending to Viva Energy's affairs, including attending and returning from general meetings of Viva Energy, Board meetings or meetings of committees of the Board. If a Director renders or is called on to perform extra services, or make any special exertions in connection with the affairs of Viva Energy, the Directors may arrange for special remuneration to be paid to that Director either in addition to or in substitution for that Director's remuneration.

Directors' remuneration is discussed above in Section 6.3.1.

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#### **7.14.15 Powers and duties of Directors**

The Directors are responsible for managing the business of Viva Energy and may exercise to the exclusion of Viva Energy in general meeting all the powers of Viva Energy which are not required by law or by the Constitution to be exercised by Viva Energy in general meeting.

#### **7.14.16 Indemnities**

Viva Energy may indemnify, to the extent permitted by law, each Director, alternative director or executive officer of Viva Energy (and, if the Directors so determine, any current or former officer or auditor of Viva Energy or its related bodies corporate) against any losses or liability incurred by that person as an officer or auditor (as applicable) of Viva Energy or of a related body corporate of Viva Energy including, but not limited to, a liability for negligence or for reasonable legal costs on a full indemnity basis.

Viva Energy may, to the extent permitted by law, purchase and maintain insurance or pay, or agree to pay, a premium for insurance for each Director, alternative director or executive officer of Viva (and, if the Directors so determine, any current or former officer or auditor of Viva Energy or its related bodies corporate) against any liability incurred by that person as an officer or auditor (as applicable) of Viva Energy or of a related body corporate, including but not limited to a liability for negligence or for legal costs.

#### **7.14.17 Amendment**

The Constitution may be only amended in accordance with the Corporations Act, which requires a special resolution passed by at least 75% of Shareholders present (in person or by proxy, attorney or representative) and entitled to vote on the resolution at a general meeting of Viva Energy.





## Section 8:

# Investigating accountant's reports



## 8. Investigating accountant's reports

### 8.1 Investigating accountant's report on historical financial information



The Directors  
Viva Energy Group Limited  
Level 16, 720 Bourke Street  
Docklands VIC 3008

18 June 2018

Dear Directors

***Independent Limited Assurance Report on Viva Energy Holding Pty Limited's statutory historical and Viva Energy Group Limited's pro forma historical financial information and Financial Services Guide***

We have been engaged by Viva Energy Group Limited (the **Company**) to report on the statutory historical financial information of Viva Energy Holding Pty Limited (**VEH**) and pro forma historical financial information of the Company for inclusion in the prospectus dated on or about 20 June 2018 (**Offer Document**) and relating to the proposed initial public offering of fully paid ordinary shares in the Company.

Expressions and terms defined in the Offer Document have the same meaning in this report, unless otherwise specified.

The nature of this report is such that it can only be issued by an entity which holds an Australian financial services licence under the Corporations Act 2001 (Cth) (**Corporations Act**). PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers holds the appropriate Australian financial services licence under the Corporations Act. This report is both an Independent Limited Assurance Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

***Scope***

You have requested PricewaterhouseCoopers Securities Ltd to review the following historical financial information of the Company (collectively, the **Historical Financial Information**) included in the Offer Document:

- i. **Statutory Historical Financial Information** for VEH comprising:
  - statutory historical consolidated income statements for the financial years ended 31 December 2015 (**FY2015**), 31 December 2016 (**FY2016**) and 31 December 2017 (**FY2017**);
  - statutory historical consolidated cash flow statements for FY2015, FY2016 and FY2017; and
  - statutory historical consolidated balance sheet as at 31 December 2017; and
- ii. **Pro Forma Historical Financial Information** for the Company comprising:
  - pro forma historical consolidated income statements for FY2015, FY2016 and FY2017;

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- pro forma historical consolidated cash flow statements for FY2015, FY2016 and FY2017; and
- pro forma historical consolidated balance sheet as at 31 December 2017.

The Pro Forma Historical Financial Information assumes certain pro forma adjustments (such as completion of the Offer) as described in the Offer Document.

#### *Statutory Historical Financial Information*

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies. The Statutory Historical Financial Information has been extracted from general purpose consolidated financial statements of VEH for FY2015, FY2016 and FY2017 (the **Annual Financial Statements**) which were audited by PwC in accordance with the Australian Auditing Standards. PwC issued an unmodified audit opinion on the Annual Financial Statements, which is included therein. The Statutory Historical Financial Information is presented in the Offer Document in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

#### *Pro Forma Historical Financial Information*

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information, after adjusting for the effects of pro forma adjustments described in sections 4.4.3, 4.5 and 4.6.2 of the Offer Document. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the Statutory Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in sections 4.4.3, 4.5 and 4.6.2 of the Offer Document as if those events or transactions had occurred as at the date of the Statutory Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective balance sheet, income statement and/or cash flows.

#### *Directors' responsibility*

The directors of the Company are responsible for the preparation of the Statutory Historical Financial Information and Pro Forma Historical Financial Information, including its basis of preparation and the selection and determination of pro forma adjustments made to the Statutory Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for its compliance with applicable laws and regulations and for such internal controls as the directors determine are necessary to enable the preparation of Statutory Historical Financial Information and Pro Forma Historical Financial Information that are free from material misstatement.

#### *Our responsibility*

Our responsibility is to express a limited assurance conclusion on the Statutory Historical Financial Information and Pro Forma Historical Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard

## 8. Investigating accountant's reports



on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review 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 reasonable 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.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the Historical Financial Information.

### **Conclusions**

#### ***Statutory Historical financial information***

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information, as described in section 4 of the Offer Document is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 4.2 of the Offer Document being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

#### ***Pro Forma Historical Financial Information***

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information as described in section 4 of the Offer Document is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 4.2.4 of the Offer Document, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the Statutory Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in sections 4.4.3, 4.5 and 4.6.2 of the Offer Document as if those events or transactions had occurred as at the date of the Statutory Historical Financial Information.

### **Notice to investors outside Australia**

Under the terms of our engagement this report has been prepared solely to comply with Australian Auditing Standards applicable to review engagements.

This report does not constitute an offer to sell, or a solicitation of an offer to buy, any securities. We do not hold any financial services licence or other licence outside Australia. We are not recommending or making any representation as to suitability of any investment to any person.

### **Restriction on Use**

Without modifying our conclusions, we draw attention to section 4 of the Offer Document, which describes the purpose of the Historical Financial Information, being for inclusion in the Offer Document. As a result, the Historical Financial Information may not be suitable for use for another purpose.

**Consent**

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this assurance report in the Offer Document in the form and context in which it is included.

**Liability**

The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this report in the Offer Document. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or any omissions from the Offer Document.

**Independence or Disclosure of Interest**

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this transaction other than the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

**Financial Services Guide**

We have included our Financial Services Guide as Appendix A to our report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully

A handwritten signature in black ink, appearing to read 'A Welsh', with a stylized flourish at the end.

Andy Welsh  
Authorised Representative of  
PricewaterhouseCoopers Securities Ltd

## 8. Investigating accountant's reports



### *APPENDIX A – Financial Services Guide*

#### **PRICEWATERHOUSECOOPERS SECURITIES LTD FINANCIAL SERVICES GUIDE**

**This Financial Services Guide is dated 18 June 2018**

**1. About us**

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) ("**PwC Securities**") has been engaged by Viva Energy Group Limited (the "**Company**") to provide a report in the form of an Independent Limited Assurance Report in relation to the statutory historical financial information of Viva Energy Holding Pty Ltd and pro forma historical financial information of the Company for inclusion in the prospectus dated on or about 20 June 2018 relating to the proposed initial public offering of shares in the Company and listing of the Company on the Australian Securities Exchange (the "**Offer**").

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

**2. This Financial Services Guide**

This Financial Services Guide ("**FSG**") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

**3. Financial services we are licensed to provide**

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

**4. General financial product advice**

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product



advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

**5. Fees, commissions and other benefits we may receive**

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees charged are \$1.3 million (excluding GST).

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

**6. Associations with issuers of financial products**

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business.

**7. Complaints**

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Service ("FOS"), an external complaints resolution service. FOS can be contacted by calling 1300 780 808. You will not be charged for using the FOS service.

**8. Contact Details**

PwC Securities can be contacted by sending a letter to the following address:

Andy Welsh  
PwC 2 Riverside Quay, Southbank VIC 3006

## 8. Investigating accountant's reports

### 8.2 Investigating accountant's report on forecast financial information



The Directors  
Viva Energy Group Limited  
Level 16, 720 Bourke Street  
Docklands VIC 3008

18 June 2018

Dear Directors

***Independent Limited Assurance Report on Viva Energy Group Limited's statutory forecast and pro forma forecast financial information and Financial Services Guide***

We have been engaged by Viva Energy Group Limited (the **Company**) to report on the Company's statutory forecast income statements and cash flow statements and pro forma forecast income statements and cash flow statements for the year ending 31 December 2018, for the six month periods ending 30 June 2018 and 30 June 2019 and for the twelve month period ending 30 June 2019 for inclusion in the prospectus dated on or about 20 June 2018 (**Offer Document**) and relating to the proposed initial public offering of fully paid ordinary shares in the Company.

Expressions and terms defined in the Offer Document have the same meaning in this report, unless otherwise specified.

The nature of this report is such that it can only be issued by an entity which holds an Australian financial services licence under the Corporations Act 2001 (Cth) (**Corporations Act**). PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers, holds the appropriate Australian financial services licence under the Corporations Act. This report is both an Independent Limited Assurance Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

***Scope***

You have requested PricewaterhouseCoopers Securities Ltd to review the following forecast financial information of the Company (collectively, the **Forecast Financial Information**) included in the Offer Document:

- i. **Statutory Forecast Financial Information** comprising:
  - statutory forecast consolidated income statements for the financial year ending 31 December 2018 (**FY2018**) and for the six month periods ending 30 June 2018 (**1H2018**) and 30 June 2019 (**1H2019**); and
  - statutory forecast consolidated cash flow statements for FY2018, 1H2018 and 1H2019; and

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- ii. **12 month June Forecast Financial Information** comprising:
  - forecast consolidated income statements for the 12 months ending 30 June 2019 (**12 month June-19**); and
  - forecast consolidated cash flow statements for 12 month June-19; and
- iii. **Pro Forma Forecast Financial Information** comprising:
  - pro forma forecast consolidated income statements for FY2018, 1H2018, 12 month June-19 and 1H2019; and
  - pro forma forecast consolidated cash flow statements for FY2018, 1H2018, 12 month June-19 and 1H2019.

The Pro Forma Forecast Financial Information assumes pro forma adjustments (such as completion of the Offer) which will be described in the Offer Document.

#### *Statutory Forecast Financial Information*

The Statutory Forecast Financial Information has been prepared in accordance with the directors' best-estimate assumptions underlying the Statutory Forecast Financial Information, which are described in sections 4.8.1 and 4.8.2 of the Offer Document, and the stated basis of preparation used in the preparation of the Statutory Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

#### *12 month June Forecast Financial Information*

The 12 Month June Forecast Financial Information has been prepared in accordance with the directors' best-estimate assumptions underlying the 12 month June Forecast Financial Information are described in sections 4.8.1 and 4.8.2 of the Offer Document and the stated basis of preparation used in the preparation of the 12 month June Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

#### *Pro Forma Forecast Financial Information*

The Pro Forma Forecast Financial Information has been derived from the Company's Statutory Forecast Financial Information or the 12 month June Forecast Financial Information, after adjusting for the effects of the pro forma adjustments described in sections 4.4.3 and 4.6.2 of the Offer Document. The stated basis of preparation used in the preparation of the Pro Forma Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Forecast Financial Information or the 12 month June Forecast Financial Information and the events or transactions to which the pro forma adjustments relate, as described in sections 4.4.3 and 4.6.2 of the Offer Document, as if those events or transactions had occurred as at the date of the Statutory Forecast Financial Information or the 12 month June Forecast Financial Information. Due to its nature, the Pro Forma Forecast Financial Information does not represent the Company's actual prospective income statement and/or cash flows for FY2018, 1H FY2019 and 12 month June 19.

## 8. Investigating accountant's reports

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### ***Directors' responsibility***

The directors of the Company are responsible for the preparation of the Statutory Forecast Financial Information and the 12 month June Forecast Financial Information including the basis of preparation and the best-estimate assumptions underlying the Statutory Forecast Financial Information and the 12 month June Forecast Financial Information. They are also responsible for the preparation of the Pro Forma Forecast Financial Information, including its basis of preparation and the selection and determination of the pro forma adjustments made to the Statutory Forecast Financial Information or the 12 month June Forecast Financial Information and included in the Pro Forma Forecast Financial Information. This includes responsibility for its compliance with applicable laws and regulations and for such internal controls as the directors determine are necessary to enable the preparation of Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information that are free from material misstatement.

### ***Our responsibility***

Our responsibility is to express limited assurance conclusions on Statutory Forecast Financial Information, the 12 month June Forecast Financial Information and the Pro Forma Forecast Financial Information, the best-estimate assumptions underlying the Statutory Forecast Financial Information, the 12 month June Forecast Financial Information and the Pro Forma Forecast Financial Information, and the reasonableness of the Statutory Forecast Financial Information, the 12 month June Forecast Financial Information and the Pro Forma Forecast Financial Information themselves, based on our review. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

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

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the Forecast Financial Information.



## ***Conclusions***

### ***Statutory Forecast Financial Information***

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the Statutory Forecast Financial Information do not provide reasonable grounds for the Statutory Forecast Financial Information;
- in all material respects, the Statutory Forecast Financial Information:
  - is not properly prepared on the basis of the directors' best-estimate assumptions as described in sections 4.8.1 and 4.8.2 of the Offer Document; and
  - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies; and
- the Statutory Forecast Financial Information itself is unreasonable.

### ***12 month June Forecast Financial Information***

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the 12 month June Forecast Financial Information do not provide reasonable grounds for the 12 month June Forecast Financial Information; and
- in all material respects, the 12 month June Forecast Financial Information:
  - is not properly prepared on the basis of the directors' best-estimate assumptions as described in sections 4.8.1 and 4.8.2 of the Offer Document; and
  - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies; and
- the 12 month June Forecast Financial Information itself is unreasonable.

### ***Pro Forma Forecast Financial Information***

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

## 8. Investigating accountant's reports



- the directors' best-estimate assumptions used in the preparation of the Pro Forma Forecast Financial Information do not provide reasonable grounds for the Pro Forma Forecast Financial Information;
- in all material respects, the Pro Forma Forecast Financial Information:
  - is not properly prepared on the basis of the directors' best-estimate assumptions, as described in sections 4.8.1 and 4.8.2 of the Offer Document; and
  - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies, applied to the Statutory Forecast Financial Information or the 12 month June Forecast Financial Information and the pro forma adjustments as if the events or transactions to which those adjustments relate had occurred as at the date of the Statutory Forecast Financial Information or the 12 month June Forecast Financial Information; and
- the Pro Forma Forecast Financial Information itself is unreasonable.

### *Statutory Forecast Financial Information, 12 month June Forecast Financial Information and Pro Forma Forecast Financial Information*

The Statutory Forecast Financial Information, 12 month June Forecast Financial Information and Pro Forma Forecast Financial Information have been prepared by management and adopted by the directors in order to provide prospective investors with a guide to the potential financial performance of the Company for the year ending 31 December 2018 and half years ending 30 June 2018 and 30 June 2019. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Statutory Forecast Financial Information, 12 month June Forecast Financial Information and Pro Forma Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material.

The directors' best-estimate assumptions on which the Statutory Forecast Financial Information, 12 month June Forecast Financial Information and Pro Forma Forecast Financial Information are based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the directors' best-estimate assumptions on which the Statutory Forecast Financial Information, 12 month June Forecast Financial Information and Pro Forma Forecast Financial Information are based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in the Company, which are detailed in the Offer Document, and the inherent uncertainty relating to the Statutory Forecast Financial Information, 12 month June Forecast Financial



Information and Pro Forma Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in sections 5 and 4.9 of the Offer Document. The sensitivity analysis described in section 4.9 of the Offer Document demonstrates the impact on the Statutory Forecast Financial Information, 12 month June Forecast Financial Information and Pro Forma Forecast Financial Information of changes in key best-estimate assumptions. We express no opinion as to whether the Statutory Forecast Financial Information, 12 month June Forecast Financial Information or Pro Forma Forecast Financial Information will be achieved.

The Statutory Forecast Financial Information, 12 month June Forecast Financial Information and Pro Forma Forecast Financial Information have been prepared by the directors for the purpose of inclusion in Offer Document. We disclaim any assumption of responsibility for any reliance on this report, or on the Statutory Forecast Financial Information, 12 month June Forecast Financial Information or Pro Forma Forecast Financial Information to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

#### ***Notice to investors outside Australia***

Under the terms of our engagement this report has been prepared solely to comply with Australian Auditing Standards applicable to review engagements.

This report does not constitute an offer to sell, or a solicitation of an offer to buy, any securities. We do not hold any financial services licence or other licence outside Australia. We are not recommending or making any representation as to suitability of any investment to any person.

#### ***Restriction on Use***

Without modifying our conclusions, we draw attention to section 4 of the Offer Document, which describes the purpose of the Statutory Forecast Financial Information, 12 month June Forecast Financial Information and Pro Forma Forecast Financial Information, being for inclusion in the Offer Document. As a result, the Statutory Forecast Financial Information, 12 month June Forecast Financial Information and Pro Forma Forecast Financial Information may not be suitable for use for another purpose.

#### ***Consent***

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this assurance report in the Offer Document in the form and context in which it is included.

#### ***Liability***

The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this report in the Offer Document. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or any omissions from, the Offer Document.

## 8. Investigating accountant's reports

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### ***Independence or Disclosure of Interest***

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this transaction other than the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

### ***Financial Services Guide***

We have included our Financial Services Guide as Appendix A to our report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully

A handwritten signature in black ink, appearing to read 'A Welsh', written in a cursive style.

Andy Welsh  
Authorised Representative of  
PricewaterhouseCoopers Securities Ltd



## **APPENDIX A – Financial Services Guide**

### **PRICEWATERHOUSECOOPERS SECURITIES LTD FINANCIAL SERVICES GUIDE**

**This Financial Services Guide is dated 18 June 2018**

#### **1. About us**

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) ("**PwC Securities**") has been engaged by Viva Energy Group Limited (the "**Company**") to provide a report in the form of an Independent Limited Assurance Report in relation to the forecast financial information of the Company for inclusion in the prospectus dated on or about 20 June 2018 relating to the proposed initial public offering of shares in the Company and listing of the Company on the Australian Securities Exchange (the "**Offer**").

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

#### **2. This Financial Services Guide**

This Financial Services Guide ("**FSG**") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

#### **3. Financial services we are licensed to provide**

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

#### **4. General financial product advice**

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product



## 8. Investigating accountant's reports

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advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

### 5. Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees charged are \$1.3 million (excluding GST).

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

### 6. Associations with issuers of financial products

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business.

### 7. Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Service ("FOS"), an external complaints resolution service. FOS can be contacted by calling 1300 780 808. You will not be charged for using the FOS service.

### 8. Contact Details

PwC Securities can be contacted by sending a letter to the following address:

Andy Welsh  
PwC 2 Riverside Quay, Southbank VIC 3006



## Section 9: Material agreements

## 9. Material agreements

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The Directors consider the following contracts (and related arrangements) in this Section 9 to be significant or material to the Company or of such a nature that an investor may wish to have details of them when making an assessment of whether to apply for Shares.

The contract summaries below are included for the information of potential investors in the Offer, but do not purport to be complete.

### 9.1 Contractual arrangements with Coles Express

Viva Energy, Coles Express and certain of their respective affiliates are parties to an Alliance Agreement dated 27 May 2003, as amended, restated and supplemented from time to time ("**Alliance Agreement**").

#### Overview

Pursuant to the Alliance Agreement:

- Coles Express operates on its own account and for its own benefit certain Retail Sites within Viva Energy's Australian service station network;
- Viva Energy supplies motor fuels, LPG and lubricants to Coles Express for it to sell, under "Shell" trademarks and brands, at those Retail Sites operated by Coles Express; and
- Coles Express sets the retail price for all products sold onsite ("**Coles Alliance**").

In addition to the Alliance Agreement, the Coles Alliance is formed on the basis of a series of agreements that regulate the terms on which, among other things, Coles Express:

- leases and licenses the Alliance Sites from Viva Energy, and pays Viva Energy a site licence fee<sup>1</sup>;
- accepts "Shell Card" as a form of payment by customers for fuel products at Alliance Sites; and
- makes royalty payments to Viva Energy in respect of non-fuel goods and services sold by Coles Express at Alliance Sites,

these agreements, taken together with the Alliance Agreement, being referred to in this Prospectus as the **Alliance Arrangements**.

#### Restrictions

Under the Alliance Agreement, Viva Energy has agreed to certain limitations on the use or provision of the Shell branding in connection with the supply of petroleum products, and in particular with regard to premium branding, supply to competitors of Coles Express, and to sites that compete with the Alliance. The Alliance Agreement also imposes certain restrictions on Coles Express from operating Retail Sites or procuring fuels and lubricants outside of the Alliance.

#### Term and termination

Unless terminated earlier or extended in accordance with its terms, the Alliance Agreement will expire on 2 February 2024. Either Viva Energy or Coles Express may unilaterally extend the term by five years to 2 February 2029.

The Coles Alliance may also be terminated in a range of other circumstances, including:

- by the non-defaulting party, if a party:
  - breaches the Alliance Agreement in certain material ways and fails to remedy that terminable breach with a reasonable period;
  - does not remedy a failure to pay when due specified amounts payable under the Alliance Arrangements; or
  - breaches certain restrictions on the disposal of: (a) its rights and obligations under the Alliance Arrangements; or (b) Coles Alliance sites under the Site Agreements;
- if, in respect of a party, an insolvency event occurs or that party breaches a relevant restriction on change of control;
- if a change in law materially or substantially impacts the Coles Alliance or the participants in it, or results in illegality;
- if across certain periods, there is a sustained reduction in total fuel volumes sold, or an extended period during which the average retail price at Alliance Sites was materially less than the wholesale price under the Alliance Agreement; or

1. As at the date of this Prospectus, there are 710 Coles Alliance sites. All such sites are the subject of a lease or licence from Viva Energy to Coles Express, other than 44 sites which are leased directly by Coles Express (or an affiliate) from a third party other than Viva Energy.

- if Viva Energy intends to cease supplying branded fuels, or to own refineries, in Australia, and Viva Energy elects to cease supplying Coles Express with products under the Alliance, Coles Express may elect to terminate.

If the Coles Alliance is terminated in accordance with certain provisions of the Alliance Agreement (which include by the agreement of the parties, but not expiry of term), Viva Energy may elect to pay Coles Express an amount equal to the assessed value of the Coles Express business; however, if Viva Energy elects not to pay Coles Express such amount, Coles Express may elect to purchase all Alliance Sites owned by Viva Energy and to take an assignment of the head lease of each Alliance Site that Viva Energy leases or licenses to Coles Express. In case of a termination due to an unremedied terminable breach by Viva Energy, Coles Express may terminate (among other things) the fuel supply arrangements with Viva Energy and acquire the fuel equipment at each Alliance Site, but would lose the right to sell petroleum products under the “Shell” mark, and would only have continued access to the sites for the remainder of the then existing term of the Coles Alliance.

## Royalty payments and marketing allowance

Viva Energy has a right to receive royalty payments from Coles Express. The amount payable to Viva Energy is calculated on an annual basis as a percentage of any excess over a threshold amount of gross sales of certain kinds of goods and services made by Coles Express at Alliance Sites.

## Fuel and LPG supply arrangements

The arrangements under which Viva Energy supplies fuel to Coles Express for sale at Alliance Sites continue until the earlier of the date on which the Coles Alliance is terminated or the date on which it expires.

Those arrangements provide that, during their term and subject to certain exceptions, Coles Express must not:

- acquire or purchase any motor fuels for retail sale or supply at or from any Alliance Site, or any other site anywhere in Australia, from any person other than Viva Energy; or
- sell or supply any motor fuels, other than Viva Energy motor fuels, at or from any Alliance Site, or any other site anywhere in Australia.

The price payable by Coles Express for Viva Energy motor fuels delivered to a Coles Alliance Site is calculated by reference to a formula that determines the price in each state and territory of Australia. Components of the formula can be changed at the discretion of Viva Energy. In addition, the fuel supply arrangements allow for Viva Energy to make offers of price support from time to time at its discretion.

Under the Alliance Arrangements, Viva Energy indemnifies Coles Express and its officers and employees against any liability they incur as a result of any leakage of Viva Energy motor fuels from the fuel equipment at any Alliance Site that is caused by Viva Energy's failure to perform its obligations to maintain and repair the fuel equipment in accordance with the Alliance Arrangements.

Similar arrangements apply with respect to the supply and sale of LPG products at Alliance Sites.

## Lubricants supply arrangements

Under the Alliance Arrangements and for their term, Viva Energy agrees to supply and sell to Coles Express, and Coles Express agrees to acquire and purchase from Viva Energy, all of Coles Express' lubricants requirements.

The price for Viva Energy lubricants is the sum of the price indicated in Viva Energy's lubricants price list in force at the time of delivery, and the relevant freight amount, if any, that is applicable for the place of delivery under the Alliance Arrangements.

## Site agreements

In respect of each Alliance Site (other than other than 44 sites which are either owned by Coles Express (or an affiliate) or leased (or licensed) by Coles Express from a person other than Viva Energy), Viva Energy has granted to Coles Express:

- a lease (or licence) of the premises for the conduct of its business from that site (each, together with certain option agreements, a “**Site Agreement**”); and
- the right to use the fuel equipment on the premises for the conduct of its business.

Calculation of the site lease and licence fee payable by Coles Express is detailed in each Site Agreement and on commercial terms that are bespoke to the Alliance Arrangements.

## 9. Material agreements

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Under each Site Agreement, Viva Energy:

- must keep the fuel equipment at that Alliance Site maintained and in good repair and condition;
- indemnifies Coles Express and certain of its related bodies corporate against any liability they incur in relation to any pre-existing contamination and certain kinds of contamination caused during the term of the Site Agreement;
- must not sell, transfer, assign, surrender or otherwise part with the benefit of its right, title or interest in the relevant Alliance Site, other than with the consent of Coles Express (which may not be unreasonably withheld) or to certain permitted transferees (including Viva Energy REIT); and
- if it intends to sell, transfer or otherwise dispose of a Coles Alliance Site the subject of that Site Agreement and subject to certain exceptions (including disposals to Viva Energy REIT), must first offer to dispose of that site to Coles Express before disposing of it to a third party.

### 9.2 Contractual arrangements with Shell

Viva Energy has the sole right to use the Shell brand in Australia for the sale of automotive fuels and is the sole distributor of Shell lubricants in Australia<sup>2</sup>. Viva Energy's ongoing relationship with Shell is founded on, among others, the following contractual arrangements:

- Viva Energy and Shell Brands are parties to a Licence Agreement ("**Shell Brands Licence Agreement**"), pursuant to which Viva Energy is granted a non-exclusive licence to use the Shell trademark and logo in Australia for the sale of automotive fuels ("**Licensed Products**"), at authorised sites.
- Viva Energy and Shell Markets are parties to an Agreement for the Sale and Distribution of Lubricants ("**Shell Lubricants Agreement**"), pursuant to which Shell Markets appoints Viva Energy as the sole distributor of Shell-branded lubricants in Australia<sup>3</sup>.

Under the Shell Brands Licence Agreement:

- Viva Energy is required to pay royalties to Shell Brands for the use of the Shell brand;
- Viva Energy undertakes not to, and must procure that certain of its affiliates do not, subject to certain exceptions, sell automotive fuels at retail service station sites in Australia under branding other than the Shell marks;
- subject to Viva Energy complying with its obligations thereunder, Shell Brands undertakes not to grant a licence of the Shell brand to any other person in Australia in connection with the sale or supply of Licensed Products and to not itself use that brand in Australia in connection with the sale or supply of such products;
- the licence has an initial 10 year term expiring on 13 August 2024, which may be extended by Viva Energy for up to two further five year periods, subject to the satisfaction of certain requirements, including the agreement of royalties; and
- Shell Brands may terminate the agreement in various circumstances, including for material breach of the agreement (or a series of non-material breaches which cumulatively have the effect of a material breach), in the event of a substantial reduction in branded sites or product sales, or, in the case of any termination event which is capable of remedy, upon Viva Energy's failure to remedy such termination event following notice.

Under the Shell Lubricants Agreement:

- as sole-distributor of certain Shell lubricants in Australia<sup>4</sup>, Viva Energy may, subject to certain limitations, resell and distribute such products on its own account through its own network;
- Shell Markets undertakes not to, and agrees to procure that its affiliates do not: (a) appoint any other distributor or reseller of Shell lubricants in Australia; or (b) directly supply or resell Shell lubricants to any party in Australia other than Viva Energy;
- the agreement has a 10 year initial term with two automatic five year extensions, provided that there is no subsisting unremedied breach by Viva Energy, and all payments due to Shell under the agreement have been paid; and
- Shell Markets may terminate the agreement in various circumstances, including for unremedied breach of a material obligation or if Viva Energy is subject to an insolvency event, certain kinds of changes of control or certain kinds of breaches of health and safety requirements.

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2. Viva Energy has granted a sub-licence to Coles Express and certain other operators of Retail Sites in respect of the Shell brand, and has also appointed certain third parties as authorised resellers of Shell lubricants in Australia.

3. Viva Energy has also appointed certain third parties as authorised resellers of Shell lubricants in Australia.

4. Viva Energy has also appointed certain third parties as authorised resellers of Shell lubricants in Australia.

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Neither the Shell Brands Licence Agreement nor the Shell Lubricants Agreement are terminable by the relevant Shell counterparty for any change of control of Viva Energy that arises from Completion of the Offer. In addition to the description of contractual arrangements with certain Shell entities immediately above, VEAG and SPCo are parties to arrangements pursuant to which VEAG indemnifies SPCo in respect of any losses suffered by the global Shell group of companies to the extent that they result from certain environmental contamination issues at properties owned by Viva Energy at the time of its acquisition by Vitol Investment Partnership.

## 9.3 Contractual arrangements with Vitol

Members of the VEA Group and affiliates of Vitol Holding B.V. are parties to a number of contractual arrangements, including the following material contracts:

- Vitol Asia and Viva Energy are parties to a fuel supply agreement dated 18 June 2018 ("**Vitol Fuel Supply Agreement**");
- Vitol Aviation BV ("**Vitol Aviation**") and Viva Aviation are parties to an agreement relating to the supply of aviation fuel dated 23 April 2018 ("**Vitol Aviation Fuel Supply Agreement**").

### (a) Vitol Fuel Supply Agreement

#### Overview

Under the Vitol Fuel Supply Agreement, Vitol Asia agrees to supply to Viva Energy, and Viva Energy agrees to purchase (and to ensure that each other member of the VEA Group purchases) from Vitol, the following products:

- all of Viva Energy's requirements for feedstock for its refining operations, including crude oil and condensate ("**Feedstock**"), subject to certain exceptions; and
- all of the hydrocarbon products (other than Feedstock) required by the VEA Group for its Australian operations, except for products produced by VEA Group's refining operations, products purchased under "buy-sell" agreements with local refiners, and any lubricant products purchased from Shell Markets under the Shell Lubricants Agreement, (collectively, "**Product**").

#### Exclusivity arrangements

Pursuant to the Vitol Fuel Supply Agreement, Viva Energy agrees that it will not (and will ensure that each other member of the VEA Group does not), except with the prior written consent of Vitol Asia but subject to certain exceptions, acquire Product from any third party or acquire any interest in a third-party supplier of Product which is inconsistent with Viva Energy's obligations under the agreement. Further, Viva Energy agrees that if it or any VEA Group member wishes to sell any Products which are ultimately exported out of Australia, Vitol Asia shall be the sole and exclusive market interface for all such sales on terms to be mutually agreed.

In addition, if Viva Energy, or any other member of the VEA Group, at any time seeks to purchase any lubricants of the kind purchased by Viva Energy under the Shell Lubricants Agreement other than pursuant to the terms of that agreement, Vitol Asia shall, to the maximum extent permitted by law, be the exclusive supplier of such lubricants to Viva Energy on terms to be mutually agreed by the parties but based on the terms of the Vitol Fuel Supply Agreement.

For the purposes of the above paragraphs, VEA Group means Viva Energy and each of its direct and indirect holding companies and subsidiaries, and subsidiary undertakings and associated companies from time to time of such holding companies.

#### Term and termination

The initial term of the Vitol Fuel Supply Agreement is 10 years, which Vitol Asia may renew for a further period of five years and which, following such renewal, the parties may renew again for a further period of five years by mutual agreement.<sup>5</sup>

The Vitol Fuel Supply Agreement may be terminated in the following circumstances:

- by the non-defaulting party, if the defaulting party becomes insolvent or fails to pay any amount due under the agreement;

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5. Renewal of the Vitol Fuel Supply Agreement will be subject to Shareholder approval, should ASX Listing Rule 10.1 apply at that time.

## 9. Material agreements

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- by the non-defaulting party, if Vitol Asia fails to deliver, or Viva Energy fails to take delivery of, for reasons other than “Force Majeure”, at least 75% of the aggregate quantities of Product nominated or agreed for delivery and receipt in a month for six or more consecutive months;
- by either party giving not less than 12 months’ notice, if Vitol Asia announces that it intends to discontinue its Product trading business serving Australia; and
- by Vitol Asia, in the event of Viva Energy’s breach of certain of its obligations under the Vitol Fuel Supply Agreement (including its obligations under the exclusivity arrangements), any event of default or review event under Viva Energy’s financing arrangements, and certain other termination events.

### Pricing terms

Under the Vitol Fuel Supply Agreement, the price for each delivery of Product is, or is determined by reference to, a price mutually agreed by the parties based on prevailing market conditions, the actual price at which the relevant Vitol entity acquired the Product or the average price in the relevant index for the Product plus reasonable financing and handling costs and the cost of freight and logistics, as well as applicable market and quality premiums/discounts.

### Procurement fee

The parties have agreed that no procurement fee will be payable to Vitol Asia during the first five years of the term of the Vitol Fuel Supply Agreement. A procurement fee may be payable following this period, if mutually agreed by the parties and determined on the basis of prevailing market conditions.

### Title and risk

Title to the Product in each shipment passes from Vitol Asia to Viva Energy as the Product passes on to the ship at the load port. All risk in the Product in each shipment passes to Viva Energy on and from that time.

### Shortfall

If, except to the extent that such was caused by Viva Energy, Vitol Asia is unable to source or deliver sufficient Product to meet any shipment that has been nominated by Viva Energy, then to the extent of such shortfall, Viva Energy may, with the prior written consent of Vitol Asia (not to be unreasonably withheld or delayed), enter into a short-term agreement for the supply of such Product shortfall.

### Guarantee

Under a separate but related document, certain members of the VEA Group (including VEH and VEAG) have guaranteed to Vitol Asia the due and punctual performance and observation by Viva Energy of its obligations under the Vitol Fuel Supply Agreement. The Company will also become a guarantor in respect of those obligations.

## (b) Vitol Aviation Fuel Supply Agreement

### Overview

Under the Vitol Aviation Fuel Supply Agreement:

- Viva Aviation agrees to provide refuelling services on behalf of Vitol Aviation to Vitol Aviation’s international customers that require such services (“**Refuelling Services**”) and, among other things, must establish and maintain or otherwise ensure access and use of facilities at airports necessary to deliver aviation fuel to Vitol Aviation’s customers; and
- Vitol Aviation is responsible for managing its international customer accounts in connection with the Refuelling Services.



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## Term and termination

The Vitol Aviation Fuel Supply Agreement remains in force until terminated in accordance with its terms, including for convenience by either party upon 12 months' notice, such notice not to be given prior to the fourth anniversary of the commencement of the agreement.<sup>6</sup>

The Vitol Aviation Fuel Supply Agreement may also be terminated in the following circumstances:

- where the other party commits a material breach of the agreement which is not remedied;
- where the other party repudiates the contract;
- where an "Insolvency Event" occurs in respect of the other party; or
- where the other party suspends or ceases, or threatens to suspend or cease carrying on all or a substantial part of its business.

## Exclusivity

Vitol Aviation agrees to not utilise any party other than Viva Aviation in the provision of services similar to the Refuelling Services within Australia, unless and except to the extent that Viva Energy is unable to perform the agreed services.

## Pricing

Vitol Aviation and Viva Aviation must use reasonable endeavours to agree on a fuel rate and commission rate in connection with each customer tender. Viva Aviation must invoice Vitol Aviation on a monthly basis in respect of sales to Vitol Aviation's customers, and Vitol Aviation is entitled to receive the agreed commission and fuel rate in respect of each such sale.

## 9.4 Contractual arrangements with Viva Energy REIT

In connection with the establishment and listing of Viva Energy REIT in 2016, Viva Energy entered into various contractual arrangements with entities which form part of Viva Energy REIT, including the following contracts:

- Viva Energy and Viva Energy REIT are parties to real property leases in respect of 434 Retail Sites owned by Viva Energy REIT ("**VVR Leases**"), pursuant to which Viva Energy REIT has granted head leases over those sites to Viva Energy on substantially similar terms and conditions (other than rental amount and term). In addition to the VVR Leases, Viva Energy REIT and Viva Energy are parties to a small number of other real property leases which are not on the standard terms of the VVR Leases.
- Viva Energy and Viva Energy REIT are parties to a "Master Agreement" dated 10 July 2016 ("**VVR Master Agreement**"), pursuant to which, among other things, Viva Energy and Viva Energy REIT granted each other certain call options and rights of first refusal in respect of Retail Sites owned by them respectively.
- Viva Energy and Viva Energy REIT are also parties to a "Management Agreement" dated 10 July 2016, which governs the responsibilities, accountability and decision making process as between Viva Energy REIT and the "manager" of Viva Energy REIT ("**VVR Manager**"), which is a member of the Viva Energy Group ("**VVR Management Agreement**").

Under each VVR Lease:

- the initial term is between 10 and 18 years, with seven 10 year options to renew;
- the initial rent payable by Viva Energy is as specified in that VVR Lease and is to be increased annually by a fixed 3%; upon the commencement of any renewed VVR Lease, the initial rent payable by Viva Energy is reset to the then current market rent for that property;
- Viva Energy must carry out any necessary works to remediate the site to ensure that it is not contaminated such that the contamination would be considered to pose an unacceptable level of risk for the ongoing use of the premises as a service station;
- Viva Energy REIT has a right to terminate the lease if Viva Energy breaches the lease by either failing to pay rent or outgoings of an amount exceeding 20% of the annual rent and outgoings, or by suffering an insolvency event;
- Viva Energy may acquire the service station site upon the occurrence of certain insolvency events with respect to Viva Energy REIT;

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6. Continuation of the Vitol Aviation Fuel Supply Agreement for any period beyond the ten-year anniversary of the Company's Listing will be subject to Shareholder approval, should ASX Listing Rule 10.1 apply at that time.

## 9. Material agreements

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- if Viva Energy REIT proposes to sell the site, Viva Energy REIT must first offer it to Viva Energy, subject to any rights of Coles Express if the site is the subject of a Site Agreement; and
- if the lease expires or is terminated by Viva Energy REIT, Viva Energy REIT may purchase any fixed assets on the site that is the subject of that VVR Lease owned by Viva Energy, other than any fixed assets Viva Energy is required to transfer to Coles Express.

Under the VVR Master Agreement:

- Viva Energy has granted Viva Energy REIT a right of first refusal to acquire any property that is owned by Viva Energy and used (or proposed to be used) as a retail service station site;
- Viva Energy has a right of first refusal to acquire any property that is owned by Viva Energy REIT and which is leased to Viva Energy or used by the relevant occupier as a retail service station;
- Viva Energy has a right of first refusal to lease any property owned or proposed to be purchased by Viva Energy REIT;
- Viva Energy indemnifies Viva Energy REIT from and against losses incurred by Viva Energy REIT arising from the presence of contamination at sites that were transferred to Viva Energy REIT in connection with its initial public offering transaction in 2016;
- Viva Energy may require Viva Energy REIT to transfer certain fuel equipment assets to Viva Energy if it is required to transfer that equipment to Coles Express under the Alliance Agreement or if Viva Energy determines (acting reasonably) that such transfer is necessary to enable it to manage or remediate contamination; and
- Viva Energy must not agree to certain kinds of amendments to the terms of Site Agreements without the consent of Viva Energy REIT.

Under the VVR Management Agreement:

- VVR Manager's role is to manage the assets and liabilities of Viva Energy REIT, to manage the properties on a day-to-day basis and to provide strategic, operational and administrative services required by Viva Energy REIT;
- VVR Manager is to be reimbursed for all costs and expenses incurred by VVR Manager in carrying out its duties and responsibilities but it will not be paid any other amounts in connection with the provisions of services or the performance of its duties;
- there is no fixed term of the agreement; however, VVR Manager may, at any time, retire as the manager of Viva Energy REIT on six months' written notice to Viva Energy REIT;
- VVR Manager may terminate the VVR Management Agreement in a range of circumstances, including if Viva Energy REIT becomes insolvent, experiences a change in the identity of its responsible entity or ceases to hold the appropriate licences, authorisations or approvals required to perform the VVR Management Agreement;
- Viva Energy REIT may terminate the VVR Management Agreement:
  - if VVR Manager is insolvent;
  - where VVR Manager materially breaches the VVR Management Agreement or applicable law, and such breach has not been remedied within 30 days of receiving notice of the breach (or for such other longer period as is reasonably required to remedy such breach); or
  - if an independent review commissioned by Viva Energy REIT identifies, among other things, any substantial failure by VVR Manager to carry out its duties and obligations where such failure is material to the ongoing management or performance of Viva Energy REIT and VVR Manager fails to cure that failure within 30 days of being served a notice by Viva Energy REIT.

In addition to the above non-exhaustive description of the contractual arrangements between Viva Energy and Viva Energy REIT, it should be noted that:

- in connection with the establishment and ASX listing of Viva Energy REIT, Viva Energy guaranteed to Coles Express the performance by Viva Energy REIT of Viva Energy REIT's obligations under each Site Agreement by which it became bound at that time; and
- Viva Energy remains liable to reimburse Viva Energy REIT for certain kinds of transaction costs that are incurred by Viva Energy REIT in connection with its establishment and ASX listing and which include stamp duty costs associated with the transfer of properties to Viva Energy REIT at that time.

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## 9.5 Contractual arrangements with Liberty

Viva Energy and New World Holdings Pty Ltd ("**NWH**") are 50/50 shareholders in Liberty Oil Holdings Pty Ltd ("**Liberty Oil**").

### Liberty Shareholders Agreement

The respective rights and obligations of Viva Energy and NWH are set out in a shareholders agreement ("**Liberty Shareholders Agreement**"). This agreement contains a pre-emptive rights clause which enables a non-defaulting shareholder to acquire all of the defaulting shareholder's shares, upon the occurrence of an "Event of Default" that occurs on or after 1 January 2021, which includes instances where a shareholder becomes insolvent; commits certain material breaches that are not adequately remedied in accordance with the terms of the agreement; or experiences a change of control without the consent of the other shareholder, subject to certain exceptions, including as a consequence of an initial public offering. The Liberty Shareholders Agreement provides that, except as provided in the Liberty Option Deed and the Liberty Shareholders Agreement, a shareholder must not, unless all shareholders agree otherwise, transfer or otherwise create or allow to exist an encumbrance over or in respect of all or part of its shares.

### Liberty Option Deed

Viva Energy, NWH and Liberty Oil are also party to a put and call option deed ("**Liberty Option Deed**") pursuant to which Viva Energy has a call option to purchase (or for its nominee to purchase) NWH's remaining shares in Liberty Oil ("**Viva Energy Call Option**"), and NWH has a put option to sell its remaining shares in Liberty Oil to Viva Energy (or its nominee) ("**Viva Energy Put Option**"), in each case, for an amount equal to the greater of a certain fixed sum and an amount referenced to the performance of the business.

Viva Energy may exercise the Viva Energy Call Option, and NWH may exercise the Viva Energy Put Option: (a) upon the occurrence of certain "Trigger Events" in respect of the other party, including insolvency events, change of control events and material breaches of the Liberty Shareholders Agreement; or (b) at any time during the 12 month period commencing on 1 January 2020, provided that the other party has not already exercised its option.

NWH also has a call option over Viva Energy's shares in NWH, but may only exercise the option if Viva Energy fails to meet its payment obligations under the Viva Energy Call Option or the Viva Energy Put Option.

### Fuel supply agreements

Viva Energy has entered into two fuel supply agreements with members of the Liberty Oil group ("**Liberty Fuel Supply Agreements**").

The Liberty Fuel Supply Agreements are on substantially the same terms and provide for the supply of various types of fuel (including unleaded, diesel, E10 and premium unleaded fuel), commencing from 1 July 2012 until the agreement is terminated by either party in accordance with each agreement.

Each Liberty counterparty has the right to terminate its respective agreement with Viva Energy in the case of a material breach by Viva Energy which is not remedied within 14 days of notice.

## 9.6 VEH Share Purchase Agreement

Viva Energy B.V. ("**Seller**") and the Company ("**Buyer**") have entered into a share purchase agreement dated on or around the Prospectus Date ("**VEH SPA**") in respect of the sale and purchase of all of the issued shares in Viva Energy Holding ("**VEH Shares**"). The key terms of the VEH SPA are:

- **Price:** The consideration payable by the Buyer to the Seller is a combination of: (a) such number of fully paid ordinary shares in the Buyer as is equal to 1,944,535,168 Shares less the number of Shares that will be issued pursuant to the Offer less the total number of Shares that will be issued to Optionholders in respect of Existing Options in connection with the Offer less the total number of Shares that Viva Energy B.V. holds immediately prior to completion of the VEH SPA; and (b) the Promissory Note, the payment of which will be satisfied out of the cash proceeds of the Offer.
- **Conditions precedent:** The VEH SPA will complete only if: (a) the Buyer obtains Foreign Investment Review Board approval with respect to the purchase of the VEH Shares<sup>7</sup>; and (b) the Offer Management Agreement has not been terminated as at 8am on the Settlement Date.

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7. As at the Prospectus Date, this condition has not been satisfied.

## 9. Material agreements

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- Warranties: The Seller gives the Buyer basic “title and capacity” warranties in relation to its ownership of the VEH Shares and its entry into the VEH SPA, but it does not give any warranties or indemnities about the Viva Energy business or its assets.
- Duty: All stamp duty payable on or in connection with the VEH SPA is payable by the Buyer.

### 9.7 Debt Facility Agreement

#### Overview

VEH and each of its wholly owned subsidiaries (other than VER Manager Pty Ltd (ACN 613 163 385) and Viva Energy Gas Pty Ltd (ACN 005 012 715) (each a “Borrower”, a “Guarantor”, and collectively, the “Obligors”) have entered into a syndicated facility agreement dated 26 March 2018 (the “Debt Facility Agreement”) pursuant to which a syndicate of domestic and international banks (the “Lenders”) have made available to the Borrowers an unsecured debt facility of US\$700 million (the “Debt Facility” or “New Bank Facility”).

#### Key terms

- Maturity date: the Debt Facility will mature and be fully repayable on 28 March 2020, subject to any extension agreed to by the parties.
- Financial covenants: the Debt Facility Agreement includes a number of financial covenants and terms and conditions, including that, as at certain dates:
  - Interest Cover Ratio is not less than 3.00x;
  - Liquidity Ratio is not greater than 0.60x;
  - Leverage Ratio is not greater than 2.00x; and
  - Tangible Net Worth is not less than A\$1.2 billion.
- Margin: 1.10% per annum.
- Representations and warranties: the Debt Facility Agreement contains representations and warranties customary for unsecured debt facilities of this nature.

#### Key undertakings

- In addition to certain standard undertakings for unsecured debt facilities of this nature, and the financial covenants as described above, the Debt Facility Agreement contains the following undertakings:
- Guarantor threshold: subject to customary grace periods:
  - the aggregate total gross assets and EBITDA of the Obligors represent not less than 85% of the consolidated total gross assets and EBITDA of the Viva Energy Group; and
  - any wholly owned member of the Viva Energy Group: (1) whose total assets represents 10% or more of the total assets of the Viva Energy Group; or (2) whose EBITDA represents 10% or more of EBITDA of the Viva Energy Group.
- Negative pledge: subject to certain customary and agreed permitted exceptions, there are restrictions on the creation of security interests.
- Distributions: the Obligors may not, among other things, pay dividends, at any time while an event of default under the Debt Facility Agreement is continuing or where such an event of default would arise by reason of the payment of the distribution.

#### Events of default

The Debt Facility Agreement contains events of default which are customary for unsecured debt facilities of this nature, and include, but are not limited to, the following:

- failure to pay amounts due under the Debt Facility Agreement;
- a financial covenant is not complied with or satisfied; and
- customary cross-default events in respect of financial indebtedness equal to or greater than A\$25 million.

## Review event

It would constitute a review event under the Debt Facility Agreement if, at any time, a single entity (or entities acting in concert) other than Vitol, Vitol Investment Partnership or their respective affiliates (whether directly or indirectly and whether individually or together) has the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to:

- cast, or control the casting of, more than 50% of the maximum number of votes that might be cast at a general meeting of Viva Energy; and
- appoint or remove all, or the majority of, the Directors or other equivalent officers of Viva Energy.

Upon the occurrence of such an event, the Borrowers may be required to repay the outstanding principal amount of the Debt Facility in full.

## 9.8 Offer Management Agreement

Viva Energy, Viva Energy Holding and the Joint Lead Managers have entered into an Offer Management Agreement dated on or about the date of this Prospectus.

Under the Offer Management Agreement, Viva Energy and Viva Energy Holding appoint Merrill Lynch, Deutsche Bank and UBS (being the Joint Lead Managers) as lead managers and joint bookrunners for the Offer, and the Joint Lead Managers agree to arrange and manage the Offer, including the institutional bookbuild, and to provide settlement support for the settlement obligations of bidders or Applicants who are allocated Shares under the Institutional Offer or the Broker Firm Offer.

The following is a summary of the principal provisions of the Offer Management Agreement. Where used below, the term “**Offer Documents**” means this Prospectus, the Institutional Offering Circular and certain other documents issued or published by or on behalf of, and with the authorisation of and in a form approved by, Viva Energy in respect of the Offer

### Fees and expenses

On the Settlement Date, Viva Energy must pay the Joint Lead Managers, in their respective proportions (as set out in the Offer Management Agreement), a management fee equal to 1.75% of the gross Offer proceeds, less an amount of \$750,000. In addition, Viva Energy Holding may (in its absolute discretion) pay the Joint Lead Managers a discretionary incentive fee of up to 0.75% of the gross Offer proceeds, with such amount (if any) and allocation between the Joint Lead Managers to be determined at the discretion of Viva Energy Holding.

Viva Energy must also pay or reimburse the Joint Lead Managers for the reasonable costs of and incidental to the Offer incurred by them.

The Joint Lead Managers must pay, on behalf of the Company and in their respective proportions (as set out in the Offer Management Agreement), any fees, commissions or rebates due to any co-lead managers, co-managers or Brokers appointed by the Joint Lead Managers. The Co-Lead Manager and each Co-Manager will receive a fee equal to 1.50% of the Offer proceeds represented by their firm commitment. In addition, the Co-Lead Manager will receive a \$75,000 base fee and potentially a \$75,000 incentive fee.

### Termination events not limited by materiality

Each Joint Lead Manager may terminate its obligations under the Offer Management Agreement without cost or liability at any time prior to 10:00am on the Settlement Date if any of the following events occur:

- **Disclosure in Offer Documents:** An Offer Document does not contain all material information required to comply with all applicable laws and regulations or contains a material statement which is untrue, inaccurate, misleading or deceptive or likely to mislead or deceive (whether by inclusion or omission).
- **Supplementary Offer Document:** Viva Energy issues or, in the Joint Lead Manager’s reasonable opinion, becomes required to issue a supplementary Prospectus to comply with section 719(1) of the Corporations Act or to amend or supplement the Institutional Offering Circular and the pricing disclosure package in a material respect.
- **Forecasts:** The Offer Documents include any forecast, expression of opinion, belief, intention or expectation which is not, in all material respects, made after due and careful consideration in good faith and based on reasonable assumptions, taken as a whole, or any financial forecast appearing in an Offer Document is or becomes incapable of being met or is unlikely to be met in the projected time.

## 9. Material agreements

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- **Market fall:** The S&P/ASX 200 Index closes at a level that is 12.5% or more below its level on either the business day immediately prior to the date of the Offer Management Agreement or on the closing date for the Institutional Offer for at least two consecutive business days before the Settlement Date, or closes below that level on the business day immediately before the Settlement Date.
- **Withdrawal:** After lodgement of this Prospectus with ASIC, Viva Energy withdraws this Prospectus or the Offer.
- **Unable to issue Shares:** Viva Energy is prevented from allotting and issuing Shares within the time required by the timetable set out in the Offer Management Agreement (as may be amended or varied in accordance with the Offer Management Agreement), the ASX Listing Rules, applicable laws, an order of a court of competent jurisdiction or a government agency.
- **Timetable:** Closing or settlement of the Offer, or the allotment of Shares under the Offer, in the timetable set out in the Offer Management Agreement is delayed by more than two business days without the prior written consent of the Joint Lead Managers (other than any delay agreed between the Joint Lead Managers and Viva Energy, any delay caused by the Joint Lead Managers or a delay as a result of an extension of the exposure period by ASIC).
- **Insolvency:** A member of the Viva Energy Group is insolvent or there is an act or omission which may reasonably be expected to result in any of them becoming insolvent.
- **ASIC modifications and ASX waivers:** Any ASIC modification or ASX waiver granted or obtained in connection with the Offer is withdrawn, revoked or materially amended without the Joint Lead Managers' consent (not to be unreasonably withheld or delayed).
- **Notifications:** Any of the following occurs: (i) ASIC issues an order (including an interim order) under section 739 of the Corporations Act unless such an order is not made public or is withdrawn within two business days or, if it is issued within two business days of the Settlement Date, it has not been withdrawn by 5:00pm on the day before the Settlement Date, (ii) ASIC holds a hearing under section 739(2) of the Corporations Act, (iii) an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer or the Offer Documents, or ASIC commences any investigation or hearing under Part 3 of the *Australian Securities and Investments Commission Act 2001* (Cth) in relation to the Offer or the Offer Documents unless such an application is not made public or is withdrawn within two business days or, if it is issued within two business days of the Settlement Date, it has not been withdrawn by 5:00pm on the day before the Settlement Date, (iv) any person (other than the relevant Joint Lead Manager) who has previously consented to the inclusion of its name in any of the Offer Documents withdraws that consent, (v) any person gives a notice under section 730 or 733(3) of the Corporations Act in relation to the Offer Documents, or (vi) any government agency commences, or gives notice of an intention to hold, any investigation, prosecution, proceedings or hearing in relation to the Offer or any of the Offer Documents.
- **Listing approval and conditional trading:** Unconditional approval (or conditional approval subject only to customary conditions) is refused or not granted for (i) Viva Energy's admission to the Official List, (ii) the official quotation on ASX of all of the Shares to be issued under the Offer, or (iii) conditional trading of those Shares, in each case on or before the Settlement Date (other than in the case of (iii), where approval must be obtained before the Shares commence trading on a conditional and deferred settlement basis), or, if granted, the approval is subsequently withdrawn (without immediate replacement), qualified (other than by customary conditions or other conditions acceptable to the Joint Lead Managers, acting reasonably) or withheld.
- **Mutual recognition:** Viva Energy fails to comply with the requirements of the "NZ Mutual Recognition Regime" to enable to the Offer to proceed on the basis of this Prospectus under those regulations, such regime being the trans-Tasman mutual recognition of securities offering under subpart 6 of Part 9 of the *Financial Markets Conduct Act 2013* (NZ) and under subpart 2 of Part 9 of the *Financial Markets Conduct Regulations 2014* (NZ).
- **Material agreements:** Any agreement disclosed in this Section 9 (other than the Offer Management Agreement) is void or voidable, is breached in a material respect, terminated or rescinded or circumstances exist or have arisen which would entitle a party to any such agreement to terminate that agreement as a result, and those rights to terminate have not been waived or a condition precedent to an obligation under any one of those agreements being, in the opinion of the Joint Lead Managers (acting reasonably), incapable of being satisfied and it has not been waived with the consent of the Joint Lead Managers.
- **Failure to deliver closing certificate:** A closing certificate required to be given by Viva Energy or Viva Energy Holding under the Offer Management Agreement is not given by the time required by, and in accordance with, the Offer Management Agreement.



- **Prosecution or fraud:** A Director engages or has engaged in any fraudulent conduct or fraudulent activity or is charged with an indictable offence, or a member of the Viva Energy Group engages in fraudulent conduct or fraudulent activity, whether or not in connection with the Offer.
- **Change in Chairman:** A change of the Chairman of Viva Energy occurs (other than as disclosed in this Prospectus).

### Termination events limited by materiality

Each Joint Lead Manager may terminate its obligations under the Offer Management Agreement without cost or liability at any time prior to 10:00am on the Settlement Date if any of the following events occur and, in the reasonable opinion of the relevant Joint Lead Manager, the event (i) has had or is likely to have a material adverse effect on the outcome, success or settlement of the Offer, or (ii) will or is likely to give rise to: (a) a contravention by the relevant Joint Lead Manager of, or the relevant Joint Lead Manager being involved in a contravention of, the Corporations Act or any other applicable law, or (b) a liability of the relevant Joint Lead Manager under any applicable law:

- **Material adverse change:** There is an adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of Viva Energy Group from that disclosed publicly by them.
- **New circumstances:** There occurs a new circumstance that arises after this Prospectus is lodged that would have been required to be included in this Prospectus if it had arisen before the lodgement of this Prospectus with ASIC.
- **Prosecution:** Either (i) a director of Viva Energy or Viva Energy Holding is charged with an offence relating to any financial or corporate matter, (ii) a Director is disqualified from managing a corporation under Part 2D.6 of the Corporations Act, (iii) any government agency commences any public action against Viva Energy or Viva Energy Holding or any of their respective directors in their capacity as a director of that entity, or announces that it intends to take such action, or (iv) any government agency prosecutes, commences proceedings against or gives notice of an intention to prosecute or commence proceedings against Viva Energy or Viva Energy Holding.
- **Misrepresentation:** A representation and warranty made or given by Viva Energy or Viva Energy Holding, or deemed to have been made or given by either of them under the Offer Management Agreement, is or becomes untrue or incorrect.
- **Breach:** A default by Viva Energy or Viva Energy Holding in the performance of any of its obligations under the Offer Management Agreement occurs (including any undertaking contained in the Offer Management Agreement).
- **Material agreements:** An agreement disclosed in this Section 9 (other than the Offer Management Agreement) is amended without the consent of the Joint Lead Managers.
- **Due diligence disclosures:** The due diligence report of the due diligence committee established in connection with the Offer or any other information supplied by or on behalf of Viva Energy or Viva Energy Holding to the Joint Lead Managers in relation to the Viva Energy Group or the Offer (in final form) is or becomes misleading or deceptive.
- **Change of law:** There is introduced into the Parliament of Australia, any State of Australia or New Zealand a new law, or a government agency or any federal or state authority of Australia or New Zealand adopts a new policy, any of which does or is likely to prohibit or regulate the Offer, capital issues or stock markets.
- **Closing certificate content:** A closing certificate which is required to be furnished by Viva Energy or Viva Energy Holding under the Offer Management Agreement is untrue, incorrect or misleading.
- **Disruption in financial markets and hostilities:** Either (i) a general moratorium on commercial banking activities in Australia, the United Kingdom, United States or Hong Kong is declared by the relevant central banking authority, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries, (ii) trading in all securities quoted or listed on the ASX, the New York Stock Exchange or the London Stock Exchange is suspended or limited in any material respect for one or more days on which that exchange is open for trading, or (iii) hostilities not presently existing commence (whether war has been declared or not) involving any one or more of Australia, the United States, the United Kingdom or Hong Kong or any member state of the European Union, or a major terrorist act is perpetrated in or against a governmental or diplomatic installation of any of the countries mentioned above.
- **Force majeure:** There is an event or occurrence which makes it illegal for the Joint Lead Managers to satisfy an obligation under the Offer Management Agreement, or to market, promote or settle the Offer.



## 9. Material agreements

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- **Compliance with regulatory requirements:** A contravention by a member of the Viva Energy Group of the Corporations Act, the *Competition and Consumer Act 2010* (Cth), the *Australian Securities and Investments Commission Act 2001* (Cth), securities laws in New Zealand, Viva Energy's constitution or any of the ASX Listing Rules, or a failure to obtain any necessary regulatory consents contemplated by an agreement disclosed in this Section 9 (other than the Offer Management Agreement).
- **Change in board or senior management:** A change of the Board or a change to those senior executives of Viva Energy described in the pathfinder version of this Prospectus or in this Prospectus is announced or occurs (other than a change disclosed in such pathfinder version or this Prospectus).
- **Unauthorised alterations:** Without the prior written consent of the Joint Lead Managers (acting reasonably), Viva Energy alters its capital structure (other than as a result of the Offer) or its constitution.

### Effect of termination

If a Joint Lead Manager validly terminates its obligations under the Offer Management Agreement, that Joint Lead Manager will be relieved of its obligations under the Offer Management Agreement and each of the other Joint Lead Managers may, within two business days, elect to also terminate its obligations under the Offer Management Agreement or assume the obligations of the terminating Joint Lead Manager under the Offer Management Agreement.

### Representations, warranties and undertakings

Viva Energy and Viva Energy Holding give various representations, warranties and undertakings to the Joint Lead Managers under the Offer Management Agreement which are standard for an agreement of this nature.

These representations, warranties and undertakings relate to matters such as power and authorisations, compliance with applicable laws and the ASX Listing Rules, financial information, information contained in this Prospectus, the conduct of the Offer and the due diligence process, litigation, material contracts, liabilities, encumbrances, licences, insurance, dividends and distributions, title to property, environmental matters, internal controls, industrial relations, work health and safety, intellectual property and tax.

Viva Energy has agreed that, other than pursuant to the Offer and subject to certain other limited exceptions, between the date of the Offer Management Agreement and the date that is 90 days after completion of the Offer, it will not, without the prior written consent of the Joint Lead Managers (such consent not to be unreasonably withheld or delayed), issue, agree to issue, offer for subscription or grant any option over any shares, options or other securities of (or convertible or exchangeable into equity of) Viva Energy (or indicate in any way that it will or may do any of the foregoing).

Viva Energy and Viva Energy Holding have each undertaken to carry on their business, and to procure that each other member of the Viva Energy Group carries on its business, in the ordinary course, and not to dispose of or charge, or agree to dispose of or charge, the whole or any material part of their business or property (except in the ordinary course of business) or enter into any agreement or commitment which is material to the making of an informed investment decision in relation to the Shares being offered under the Offer, in each between the date of the Offer Management Agreement and the date that is 90 days after completion of the Offer, without the prior written consent of the Joint Lead Managers (such consent not to be unreasonably withheld or delayed).

### Indemnity

Viva Energy has agreed to indemnify the Joint Lead Managers and certain of the Joint Lead Managers' affiliated parties from losses arising out of or in connection with the Offer, the Offer Documents or the appointment of the Joint Lead Managers pursuant to the Offer Management Agreement (subject to customary exclusions including fraud, wilful misconduct, negligence and wilful default).

### Guarantee

Viva Energy Holding has given a guarantee in favour of the Joint Lead Managers in respect of the performance by Viva Energy of its obligations under the Offer Management Agreement. The guarantee expires upon Completion of the Offer (subject to the survival of accrued rights).



## Section 2: Additional information

## 10. Additional information

### 10.1 Registration

The Company was registered in Victoria, Australia on 7 June 2018 as a public company limited by shares.

### 10.2 Share Transfer

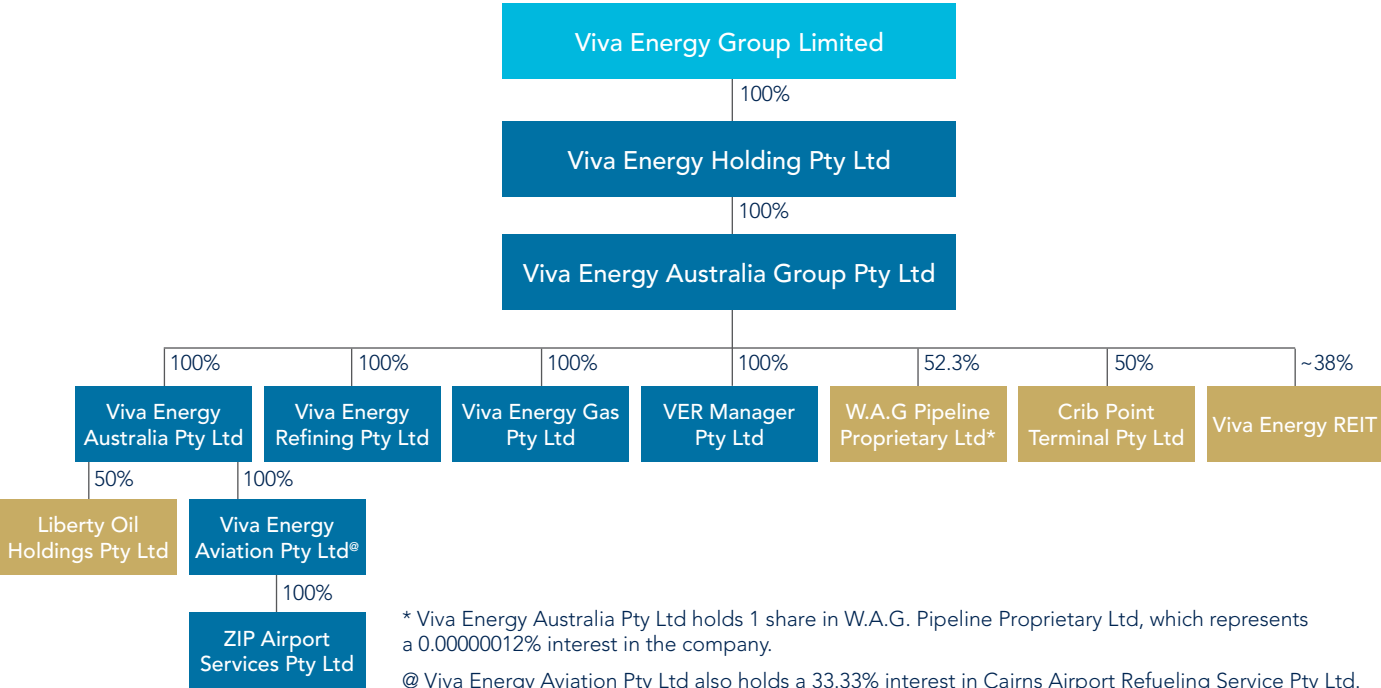
The business of Viva Energy is currently conducted by Viva Energy Holding and its subsidiaries. As at the date of this Prospectus, Viva Energy Holding is the Australian parent company of the Viva Energy Group and is 100% owned by Viva Energy B.V., which is an indirectly wholly owned subsidiary of Vitol Investment Partnership.

In connection with the Offer, a Share Transfer will be undertaken pursuant to which Viva Energy B.V. transfers all of the shares in Viva Energy Holding to the Company, with the result that Viva Energy Holding becomes a wholly owned subsidiary of the Company. Refer to Section 9.6 for further details of the Share Transfer.

Completion of the Share Transfer is a condition to the commencement of the Company's Shares trading on the ASX on an unconditional and deferred settlement basis.

### 10.3 Corporate structure

The following diagram shows the entities in the corporate structure of the Viva Energy Group following completion of the Share Transfer:



### 10.4 Incentive plans

#### 10.4.1 STIP

Viva Energy has established a short term incentive plan ("STIP") to reward eligible employees for strong performance levels and contributions to the Viva Energy Group over a specified performance period.

The STIP provides flexibility for Viva Energy to make awards to participants in the form of cash or rights (or a combination of both), subject to the terms of individual offers.

The Chief Executive Officer of Viva Energy, Scott Wyatt, and the ELT Members will be eligible for an STI award in respect of the FY2018 performance period ("FY2018 STI Award"). Any FY2018 STI Award will be granted as soon as practicable following release of the Company's financial results for that period, and will be paid 50% in cash and 50% in deferred equity taking the form of Share Rights. The key features of Share Rights include the following:

Topic	Summary
<b>Right to receive Shares</b>	Each Share Right confers upon the holder the right to be issued or transferred one Share upon vesting of the Share Right.
<b>Vesting</b>	Share Rights will be subject to such vesting conditions (if any) as determined by the Board. Any Share Rights granted as part of the FY2018 STI Award will vest over a two year period, with 50% to vest 12 months after the date of grant and 50% to vest 24 months after such date.
<b>Voting and dividends entitlements</b>	Share Rights granted do not carry dividend or voting rights prior to vesting. Shares allocated upon vesting of Share Rights carry the same dividend and voting rights as other Shares.
<b>Restrictions on dealing</b>	Holders of Share Rights must not sell, transfer, encumber, hedge or otherwise deal with Share Rights unless the Board allows it or the dealing is required by law. Holders of Share Rights will be free to deal with the Shares allocated on exercise of Share Rights, subject to the requirements of Viva Energy's Securities Trading Policy.
<b>Cessation of employment</b>	<p>If a participant ceases employment due to special circumstances (including death, terminal illness or disablement), any unvested Share Rights held by such participant will remain on foot and subject to the original vesting conditions (other than any vesting condition relating to continued employment with Viva Energy), unless the Board exercises a discretion to treat them otherwise.</p> <p>In all other circumstances (including due to a participant's resignation or termination), unless the Board exercises its discretion to treat them otherwise and subject to applicable law, unvested Share Rights will automatically lapse.</p>
<b>Change of control</b>	The Board may determine in its absolute discretion that all or a specified number of a participant's Share Rights will vest on a change of control.
<b>Clawback and preventing inappropriate benefits</b>	The Board has clawback powers which it may exercise in the same circumstances as those listed in Section 10.4.2 (noting that, under the STIP, the clawback regime applies to both cash and Share Rights).

STIs will be closely linked to the performance of the relevant employee measured against certain financial and non-financial targets, as set and assessed by the Board. Employees will be advised of their target and stretch STI awards and the level of performance that needs to be achieved to receive each. The stretch STI will typically exceed the target STI by 100% and may be up to 135% of the relevant employee's fixed annual remuneration.

The maximum value of the FY2018 STI Award is \$3,872,000 in aggregate, assuming each relevant employee achieves their stretch target.

#### 10.4.2 LTIP

Viva Energy has established a long term incentive plan ("**LTIP**") to assist in the motivation, retention and reward of eligible employees. The LTIP is designed to align the interests of employees with the interests of Shareholders by providing an opportunity for employees to receive an equity interest in Viva Energy.

The LTIP provides flexibility for Viva Energy to grant rights, options and/or Shares as incentives, subject to the terms of individual offers.

Viva Energy intends to grant Performance Rights to the Chief Executive Officer, Scott Wyatt, and the ELT Members on or around Completion of the Offer (and subject to Completion occurring), pursuant to offers made under the LTIP (collectively, the "**LTI Offer**"). Such Performance Rights would have an aggregate face value of \$4 million. The total number of Performance Rights granted as part of the LTI Offer will be calculated by dividing \$4 million by the Final Price.

## 10. Additional information

The key terms of the LTI Offer are set out in the table below.

Topic	Summary
Eligibility to participate	<p>Offers may be made at the Board's discretion to full-time and part-time employees and contractors of the Viva Energy Group that the Board determines to be eligible to receive a grant under the LTIP.</p> <p>The LTI Offer is being made to Scott Wyatt and the ELT Members.</p>
Offers under the LTIP	<p>Under the LTIP, the Board may make an offer at its discretion, subject to any requirements for Shareholder approval. The Board has the discretion to set the terms and conditions on which it will make an offer in an individual offer document (including with respect to the type of incentive that will be issued or granted to the relevant participant). An offer must be accepted by the participant.</p> <p>The LTI Offer will be made shortly after Listing (and no later than 12 months from Listing).</p>
Grant of Performance Rights	<p>The LTI Offer is a grant of Performance Rights under the LTIP.</p> <p>A Performance Right entitles the participant to acquire one Share for nil consideration at the end of the performance period, subject to satisfaction of certain performance conditions. The Board retains discretion to make a cash payment to participants on vesting of Performance Rights in lieu of an allocation of Shares.</p> <p>Performance Rights will be granted to participants for nil consideration under the LTI Offer. No amount is payable on vesting of the Performance Rights.</p>
Quantum of grants	<p>The face value of the LTI Offer is \$4 million.</p> <p>Scott Wyatt will be granted Performance Rights with a face value of \$1.2 million. The ELT Members will be granted Performance Rights with an aggregate face value of \$2.8 million.</p> <p>The final number of Performance Rights awarded to each participant will be calculated by dividing the dollar value of their LTI opportunity by the Final Price.</p>
Performance period	<p>The LTI Offer will be subject to the performance period which commenced on 1 January 2018 and which ends on 31 December 2020.</p>
Performance conditions and testing	<p>Performance Rights granted as part of the LTI Offer will vest following the end of the performance period, subject to satisfaction of the following performance conditions:</p> <ul style="list-style-type: none"> <li>• 50% of the Performance Rights will be subject to a performance condition based on Viva Energy's total shareholder return ("<b>TSR</b>") over the period from the date of Listing to 31 December 2020 ("<b>TSR Component</b>"). Viva Energy's TSR will be compared to a comparator group comprising the other entities in the ASX 100 ("<b>Comparator Group</b>");</li> <li>• 25% of the Performance Rights will be subject to a performance condition based on Viva Energy's cumulative free cash flow ("<b>FCF</b>") over the performance period ("<b>FCF Component</b>"); and</li> <li>• 25% of the Performance Rights will be subject to a performance condition based on Viva Energy's average return on capital employed ("<b>ROCE</b>") for each year of the performance period ("<b>ROCE Component</b>").</li> </ul>

Topic	Summary																														
	<p><b>TSR Component</b></p> <p>The percentage of Performance Rights comprising the TSR Component that vest, if any, will be based on Viva Energy's TSR ranking relative to the Comparator Group over the period from Listing to 31 December 2020, as set out in the following vesting schedule:</p> <table> <tr> <th>Viva Energy's TSR ranking relative to the Comparator Group</th><th>% of Performance Rights that vest</th></tr> <tr> <td>Less than 50th percentile</td><td>Nil</td></tr> <tr> <td>At 50th percentile</td><td>50%</td></tr> <tr> <td>Between 50th and 75th percentile</td><td>Straight-line pro rata vesting between 50% and 100%</td></tr> <tr> <td>At 75th percentile or above</td><td>100%</td></tr> </table> <p><b>FCF Component</b></p> <p>In order for any Performance Rights in the FCF Component to vest, a target level of performance must be achieved. The percentage of Performance Rights comprising the FCF Component that vest, if any, will be determined over the performance period by reference to the below vesting schedule:</p> <table> <tr> <th>Viva Energy's cumulative FCF over the performance period</th><th>% of Performance Rights that vest</th></tr> <tr> <td>Less than target FCF performance</td><td>Nil</td></tr> <tr> <td>Equal to target FCF performance</td><td>50%</td></tr> <tr> <td>Between target and stretch FCF performance</td><td>Straight line pro rata vesting between 50% and 100%</td></tr> <tr> <td>At or above stretch FCF performance</td><td>100%</td></tr> </table> <p>Target and stretch levels of performance will be set by the Board.</p> <p><b>ROCE Component</b></p> <p>In order for any Performance Rights in the ROCE Component to vest, a target level of performance must be achieved. The percentage of Performance Rights comprising the ROCE Component that vest, if any, will be determined over the performance period by reference to the below vesting schedule:</p> <table> <tr> <th>Viva Energy's average ROCE over each year of the performance period</th><th>% of Performance Rights that vest</th></tr> <tr> <td>Less than target ROCE</td><td>Nil</td></tr> <tr> <td>Equal to target ROCE</td><td>50%</td></tr> <tr> <td>Between target and stretch ROCE</td><td>Straight-line pro rata vesting between 50% and 100%</td></tr> <tr> <td>At or above stretch ROCE</td><td>100%</td></tr> </table> <p>Target and stretch levels of performance will be set by the Board.</p> <p>Performance will not be retested if any of the performance conditions are not satisfied at the end of the performance period. Any Performance Rights that remain unvested at the end of the performance period will lapse immediately.</p>	Viva Energy's TSR ranking relative to the Comparator Group	% of Performance Rights that vest	Less than 50th percentile	Nil	At 50th percentile	50%	Between 50th and 75th percentile	Straight-line pro rata vesting between 50% and 100%	At 75th percentile or above	100%	Viva Energy's cumulative FCF over the performance period	% of Performance Rights that vest	Less than target FCF performance	Nil	Equal to target FCF performance	50%	Between target and stretch FCF performance	Straight line pro rata vesting between 50% and 100%	At or above stretch FCF performance	100%	Viva Energy's average ROCE over each year of the performance period	% of Performance Rights that vest	Less than target ROCE	Nil	Equal to target ROCE	50%	Between target and stretch ROCE	Straight-line pro rata vesting between 50% and 100%	At or above stretch ROCE	100%
Viva Energy's TSR ranking relative to the Comparator Group	% of Performance Rights that vest																														
Less than 50th percentile	Nil																														
At 50th percentile	50%																														
Between 50th and 75th percentile	Straight-line pro rata vesting between 50% and 100%																														
At 75th percentile or above	100%																														
Viva Energy's cumulative FCF over the performance period	% of Performance Rights that vest																														
Less than target FCF performance	Nil																														
Equal to target FCF performance	50%																														
Between target and stretch FCF performance	Straight line pro rata vesting between 50% and 100%																														
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Viva Energy's average ROCE over each year of the performance period	% of Performance Rights that vest																														
Less than target ROCE	Nil																														
Equal to target ROCE	50%																														
Between target and stretch ROCE	Straight-line pro rata vesting between 50% and 100%																														
At or above stretch ROCE	100%																														
Voting and dividend entitlements	<p>The Performance Rights granted under the LTI Offer do not carry dividend or voting rights prior to vesting.</p> <p>Shares allocated upon vesting of Performance Rights carry the same dividend and voting rights as other Shares.</p>																														

## 10. Additional information

Topic	Summary
Restrictions on dealing	<p>Participants must not sell, transfer, encumber, hedge or otherwise deal with Performance Rights granted as part of the LTI Offer unless the Board allows it or the dealing is required by law.</p> <p>Participants will be free to deal with the Shares allocated on vesting of such Performance Rights, subject to the requirements of Viva Energy's Securities Trading Policy.</p>
Cessation of employment	<p>If a participant ceases employment due to special circumstances (including death, terminal illness or disablement), unvested Performance Rights will be pro-rated (based on the proportion of the performance period that has elapsed) and remain on foot and subject to the original performance conditions, unless the Board exercises a discretion to treat them otherwise.</p> <p>In all other circumstances (including due to a participant's resignation or termination), unless the Board exercises its discretion to treat them otherwise and subject to applicable law, unvested Performance Rights will automatically lapse.</p>
Change of control	The Board may determine in its absolute discretion that all or a specified number of a participant's Performance Rights will vest on a change of control.
Clawback and preventing inappropriate benefits	<p>The Board has clawback powers which it may exercise if, among other things:</p> <ul style="list-style-type: none"> <li>a participant has acted fraudulently or dishonestly, is in material breach of their obligations to the Viva Energy Group, has engaged in negligence or gross misconduct, brought a member of the Viva Energy Group into disrepute or been convicted of an offence, or has a judgement entered against them in connection with the affairs of the Viva Energy Group;</li> <li>Viva Energy is required by or entitled under law or Viva Energy's policy to reclaim remuneration from the participant;</li> <li>a participant has made a material misstatement on behalf of a member of the Viva Energy Group or there is a material misstatement or omission in the financial statements of the Viva Energy Group; or</li> <li>a participant's entitlements vest or may vest as a result of the fraud, dishonesty, negligence or breach of obligations of any other person, and the Board is of the opinion that the Performance Rights would not have otherwise vested.</li> </ul>

### 10.4.3 Legacy LTIP

#### 10.4.3.1 Background

Viva Energy Holding currently has in place a long term incentive plan under which options over preference shares in Viva Energy Holding have been issued to certain senior executives ("**Legacy LTIP**"). There are currently 16,186,468 Existing Options which are held by the Chief Executive Officer, Scott Wyatt, and the ELT Members. A summary of these Existing Options is set out below:

	Scott Wyatt	ELT Members
Total number of Existing Options	6,069,926	10,116,542
Exercise price	US\$1.48 per Existing Option	<p>In respect of 7,688,572 Existing Options, US\$1.48 per Existing Option</p> <p>In respect of 809,323 Existing Options, US\$2.17 per Existing Option</p> <p>In respect of 1,618,647 Existing Options, US\$2.72 per Existing Option</p>



	Scott Wyatt	ELT Members
Number of vested Existing Options	3,641,955	5,584,327
Number of unvested Existing Options	2,427,971	4,532,215
Vesting schedule	1,213,985 of the unvested Existing Options are scheduled to vest on 1 January 2019, and 1,213,968 of the unvested Existing Options are scheduled to vest on 1 January 2020.	2,104,242 of the unvested Existing Options are scheduled to vest on 1 January 2019, 2,104,243 vest on 1 January 2020, 161,865 vest on 1 January 2021 and 161,865 vest on 1 January 2022, in each case subject to the relevant ELT Member's continued employment with Viva Energy.

It is not proposed that any further awards be granted under the Legacy LTIP following Completion of the Offer.

#### 10.4.3.2 Treatment of existing options

The Company has entered into binding agreements with the holders of Existing Options ("**Optionholders**") pursuant to which it is proposed that the Existing Options be treated in the following manner in connection with the Offer (with each of the following steps to occur on or around Completion):

- the Company will acquire all of the Existing Options held by each Optionholder and, as consideration, will offer to issue New Options to that Optionholder. Such New Options will be issued pursuant to the LTIP and will carry substantially the same terms as the Existing Options they replace (including with respect to the exercise price<sup>1</sup> and vesting schedule);
- each Optionholder will receive a cash bonus;
- each Optionholder will receive a fee ("**Option Cancellation Fee**") as consideration for the cancellation of such portion of their vested New Options as elected by that Optionholder. The Option Cancellation Fee will be calculated by reference to the difference between the Final Price and the exercise price for the relevant vested New Options;
- all vested New Options held by an Optionholder which are not cancelled will be exercised immediately following their issue; 50% of the Shares issued upon exercise of such vested New Options will be subject to escrow restrictions until the end of the Prospectus forecast period (30 June 2019), with the other 50% subject to escrow restrictions for an additional 12 months following the end of the Prospectus forecast period (30 June 2020) (see Section 7.10); and
- all unvested New Options will remain on foot and will vest in accordance with the vesting schedule applicable to the Existing Options that those unvested New Options replace, in each case subject to the relevant Optionholder's continued employment with Viva Energy at the relevant vesting date and the terms of the LTIP.

Following completion of the above steps, there will be a total of 16,534,520 New Options on issue, each of which will confer upon the relevant Optionholder the right to be issued or transferred one Share upon the exercise of such New Option. Other key terms applicable to the New Options are set out in the table below:

	Scott Wyatt	ELT Members
Total number of New Options	5,767,854	10,766,666
Exercise price	A\$0.82 per New Option	In respect of 7,305,952 New Options, A\$0.82 per New Option In respect of 1,538,095 New Options, A\$1.21 per New Option In respect of 1,922,619 New Options, A\$1.51 per New Option

1. The exercise price will be adjusted as necessary to reflect Viva Energy's issued capital immediately following Completion of the Offer.

## 10. Additional information

	Scott Wyatt	ELT Members
Vesting schedule	2,883,926 New Options are scheduled to vest 1 January 2019 and 2,883,928 New Options are scheduled to vest on 1 January 2020, in each case subject to Scott Wyatt's continued employment with Viva Energy and the terms of the LTIP.	4,998,807 New Options are scheduled to vest on 1 January 2019, 4,998,810 New Options are scheduled to vest on 1 January 2020, and 384,524 New Options are scheduled to vest on each of 1 January 2021 and 1 January 2022, in each case subject to the relevant ELT Member's continued employment with Viva Energy and the terms of the LTIP.
Voting and dividend entitlements	New Options do not carry dividend or voting rights. Shares allocated upon exercise of New Options will carry the same dividend and voting rights as other Shares.	
Restrictions on dealing	Optionholders must not sell, transfer, encumber, hedge or otherwise deal with the New Options unless the Board allows it or the dealing is required by law. Optionholders will be free to deal with the Shares allocated on exercise of New Options, subject to the requirements of Viva Energy's Securities Trading Policy.	
Cessation of employment, change of control, clawback and preventing inappropriate benefits	The summary of these rules as set out in Section 10.4.3 is also applicable to the New Options.	

### 10.4.4 ESP

Viva Energy intends to establish an employee share plan ("**ESP**") under which (among other things) eligible employees may each apply for up to \$5,000 worth of Shares over a 12 month period, with the acquisition of such Shares to be funded by way of a salary sacrifice mechanism. It is intended that offers under the ESP will be made on an annual basis, with the first offers to be made in or around September 2018.

The key terms of the ESP are set out in the table below.

Topic	Summary
Eligibility to participate	Offers may be made at the Board's discretion to full-time and part-time employees and contractors of the Viva Energy Group that the Board determines to be eligible to receive a grant under the ESP.  Directors will not be eligible to participate in the ESP.
Rights attaching to Shares	A Share issued or transferred under the ESP (" <b>ESP Share</b> ") will rank equally in all respects with existing Shares. A participant is entitled to exercise any voting rights attaching to ESP Shares (regardless of whether or not the ESP Shares are subject to disposal restrictions) and is entitled to all dividends declared or paid on ESP Shares.  Viva Energy will apply to the ASX to have any newly issued ESP Shares issued quoted as soon as practicable after they are issued.

Topic	Summary
Restrictions on dealing	<p>The Board may determine that, for a specified period ("<b>Restriction Period</b>"), an ESP Share is subject to restrictions on disposal such that the ESP Share may not be sold, transferred, encumbered or otherwise dealt with without the prior approval of the Board, or unless required by law.</p> <p>Subject to the discretion of the Board, the Restriction Period applicable to ESP Shares will expire on the earlier of:</p> <ul style="list-style-type: none"> <li>• when the participant ceases employment with the Viva Energy Group;</li> <li>• when the Board, in its discretion, agrees to end the Restriction Period; and</li> <li>• three years from the date of issue or transfer of the ESP Shares to the participant.</li> </ul>
Vesting and forfeiture conditions	There are no vesting conditions or forfeiture conditions under the ESP.

## 10.5 Company tax status

The Company will be taxed as an Australian tax resident public company in Australia for the purposes of Australian income tax. The Company will be subject to tax at the Australian corporate tax rate. The Company's financial year ends on 31 December annually.

## 10.6 Litigation and claims

As noted in Section 5.2.26, Viva Energy may from time to time be, and is currently, a party to, or the subject of, Legal Proceedings, which may cause Viva Energy to suffer additional costs. As at the Prospectus Date, so far as the Directors are aware, there are no current or threatened Legal Proceedings of a material nature in which Viva Energy is directly or indirectly concerned which are likely to have a material adverse impact on the business or financial position of the Company.

## 10.7 Australian and New Zealand taxation considerations

This Section 10.7 provides a general summary of the Australian and New Zealand tax implications for Australian and New Zealand tax resident Shareholders who participate in the IPO of Shares in the Company.

The comments in this Prospectus are necessarily general in nature, and the actual tax consequences of any investment in Shares will depend on your particular circumstances.

The categories of Shareholders considered in this summary are limited to individuals, companies (other than life insurance companies), trusts, partnerships and complying superannuation funds that are Australian or New Zealand tax residents and hold their shares on capital account. This taxation summary does not consider the tax consequences for Shareholders who are not Australian or New Zealand tax residents, hold their Shares on revenue account or as trading stock, carry on a business of trading in shares, are exempt from Australian income tax, or are subject to Division 230 of the *Income Tax Assessment Act 1997* (Cth) (the Taxation of Financial Arrangements or "TOFA" regime) and have made fair value or reliance on financial reports elections.

This summary is based on the Australian and New Zealand tax law, and our understanding of the practice of the tax authorities, at the time of issue of the Prospectus. The laws are complex and subject to change periodically, as is their interpretation by the courts and the tax authorities. This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. It does not take into account the tax law of countries other than Australia and New Zealand. The precise implications of ownership or disposal will depend upon each Shareholder's specific circumstances.

Potential investors should obtain, and rely upon, their own independent taxation advice about the consequences of acquiring or disposing of the Shares and receiving dividends from the Shares having regard to their own specific circumstances.

## 10. Additional information

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### 10.7.1 Dividends paid on shares

#### 10.7.1.1 Dividends may be paid to Shareholders

The Company, as an Australian tax resident, may attach “franking credits” to such dividends. Franking credits broadly represent the extent to which a dividend is paid by the Company out of profits that have been subject to Australian tax. It is possible for a dividend to be fully franked, partly franked or unfranked.

The Company does not currently have any operations in New Zealand and, therefore, is not expecting any of its profits to be subject to New Zealand tax. However, New Zealand imputation credits could be generated in the future if circumstances change. The benefit of imputation credits could be passed on to New Zealand resident Shareholders if the Company elects into the Trans-Tasman imputation regime in the future and certain other criteria are met. If this election is made, the Company may be able to attach both franking credits and imputation credits to dividends paid to Shareholders. However, imputation credits would need to be attached to all dividends, not just those paid to New Zealand resident Shareholders.

#### 10.7.1.2 Australian tax implications of dividends paid on Shares

##### 10.7.1.2.1 Individuals and complying superannuation entities

Where dividends on a Share are distributed, those dividends will constitute assessable income of an Australian tax resident Shareholder. Australian tax resident Shareholders who are individuals or complying superannuation entities should include the dividend in their assessable income in the year the dividend is paid, and in the case of a franked dividend, also include in assessable income any franking credit attached to that dividend. These Australian Shareholders should be entitled to a tax offset equal to the franking credit attached to any franked dividend subject to being a “qualified person” (refer to further comments below) or where the Shareholder receives less than \$5,000 in franking credits from all sources for the income year. The tax offset can be applied to reduce the tax payable on the Australian Shareholder’s Australian taxable income. Where the tax offset exceeds the tax payable on the Australian Shareholder’s taxable income in an income year, such Shareholders should be entitled to a tax refund.

Where a dividend paid by the Company is unfranked, the Australian Shareholder will generally be taxed at their prevailing tax rate on the dividend received with no tax offset.

##### 10.7.1.2.2 Corporate Shareholders

Australian corporate Shareholders are required to include both the dividend and any associated franking credit in their assessable income. A tax offset is then allowed up to the amount of any franking credit on the dividend, subject to the Australian corporate Shareholder being a “qualified person” (refer to further comments below).

An Australian resident corporate Shareholder should be entitled to a credit in its own franking account to the extent of the franking credit attached to the dividend received. Such corporate Shareholders can then pass on the benefit of the franking credits to their own shareholder(s) on the payment of dividends.

Excess franking credits received cannot give rise to a refund, but may be able to be converted into carry-forward tax losses.

##### 10.7.1.2.3 Trusts and partnerships

Shareholders who are trustees (other than trustees of complying superannuation entities) or partnerships should include both the dividend and any franking credit in their assessable income in determining the net income of the trust or partnership. Subject to being a “qualified person” (refer to further comments below), the relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary’s or partner’s share of the franking credit received by the trust or partnership.

##### 10.7.1.2.4 Shares held “at risk”/qualified person

The benefit of franking credits can be denied where a Shareholder is not a “qualified person”, in which case the Shareholder will not be able to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a qualified person, a Shareholder must satisfy the holding period rule including, if necessary, the related payment rule.

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The holding period rule requires a Shareholder to hold the Shares “at risk” for more than 45 days continuously, in the period beginning the day after the day on which the Shareholder acquires the Shares and ending on the 45th day after the day on which the Shares become ex-dividend. The dates of which the Shares are acquired and disposed of are ignored for the purposes of determining the 45 day period. Any day on which a Shareholder has a materially diminished risk or loss of opportunity for gain (through transactions such as granting options or warrants over Shares or entering into a contract to sell the Shares) will not be counted as a day on which the Shareholder held the Shares “at risk”. This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed A\$5,000. Furthermore, special rules apply to trusts and beneficiaries.

Under the related payment rule, a different testing period applies where the Shareholder has made, or is under an obligation to make, a related payment in relation to a dividend. A related payment is one where a Shareholder or their associate passes on the benefit of the dividend to another person. The related payment rule requires the Shareholder to have held the Shares at risk for a period commencing on the 45th day before, and ending on the 45th day after the day the Shares become ex-dividend. In addition, a Shareholder must not be obliged to make a “related payment” in respect of any dividend, unless they hold their Shares at risk for the required holding period around all dividend dates. Practically, this should not impact Shareholders who do not pass the benefit of the dividend to another person. Shareholders should obtain their own tax advice to determine whether these requirements have been satisfied.

### Distribution washing

Any franked distribution which a taxpayer receives as a result of “distribution washing” will not entitle the taxpayer to a tax offset or require the taxpayer to include the amount of the franking credit in their assessable income. A distribution will be considered to be one received as a result of distribution washing where the taxpayer has also received a corresponding distribution in respect of a substantially identical interest that the taxpayer sold before acquiring the current interest. Shareholders should consider the impact of these rules having regard to their own personal circumstances.

### 10.7.1.3 New Zealand tax implications of dividends paid on Shares

Dividends received by a New Zealand tax resident Shareholder will generally be taxable dividends for New Zealand tax purposes provided the Shareholder’s interest in the Company satisfies the Australian share exemption under the New Zealand foreign investment fund (“**FIF**”) rules. The New Zealand Inland Revenue publishes the “Australian share exemption list” each year, which New Zealand tax residents should review to confirm whether the FIF exemption applies.

If a New Zealand Shareholder owns more than 10% of the Company, or the shareholding is not exempt from the FIF rules, the Shareholder should seek specialist tax advice to determine their tax position.

The information below is based on the assumption that the FIF rules will not apply to the Shareholder’s investment in the Company.

#### 10.7.1.3.1 Individual Shareholders

New Zealand tax resident Shareholders who are individuals should include the gross dividend in their assessable income in the year they derive the dividend. This includes the payment received plus any imputation credits attached to that dividend and any withholding tax deducted.

Such Shareholders who are individuals should be entitled to tax credits equal to any imputation credits attached to the dividend, as well as Australian withholding tax deducted at source. The tax credits can be applied to reduce the New Zealand tax payable on the Shareholder’s taxable dividend income from the same source. The withholding tax rate is limited by the Australia/New Zealand Double Tax Agreement to 15% of the gross dividend.

Where the tax credits exceed the tax payable on the Shareholder’s taxable income in an income year, such Shareholders should be entitled to carry forward any excess imputation credits to reduce the tax payable on the Shareholder’s taxable income in a future year. However, excess withholding tax credits cannot be carried forward, and the New Zealand Inland Revenue will not refund withholding tax paid to the ATO.

#### 10.7.1.3.2 Corporate Shareholders

Corporate Shareholders are required to include the gross dividend derived in their assessable income. This includes the payment received plus any imputation credits attached to that dividend and any withholding tax deducted. A tax credit is then allowed up to the amount of imputation credits attached to the dividend, as well as any Australian withholding tax deducted at source, but not exceeding the New Zealand tax payable on that source of income. The withholding tax rate is

## 10. Additional information

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limited by the Australia/New Zealand Double Tax Agreement to 15% of the gross dividend (lower if more than 10% of the Company is owned by a corporate Shareholder).

A New Zealand tax resident corporate Shareholder should be entitled to a credit in its own imputation account to the extent of any imputation credits attached to the dividend received. Such corporate Shareholders can then pass on the benefit of the imputation credits to their own shareholder(s) on the payment of dividends, subject to meeting certain shareholder continuity requirements.

Excess imputation credits received cannot give rise to a refund, but are converted into carry-forward tax losses. Excess withholding tax credits cannot be carried forward, and the New Zealand Inland Revenue will not refund withholding tax paid to the ATO.

### 10.7.1.3.3 Trusts and partnerships

Shareholders who are trustees or partnerships should include the gross dividend in their assessable income in determining the net income of the trust, beneficiaries or partnership. This includes the payment received plus any imputation credits attached to that dividend and any withholding tax deducted.

The relevant trustee, beneficiary or partner may be entitled to tax credits equal to the trustee, beneficiary or partner's share of any imputation credits received by the trust, beneficiary or partnership and the trust, beneficiary or partner's share of any Australian withholding tax deducted at source. Excess imputation credits received cannot give rise to a refund, but are either converted into carry-forward tax losses or carried forward to a future income year. Excess withholding tax credits cannot be carried forward, and the New Zealand Inland Revenue will not refund withholding tax paid to the ATO.

## 10.7.2 Disposal of Shares

### 10.7.2.1 Australian tax implications

The disposal of a Share by a Shareholder will be a capital gains tax ("CGT") event.

A capital gain will arise where the capital proceeds on disposal exceed the cost base of the Share (broadly, the amount paid to acquire the Share plus any transaction/incidental costs). In the case of an arm's length on-market sale, the capital proceeds will generally be the cash proceeds from the sale.

A capital loss will arise where the reduced cost base of the Share (essentially the cost base of the Shares excluding costs related to ownership) exceeds the capital proceeds from disposal. Capital losses may only be offset against capital gains realised by the Shareholder in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other assessable income.

A net capital gain arises where a taxpayer's capital gains for a year exceed their capital losses for that year, plus any unused capital losses from prior years. Any net capital gain will be included in assessable income.

### 10.7.2.2 Individuals and trusts

A CGT discount may be applied against the capital gain (after reduction of total capital gains by capital losses) where the Shareholder is an individual or trustee, the Shares have been held for at least 12 months and certain other requirements have been met. Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustees (other than a trust that is a complying superannuation fund) may be reduced by one half after offsetting current year or prior year capital losses.

Where the Shareholder is the trustee of a trust that has held the Shares for at least 12 months before disposal, the CGT discount may flow through to the beneficiaries of the trust if those beneficiaries are not companies. Shareholders that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains.

### 10.7.2.3 Complying superannuation fund

The CGT treatment of complying Australian resident superannuation funds is, in general, the same as set out above for the Australian resident individuals and trusts, except that any capital gain may be reduced by one third, after offsetting current year or prior year capital losses.

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#### 10.7.2.4 Corporate Shareholders

The CGT discount is not available to corporate Shareholders.

#### 10.7.2.5 New Zealand tax implications

New Zealand resident Shareholders that hold their Shares on capital account should not be subject to capital gains tax on disposal of their Shares, as New Zealand does not have a comprehensive capital gains tax regime in respect of long-term investments. There are, however, instances where a Shareholder may be subject to New Zealand tax on gains they make on the sale or disposal of their Shares or be allowed a deduction for any loss they make. This can include Shares that are not subject to the FIF exemption or where they were originally acquired for the purpose of disposal. A Shareholder must consider their individual circumstances to determine whether any gain on the sale or disposal of their Shares will be taxable (or loss deductible).

### 10.7.3 GST Implications

#### 10.7.3.1 Australian tax implications

Shareholders should not be liable for GST in respect of their investment in Shares. Shareholders may not be entitled to claim full input tax credits in respect of any GST paid on costs incurred in connection with their acquisition of the Shares. Separate GST advice should be sought by Shareholders in this respect.

No GST should be payable in respect of dividends paid to investors.

#### 10.7.3.2 New Zealand tax implications

New Zealand GST should not apply to a Shareholder's investment in Shares.

### 10.7.4 Stamp Duty

#### 10.7.4.1 Australian tax implications

It is not expected that Shareholders should become liable to stamp duty on their acquisition of Shares under the Offer. Under current stamp duty legislation, no stamp duty should be payable by Shareholders on any subsequent dealing of Shares in the ordinary course of trading. Shareholders should seek their own advice on the impact of stamp duty in their own particular circumstances.

#### 10.7.4.2 New Zealand tax implications

New Zealand does not have a stamp duty regime. Accordingly, no New Zealand stamp duty will be payable by Shareholders on the acquisition of Shares or on any subsequent transfer of Shares.

### 10.7.5 Australian tax file numbers ("TFN")

Australian tax resident Shareholders may, if they choose, notify the Company of their TFN, ABN or a relevant exemption from withholding tax with respect to dividends. In the event that the Company is not so notified, withholding tax will automatically be deducted from unfranked dividends and/or distributions. The current rate of withholding tax is 47%, which is made up of the highest marginal tax rate (currently 45%) plus Medicare levy (currently 2%) (noting, the rate of withholding may increase to 47.5% from 1 July 2019 under proposed legislation).

The Company is required to withhold and remit to the ATO such tax until such time as the relevant TFN, ABN or exemption notification is given to the ATO. Australian tax resident Shareholders may be able to claim a tax credit in respect of any tax withheld on dividends in their income tax returns.

## 10.8 Description of the syndicate

Merrill Lynch Equities (Australia) Limited, Deutsche Bank AG, Sydney Branch, UBS AG, Australia Branch are the Joint Lead Managers to the Offer. Morgans Financial Limited is the Co-Lead Manager to the Offer and Bell Potter Securities Limited, Craigs Investment Partners Limited, Crestone Wealth Management Limited, Evans and Partners Pty Ltd (part of the EVANS DIXON group), JBWere Limited, National Australia Bank Limited, Ord Minnett Limited and Wilsons Corporate Finance Limited are the Co-Managers of the Offer.



## 10. Additional information

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Securities, strategic advisory, and corporate advisory services are performed in Australia by Merrill Lynch International (Australia) Limited, Merrill Lynch Markets (Australia) Pty. Limited, Merrill Lynch (Australia) Futures Limited, Merrill Lynch Equities (Australia) Limited and their related bodies corporate (together, “BofAML”) which hold, or are exempt from the requirement to hold, an AFSL. Apart from Bank of America NA, Australian Branch, none of the other BofAML entities are an Authorised Deposit-taking Institution under the *Banking Act 1959* (Cth) in Australia nor regulated by the Australian Prudential Regulation Authority. The obligations of BofAML entities in Australia (other than Bank of America NA, Australian Branch) do not represent deposits or other liabilities of Bank of America NA, Australian Branch and are not guaranteed by Bank of America NA, Australian Branch.

### 10.9 Consents to be named and statement of disclaimers of responsibility

Written consents to the issue of this Prospectus have been given and, at the time of lodgement of this Prospectus with ASIC, had not been withdrawn by the following parties:

- each of Merrill Lynch Equities (Australia) Limited and Deutsche Bank AG, Sydney Branch has given, and has not withdrawn prior to lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as a Joint Global Coordinator and Joint Lead Manager to the Offer in the form and context in which it is named;
- UBS AG, Australia Branch has given, and has not withdrawn prior to lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as a Joint Lead Manager to the Offer in the form and context in which it is named;
- Morgans Financial Limited has given, and has not withdrawn prior to lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Co-Lead Manager to the Offer in the form and context in which it is named;
- each of Bell Potter Securities Limited, Craigs Investment Partners Limited, Crestone Wealth Management Limited, Evans and Partners Pty Ltd (part of the EVANS DIXON group), JBWere Limited, National Australia Bank Limited, Ord Minnett Limited and Wilsons Corporate Finance Limited has given, and has not withdrawn prior to lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as a Co-Manager to the Offer in the form and context in which it is named;
- each of DBS Bank Ltd., Mizuho Securities Asia Limited, SMBC Nikko Capital Markets Limited, The Bank of Nova Scotia, Australia Branch and The Hongkong and Shanghai Banking Corporation Limited has given, and has not withdrawn prior to lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as a Transaction Participant in the form and context in which it is named;
- Gilbert + Tobin has given, and has not withdrawn prior to lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Australian legal adviser (other than in respect of taxation and stamp duty) in relation to the Offer in the form and context in which it is named;
- PricewaterhouseCoopers Securities Ltd has given, and has not withdrawn prior to lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Investigating Accountant in connection with the Offer in the form and context in which it is named and has given and not withdrawn its consent to the inclusion of the Independent Limited Assurance Reports in the form and context in which they are included in this Prospectus;
- PricewaterhouseCoopers has given, and has not withdrawn prior to lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as tax adviser in connection with the Offer, and as auditor to Viva Energy, in the form and context in which it is named;
- Wood Mackenzie Asia Pacific Pte Ltd has given, and has not withdrawn prior to lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as industry consultant in connection with the Offer in the form and context in which it is named; and
- Vitol Holding B.V., on its own behalf and on behalf of Viva Energy B.V. and Vitol Investment Partnership Limited, has given, and has not withdrawn prior to lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus in the form and context in which it is named.

None of the entities or persons referred to above has authorised or caused the issue of this Prospectus or has made or purports to make any statement or representation included in this Prospectus or any statement on which a statement included in this Prospectus is based, except as stated above. To the maximum extent permitted by law, each of the entities and persons referred to above expressly disclaims, makes no representation regarding, and takes no responsibility for, any statements or material in or omissions from this Prospectus, other than with respect to its name or as stated above.

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## 10.10 Regulatory relief

### 10.10.1 ASIC exemptions and relief

The Company has received certain exemptions and relief from the Corporations Act as described below:

- an exemption from the pre-prospectus advertising and publicity rules in section 734(2) of the Corporations Act to permit communications with employees of the Viva Energy Group and the existing shareholders in Vitol Investment Partnership in relation to the Offer prior to lodgement of this Prospectus;
- an exemption from compliance with section 1020B(2) of the Corporations Act relating to the prohibition of certain short sales of securities on behalf of all persons who sell or offer to sell Shares during the period of conditional trading on the ASX; and
- relief to effectively extend the benefit of ASIC Class Order 14/1000 to the LTIP, the STIP and the ESP. This provides the Company with conditional relief from the requirement to issue disclosure documentation in connection with the issue or grant of Performance Rights and Options under the LTIP, Share Rights under the STIP and Shares under the ESP, as well as relieving the Company from the operation of the licensing, advertising, securities hawking and management investment scheme provisions of the Corporations Act for offers of such securities in accordance with ASIC's conditions.

### 10.10.2 ASX waivers

The Company has sought and obtained from ASX an in-principle decision to grant the following waivers from the ASX Listing Rules:

- a waiver from ASX Listing Rule 1.1 condition 12 in relation to the grant of Performance Rights as part of the LTI Offer (as described in Section 10.4.2);
- a waiver from ASX Listing Rule 10.1 in relation to payments to be made under, and in accordance with the terms of, the Vitol Fuel Supply Agreement, Hedge Agreements and Vitol Aviation Fuel Supply Agreement (as described in Sections 6.5 and 9.3, as applicable); and
- a waiver in relation to ASX Listing Rule 10.14 in relation to the issue or grant of Performance Rights, New Options and Share Rights, and the issue of Shares upon the exercise of Performance Rights, New Options or Share Rights to the Chief Executive Officer of Viva Energy, Scott Wyatt,

in each case subject to certain terms and conditions. In relation to ASX Listing Rules 10.1 and 10.14, these waivers would enable the relevant transactions to proceed without Shareholder approval.

## 10.11 Ownership restrictions

The sale and purchase of Shares in Australia are regulated by Australian laws and laws in other countries in which the Company operates that restrict the level of ownership or control by any one person (either alone or in combination with others). This Section 10.11 contains a general description of these laws.

### 10.11.1 Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply. The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in the Company.

### 10.11.2 Foreign Acquisitions and Takeovers Act 1975 (Cth)

Generally, the *Foreign Acquisitions and Takeovers Act 1975 (Cth)* ("**FATA**") applies to acquisitions of shares and voting power in a company of 20% or more by a single foreign person and its associates ("**Substantial Interest**"), or 40% or more by two or more unassociated foreign persons and their associates ("**Aggregate Substantial Interest**"). Where a foreign person holds a Substantial Interest in the Company or foreign persons (subject to certain exceptions for small foreign holders) hold an Aggregate Substantial Interest in the Company, the Company itself will be a "foreign person" for the purposes of the FATA.

## 10. Additional information

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Where an acquisition of a Substantial Interest meets certain criteria, the acquisition must be notified to the Commonwealth Treasurer and may not occur without the prior approval of the Commonwealth Treasurer. An acquisition of a Substantial Interest, or an Aggregate Substantial Interest meeting certain criteria without such approval, may also lead to divestment orders, among other things, if the Treasurer determines that the acquisition is contrary to the national interest.

In addition, under the FATA, all foreign government investors (which is defined broadly to include investors such as public pension funds) also require approval to acquire an interest of 10% or more (and in some cases less than 10%) in an Australian entity or an Australian business, irrespective of the value of the investment. This will typically include any investment of 10% or more of the shares (or other securities or equivalent economic interest or voting power) in an Australian company.

### 10.12 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the laws applicable in Victoria, Australia, and each Applicant and bidder under this Prospectus submits to the exclusive jurisdiction of the courts of Victoria, Australia.

### 10.13 Statement of Directors

This Prospectus is authorised by each Director. Each Director has consented to the lodgement of this Prospectus with ASIC and the issuance of this Prospectus, and has not withdrawn that consent.



## **Appendix A:** Selected statutory accounts information and reconciliations

## Appendix A. Selected statutory accounts information and reconciliations

The following financial information extracted from Viva Energy's audited financial statements is presented in this Appendix A:

- audited statutory historical income statements for FY2015, FY2016 and FY2017;
- audited statutory consolidated historical cash flow statements for FY2015, FY2016 and FY2017; and
- audited statutory segment data for FY2015, FY2016 and FY2017.

In the Statutory Historical Results and Statutory Forecast Results presented in Section 4:

- Realised/unrealised gain/(loss) on derivatives; and
- Net foreign exchanges (loss)/gain

have been reported within Revaluation gain/(loss) on FX and oil derivatives. Refer to the reclassifications presented later in this Appendix A.

The statutory consolidated historical balance sheet along with other important considerations concerning the financial statements are presented in Section 4 of this Prospectus. The audited financial statements are available at [www.vivaenergy.com.au](http://www.vivaenergy.com.au).

This Appendix A also presents line-by-line reconciliations between the Statutory Forecast Results for FY2018, 1H2018 and 1H2019 and the Pro Forma Forecast Results FY2018, 1H2018 and 1H2019.

**Table A1: Audited Statutory Consolidated Historical Cash Flow Statements**

\$ in millions	FY2015	FY2016	FY2017
<b>Cash flow from operating activities</b>			
Receipts from trade and other debtors	19,272.4	16,263.7	17,789.3
Payments to suppliers and employees	(18,488.2)	(15,775.6)	(17,408.3)
Interest received	3.2	3.7	2.4
Interest paid on loans	(79.4)	(40.5)	(10.9)
Interest paid on finance lease	(7.1)	(7.3)	(7.5)
Income tax paid	(0.3)	(0.4)	(202.9)
<b>Net cash flows used in operating activities</b>	<b>700.6</b>	<b>443.6</b>	<b>162.1</b>
<b>Cash flow from investing activities</b>			
Purchases of property, plant and equipment	(240.9)	(301.4)	(231.1)
Net cash consideration paid for the acquisition of Shell Aviation	-	-	(259.0)
Net proceeds from Viva Energy REIT	-	1,569.2	-
Proceeds from sales of other property, plant and equipment	3.2	22.6	26.7
Loans advanced to associate company	(5.0)	-	-
Loan repayments received from third parties	21.9	27.3	19.7
Dividends received from associates	-	1.8	32.8
<b>Net cash flows used in investing activities</b>	<b>(220.8)</b>	<b>1,319.5</b>	<b>(410.9)</b>
<b>Cash flow from financing activities</b>			
Drawdown of borrowings	1,180.0	645.0	2,315.0
Repayment of borrowings	(1,535.0)	(2,006.8)	(2,075.0)
Dividend paid	-	-	(252.8)
Capital return	-	(163.0)	-
<b>Net cash flows used in financing activities</b>	<b>(355.0)</b>	<b>(1,524.8)</b>	<b>(12.8)</b>
Net increase/(decrease) in cash and cash equivalents	124.8	238.3	(261.6)
Cash and cash equivalents at the beginning of the year	63.2	188.0	426.3
<b>Cash and cash equivalents at the end of the year</b>	<b>188.0</b>	<b>426.3</b>	<b>164.7</b>

Statutory net free cash flow before financing, tax and dividends in Table 14 in Section 4.6.2 reconciles to Table A2 as follows:

**Table A2: Reconciliation Between Statutory Net Free Cash Flow and Audited Statutory Historical Cash Flows**

\$ in millions	FY2015	FY2016	FY2017
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>124.8</b>	<b>238.3</b>	<b>(261.6)</b>
<b>Adjusted for:</b>			
Interest received	(3.2)	(3.7)	(2.4)
Interest paid on loans	79.4	40.5	10.9
Interest paid on finance lease	7.1	7.3	7.5
Income tax paid	0.3	0.4	202.9
Repayment of borrowings	1,535.0	2,006.8	2,075.0
Drawdown of borrowings	(1,180.0)	(645.0)	(2,315.0)
Dividend paid	-	-	252.8
Return of capital	-	163.0	-
Loans advanced to associate company	5.0	-	-
Loan repayments received from third parties	(21.9)	(27.3)	(19.7)
<b>Net free cash flow</b>	<b>546.5</b>	<b>1,780.3</b>	<b>(49.6)</b>

## Appendix A. Selected statutory accounts information and reconciliations

Table A3: Reconciliation of Audited Statutory Consolidated Historical Income Statement to Pro Forma Consolidated Historical Income Statement on a line-by-line basis for FY2015

\$ in millions	Statutory FY2015	Reclassifi- cations	Impact of the Restructure	Acquisition of Shell Aviation Australia	Revaluation of right to future income
<b>Revenue from the sale of goods</b>	<b>16,350.9</b>	-	-	<b>174.7</b>	-
Non-fuels income	121.7	-	-	-	-
Other revenue	22.0	-	-	-	-
<b>Revenue</b>	<b>16,494.6</b>	-	-	<b>174.7</b>	-
Cost of crude oil and refined product (RC)	(10,190.4)	-	-	-	-
Net inventory gain/(loss)	(52.6)	-	-	-	-
Sale taxes and duties	(4,273.4)	-	-	(54.6)	-
Import freight expenses	(412.6)	-	-	-	-
<b>Historical cost of goods sold</b>	<b>(14,929.0)</b>	-	-	<b>(54.6)</b>	-
<b>Gross profit</b>	<b>1,565.6</b>	-	-	<b>120.1</b>	-
Share of profit of associates	-	-	-	-	-
Net gain on disposal of PP&E to Viva Energy REIT	-	-	-	-	-
Net gain/(loss) on other disposal of PP&E	(17.7)	-	-	-	-
<b>Other income/(expense)</b>	<b>(17.7)</b>	-	-	-	-
Transportation expenses	(328.2)	-	-	(8.9)	-
Salaries and wages	(255.4)	-	(1.0)	(34.2)	-
General and administration expense	(183.2)	-	79.0	(41.6)	-
Maintenance expense	(119.1)	-	-	-	-
Operating leases	(97.0)	-	-	(5.7)	-
Lease straight-lining	-	-	-	-	-
Sales and marketing	(97.0)	-	-	-	-
<b>Operating expenses</b>	<b>(1,079.9)</b>	-	<b>78.0</b>	<b>(90.4)</b>	-
Realised/unrealised gain/(loss) on derivatives	(27.3)	27.3	-	-	-
Net foreign exchanges (loss)/gain	(32.9)	32.9	-	-	-
Movement in financial assets	-	-	-	-	-
Revaluation gain/(loss) on FX and oil derivatives	-	(60.2)	-	18.3	-
<b>Profit before interest, tax, depreciation and amortisation</b>	<b>407.8</b>	-	<b>78.0</b>	<b>48.0</b>	-
Depreciation and amortisation	(76.9)	-	-	(16.6)	-
<b>Profit before interest and tax</b>	<b>330.9</b>	-	<b>78.0</b>	<b>31.4</b>	-
Interest income	9.2	-	-	(6.0)	-
Finance costs	(100.2)	-	-	-	-
<b>Profit before tax</b>	<b>239.9</b>	-	<b>78.0</b>	<b>25.4</b>	-
Income tax expense	(80.1)	-	-	-	-
<b>NPAT</b>	<b>159.8</b>	-	<b>78.0</b>	<b>25.4</b>	-



Formation of the Viva Energy REIT	IPO Transaction costs	Public company costs	Adjustment to remove impact of AASB 16 Leases	Adjustment to remove impact of AASB 15 Revenue from Contracts with Customers	Other one-off items	Tax adjustments	Pro Forma FY2015
-	-	-	-	-	-	-	<b>16,525.6</b>
-	-	-	-	-	-	-	121.7
-	-	-	-	-	(8.4)	-	13.6
-	-	-	-	-	<b>(8.4)</b>	-	<b>16,660.9</b>
-	-	-	-	-	-	-	(10,190.4)
-	-	-	-	-	-	-	(52.6)
-	-	-	-	-	-	-	(4,328.0)
-	-	-	-	-	-	-	(412.6)
-	-	-	-	-	-	-	<b>(14,983.6)</b>
-	-	-	-	-	<b>(8.4)</b>	-	<b>1,677.3</b>
32.0	-	-	-	-	-	-	32.0
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(17.7)
<b>32.0</b>	-	-	-	-	-	-	<b>14.3</b>
-	-	-	-	-	-	-	(337.1)
0.3	-	(4.2)	-	-	12.1	-	(282.4)
4.2	-	(3.6)	-	-	6.8	-	(138.4)
-	-	-	-	-	-	-	(119.1)
(118.0)	-	-	-	-	-	-	(220.7)
(36.1)	-	-	-	-	-	-	(36.1)
-	-	-	-	-	-	-	(97.0)
<b>(149.6)</b>	-	<b>(7.8)</b>	-	-	<b>18.9</b>	-	<b>(1,230.8)</b>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(41.9)
<b>(117.6)</b>	-	<b>(7.8)</b>	-	-	<b>10.5</b>	-	<b>418.9</b>
23.8	-	-	-	-	-	-	(69.7)
<b>(93.8)</b>	-	<b>(7.8)</b>	-	-	<b>10.5</b>	-	<b>349.2</b>
-	-	-	-	-	-	-	3.2
43.3	-	-	-	-	-	-	(56.9)
<b>(50.5)</b>	-	<b>(7.8)</b>	-	-	<b>10.5</b>	-	<b>295.5</b>
-	-	-	-	-	-	(8.7)	(88.8)
<b>(50.5)</b>	-	<b>(7.8)</b>	-	-	<b>10.5</b>	<b>(8.7)</b>	<b>206.7</b>

## Appendix A. Selected statutory accounts information and reconciliations

Table A4: Reconciliation of Audited Statutory Consolidated Historical Income Statement to Pro Forma Consolidated Historical Income Statement on a line-by-line basis for FY2016

\$ in millions	Statutory FY2016	Reclassifi- cations	Impact of the Restructure	Acquisition of Shell Aviation Australia	Revaluation of right to future income
<b>Revenue from the sale of goods</b>	<b>13,967.4</b>	-	-	<b>204.7</b>	-
Non-fuels income	133.6	-	-	-	-
Other revenue	29.9	-	-	-	-
<b>Revenue</b>	<b>14,130.9</b>	-	-	<b>204.7</b>	-
Cost of crude oil and refined product (RC)	(8,214.7)	-	-	-	-
Net inventory gain/(loss)	(61.2)	-	-	-	-
Sale taxes and duties	(4,177.1)	-	-	(57.9)	-
Import freight expenses	(258.7)	-	-	-	-
<b>Historical cost of goods sold</b>	<b>(12,711.7)</b>	-	-	<b>(57.9)</b>	-
<b>Gross profit</b>	<b>1,419.2</b>	-	-	<b>146.8</b>	-
Share of profit of associates	-	-	-	-	-
Net gain on disposal of PP&E to Viva Energy REIT	1,379.3	-	-	-	-
Net gain/(loss) on other disposal of PP&E	10.3	-	-	-	-
<b>Other income/(expense)</b>	<b>1,389.6</b>	-	-	-	-
Transportation expenses	(323.6)	-	-	(9.6)	-
Salaries and wages	(220.3)	-	(1.0)	(35.5)	-
General and administration expense	(194.6)	-	79.0	(39.2)	-
Maintenance expense	(103.7)	-	-	-	-
Operating leases	(165.8)	12.1	-	(5.9)	-
Lease straight-lining	-	(12.1)	-	-	-
Sales and marketing	(97.4)	-	-	-	-
<b>Operating expenses</b>	<b>(1,105.4)</b>	-	<b>78.0</b>	<b>(90.2)</b>	-
Realised/unrealised gain/(loss) on derivatives	17.0	(17.0)	-	-	-
Net foreign exchanges (loss)/gain	(10.0)	10.0	-	-	-
Movement in financial assets	129.5	-	-	-	(129.5)
Revaluation gain/(loss) on FX and oil derivatives	-	7.0	-	2.1	-
<b>Profit before interest, tax, depreciation and amortisation</b>	<b>1,839.9</b>	-	<b>78.0</b>	<b>58.7</b>	<b>(129.5)</b>
Depreciation and amortisation	(78.2)	-	-	(16.6)	-
<b>Profit before interest and tax</b>	<b>1,761.7</b>	-	<b>78.0</b>	<b>42.1</b>	<b>(129.5)</b>
Interest income	8.5	-	-	(4.8)	-
Finance costs	(70.7)	-	-	-	-
<b>Profit before tax</b>	<b>1,699.5</b>	-	<b>78.0</b>	<b>37.3</b>	<b>(129.5)</b>
Income tax expense	(480.4)	-	-	-	-
<b>NPAT</b>	<b>1,219.1</b>	-	<b>78.0</b>	<b>37.3</b>	<b>(129.5)</b>

Formation of the Viva Energy REIT	IPO Transaction costs	Public company costs	Adjustment to remove impact of AASB 16 Leases	Adjustment to remove impact of AASB 15 Revenue from Contracts with Customers	Other one-off items	Tax adjustments	Pro Forma FY2016
-	-	-	-	-	-	-	<b>14,172.1</b>
-	-	-	-	-	-	-	133.6
-	-	-	-	-	(6.2)	-	23.7
-	-	-	-	-	<b>(6.2)</b>	-	<b>14,329.4</b>
-	-	-	-	-	-	-	(8,214.7)
-	-	-	-	-	-	-	(61.2)
-	-	-	-	-	-	-	(4,235.0)
-	-	-	-	-	-	-	(258.7)
-	-	-	-	-	-	-	<b>(12,769.6)</b>
-	-	-	-	-	<b>(6.2)</b>	-	<b>1,559.8</b>
33.0	-	-	-	-	-	-	33.0
(1,379.3)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	10.3
<b>(1,346.3)</b>	-	-	-	-	-	-	<b>43.3</b>
-	-	-	-	-	-	-	(333.2)
0.8	-	(4.2)	-	-	-	-	(260.2)
15.6	-	(3.6)	-	-	3.5	-	(139.3)
-	-	-	-	-	-	-	(103.7)
(72.2)	-	-	-	-	-	-	(231.8)
(20.4)	-	-	-	-	-	-	(32.5)
-	-	-	-	-	-	-	(97.4)
<b>(76.2)</b>	-	<b>(7.8)</b>	-	-	<b>3.5</b>	-	<b>(1,198.1)</b>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	9.1
<b>(1,422.5)</b>	-	<b>(7.8)</b>	-	-	<b>(2.7)</b>	-	<b>414.1</b>
14.2	-	-	-	-	-	-	(80.6)
<b>(1,408.3)</b>	-	<b>(7.8)</b>	-	-	<b>(2.7)</b>	-	<b>333.5</b>
-	-	-	-	-	-	-	3.7
34.2	-	-	-	-	-	-	(36.5)
<b>(1,374.1)</b>	-	<b>(7.8)</b>	-	-	<b>(2.7)</b>	-	<b>300.7</b>
-	-	-	-	-	-	391.4	(89.0)
<b>(1,374.1)</b>	-	<b>(7.8)</b>	-	-	<b>(2.7)</b>	<b>391.4</b>	<b>211.7</b>

## Appendix A. Selected statutory accounts information and reconciliations

Table A5: Reconciliation of Audited Statutory Consolidated Historical Income Statement to Pro Forma Consolidated Historical Income Statement on a line-by-line basis for FY2017

\$ in millions	Statutory FY2017	Reclassifi- cations	Impact of the Restructure	Acquisition of Shell Aviation Australia	Revaluation of right to future income
<b>Revenue from the sale of goods</b>	<b>15,489.0</b>	-	-	<b>67.2</b>	-
Non-fuels income	141.7	-	-	-	-
Other revenue	29.8	-	-	-	-
<b>Revenue</b>	<b>15,660.5</b>	-	-	<b>67.2</b>	-
Cost of crude oil and refined product (RC)	(9,524.8)	-	-	-	-
Net inventory gain/(loss)	(8.7)	-	-	-	-
Sale taxes and duties	(4,123.6)	-	-	-	-
Import freight expenses	(256.4)	-	-	-	-
<b>Historical cost of goods sold</b>	<b>(13,913.5)</b>	-	-	-	-
<b>Gross profit</b>	<b>1,747.0</b>	-	-	<b>67.2</b>	-
Share of profit of associates	65.4	-	-	-	-
Net gain on disposal of PP&E to Viva Energy REIT	-	-	-	-	-
Net gain/(loss) on other disposal of PP&E	15.7	-	-	(0.1)	-
<b>Other income/(expense)</b>	<b>81.1</b>	-	-	<b>(0.1)</b>	-
Transportation expenses	(311.1)	-	-	(3.5)	-
Salaries and wages	(242.7)	-	(1.0)	(26.1)	-
General and administration expense	(192.1)	-	28.5	(6.4)	-
Maintenance expense	(102.4)	-	-	-	-
Operating leases	(269.0)	28.9	-	-	-
Lease straight-lining	-	(28.9)	-	-	-
Sales and marketing	(106.1)	-	-	-	-
<b>Operating expenses</b>	<b>(1,223.4)</b>	-	<b>27.5</b>	<b>(36.0)</b>	-
Realised/unrealised gain/(loss) on derivatives	(41.1)	41.1	-	-	-
Net foreign exchanges (loss)/gain	17.7	(17.7)	-	-	-
Movement in financial assets	4.8	-	-	-	(4.8)
Revaluation gain/(loss) on FX and oil derivatives	-	(23.4)	-	(1.2)	-
<b>Profit before interest, tax, depreciation and amortisation</b>	<b>586.1</b>	-	<b>27.5</b>	<b>29.9</b>	<b>(4.8)</b>
Depreciation and amortisation	(107.2)	-	-	(4.3)	-
<b>Profit before interest and tax</b>	<b>478.9</b>	-	<b>27.5</b>	<b>25.6</b>	<b>(4.8)</b>
Interest income	3.6	-	-	(1.2)	-
Finance costs	(31.3)	-	-	-	-
<b>Profit before tax</b>	<b>451.2</b>	-	<b>27.5</b>	<b>24.4</b>	<b>(4.8)</b>
Income tax expense	(161.5)	-	-	-	-
<b>NPAT</b>	<b>289.7</b>	-	<b>27.5</b>	<b>24.4</b>	<b>(4.8)</b>

Formation of the Viva Energy REIT	IPO Transaction costs	Public company costs	Adjustment to remove impact of AASB 16 Leases	Adjustment to remove impact of AASB 15 Revenue from Contracts with Customers	Other one- off items	Tax adjustments	Pro Forma FY2017
-	-	-	-	-	-	-	<b>15,556.2</b>
-	-	-	-	-	-	-	141.7
-	-	-	-	-	(3.4)	-	26.4
-	-	-	-	-	<b>(3.4)</b>	-	<b>15,724.3</b>
-	-	-	-	-	-	-	(9,524.8)
-	-	-	-	-	-	-	(8.7)
-	-	-	-	-	-	-	(4,123.6)
-	-	-	-	-	-	-	(256.4)
-	-	-	-	-	-	-	<b>(13,913.5)</b>
-	-	-	-	-	<b>(3.4)</b>	-	<b>1,810.8</b>
-	-	-	-	-	-	-	65.4
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	15.6
-	-	-	-	-	-	-	<b>81.0</b>
-	-	-	-	-	-	-	(314.6)
-	-	(4.2)	-	-	-	-	(274.0)
-	-	(3.6)	-	-	25.6	-	(148.0)
-	-	-	-	-	-	-	(102.4)
-	-	-	-	-	-	-	(240.1)
-	-	-	-	-	-	-	(28.9)
-	-	-	-	-	-	-	(106.1)
-	-	<b>(7.8)</b>	-	-	<b>25.6</b>	-	<b>(1,214.1)</b>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(24.6)
-	-	<b>(7.8)</b>	-	-	<b>22.2</b>	-	<b>653.1</b>
-	-	-	-	-	-	-	(111.5)
-	-	<b>(7.8)</b>	-	-	<b>22.2</b>	-	<b>541.6</b>
-	-	-	-	-	-	-	2.4
-	-	-	-	-	-	-	(31.3)
-	-	<b>(7.8)</b>	-	-	<b>22.2</b>	-	<b>512.7</b>
-	-	-	-	-	-	3.7	(157.8)
-	-	<b>(7.8)</b>	-	-	<b>22.2</b>	<b>3.7</b>	<b>354.9</b>

## Appendix A. Selected statutory accounts information and reconciliations

Table A6: Reconciliation of Statutory Forecast Consolidated Income Statement to Pro Forma Forecast Consolidated Income Statement on a line-by-line basis for FY2018

\$ in millions	Statutory Forecast FY2018	Reclassifications	Impact of the Restructure	Acquisition of Shell Aviation Australia	Revaluation of right to future income
<b>Revenue from the sale of goods</b>	<b>14,878.8</b>	-	-	-	-
Non-fuels income	148.2	-	-	-	-
Other revenue	32.2	-	-	-	-
<b>Revenue</b>	<b>15,059.2</b>	-	-	-	-
Cost of crude oil and refined product (RC)	(8,869.1)	-	-	-	-
Net inventory gain/(loss)	(20.8)	-	-	-	-
Sale taxes and duties	(4,139.7)	-	-	-	-
Import freight expenses	(261.6)	-	-	-	-
<b>Historical cost of goods sold</b>	<b>(13,291.2)</b>	-	-	-	-
<b>Gross profit</b>	<b>1,768.0</b>	-	-	-	-
Share of profit of associates	38.9	-	-	-	-
Net gain on disposal of PP&E to Viva Energy REIT	-	-	-	-	-
Net gain/(loss) on other disposal of PP&E	9.6	-	-	-	-
<b>Other income/(expense)</b>	<b>48.5</b>	-	-	-	-
Transportation expenses	(294.8)	-	-	-	-
Salaries and wages	(251.6)	-	(0.5)	-	-
General and administration expense	(282.2)	-	14.5	-	-
Maintenance expense	(93.8)	-	-	-	-
Operating leases	(257.9)	-	-	-	-
Lease straight-lining	(25.6)	-	-	-	-
Sales and marketing	(105.2)	-	-	-	-
<b>Operating expenses</b>	<b>(1,311.1)</b>	-	<b>14.0</b>	-	-
Realised/unrealised gain/(loss) on derivatives	(3.1)	3.1	-	-	-
Net foreign exchanges (loss)/gain	(8.2)	8.2	-	-	-
Movement in financial assets	-	-	-	-	-
Revaluation gain/(loss) on FX and oil derivatives	-	(11.3)	-	-	-
<b>Profit before interest, tax, depreciation and amortisation</b>	<b>494.1</b>	-	<b>14.0</b>	-	-
Depreciation and amortisation	(123.4)	-	-	-	-
<b>Profit before interest and tax</b>	<b>370.7</b>	-	<b>14.0</b>	-	-
Interest income	-	-	-	-	-
Finance costs	(30.9)	-	-	-	-
<b>Profit before tax</b>	<b>339.8</b>	-	<b>14.0</b>	-	-
Tax (expense)/benefit	123.3	-	-	-	-
<b>NPAT</b>	<b>463.1</b>	-	<b>14.0</b>	-	-

Formation of the Viva Energy REIT	IPO Transaction costs	Public company costs	Adjustment to remove impact of AASB 16 Leases	Adjustment to remove impact of AASB 15 Revenue from Contracts with Customers	Other one-off items	Tax adjustments	Pro Forma FY2018
-	-	-	-	1,657.1	-	-	16,535.9
-	-	-	-	-	-	-	148.2
-	-	-	-	-	(15.2)	-	17.0
-	-	-	-	1,657.1	(15.2)	-	16,701.1
-	-	-	-	(1,657.1)	-	-	(10,526.2)
-	-	-	-	-	-	-	(20.8)
-	-	-	-	-	-	-	(4,139.7)
-	-	-	-	-	-	-	(261.6)
-	-	-	-	(1,657.1)	-	-	(14,948.3)
-	-	-	-	-	(15.2)	-	1,752.8
-	-	-	-	-	-	-	38.9
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	9.6
-	-	-	-	-	-	-	48.5
-	-	-	-	-	-	-	(294.8)
-	-	(2.1)	-	-	-	-	(254.2)
-	104.1	(1.8)	-	-	2.8	-	(162.6)
-	-	-	-	-	-	-	(93.8)
-	-	-	-	-	-	-	(257.9)
-	-	-	-	-	-	-	(25.6)
-	-	-	-	-	-	-	(105.2)
-	104.1	(3.9)	-	-	2.8	-	(1,194.1)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(11.3)
-	104.1	(3.9)	-	-	(12.4)	-	595.9
-	-	-	-	-	-	-	(123.4)
-	104.1	(3.9)	-	-	(12.4)	-	472.5
-	-	-	-	-	-	-	-
-	-	-	-	-	0.6	-	(30.3)
-	104.1	(3.9)	-	-	(11.8)	-	442.2
-	-	-	-	-	-	(256.0)	(132.7)
-	104.1	(3.9)	-	-	(11.8)	(256.0)	309.5



## Appendix A. Selected statutory accounts information and reconciliations

Table A7: Reconciliation of Statutory Forecast Consolidated Income Statement to Pro Forma Forecast Consolidated Income Statement on a line-by-line basis for 12 month June FY2019

\$ in millions	12 months June-19	Reclassifi- cations	Impact of the Restructure	Acquisition of Shell Aviation Australia	Revaluation of right to future income
<b>Revenue from the sale of goods</b>	<b>15,301.7</b>	-	-	-	-
Non-fuels income	143.2	-	-	-	-
Other revenue	12.8	-	-	-	-
<b>Revenue</b>	<b>15,457.7</b>	-	-	-	-
Cost of crude oil and refined product (RC)	(9,119.2)	-	-	-	-
Net inventory gain/(loss)	-	-	-	-	-
Sale taxes and duties	(4,221.7)	-	-	-	-
Import freight expenses	(270.0)	-	-	-	-
<b>Historical cost of goods sold</b>	<b>(13,610.9)</b>	-	-	-	-
<b>Gross profit</b>	<b>1,846.8</b>	-	-	-	-
Share of profit of associates	39.9	-	-	-	-
Net gain on disposal of PP&E to Viva Energy REIT	-	-	-	-	-
Net gain/(loss) on other disposal of PP&E	10.6	-	-	-	-
<b>Other income/(expense)</b>	<b>50.5</b>	-	-	-	-
Transportation expenses	(297.4)	-	-	-	-
Salaries and wages	(263.6)	-	-	-	-
General and administration expense	(265.7)	-	-	-	-
Maintenance expense	(99.2)	-	-	-	-
Operating leases	(131.0)	-	-	-	-
Lease straight-lining	(12.1)	-	-	-	-
Sales and marketing	(101.7)	-	-	-	-
<b>Operating expenses</b>	<b>(1,170.7)</b>	-	-	-	-
Realised/unrealised gain/(loss) on derivatives	-	-	-	-	-
Net foreign exchanges (loss)/gain	-	-	-	-	-
Movement in financial assets	-	-	-	-	-
Revaluation gain/(loss) on FX and oil derivatives	-	-	-	-	-
<b>Profit before interest, tax, depreciation and amortisation</b>	<b>726.6</b>	-	-	-	-
Depreciation and amortisation	(215.3)	-	-	-	-
<b>Profit before interest and tax</b>	<b>511.3</b>	-	-	-	-
Interest income	-	-	-	-	-
Finance costs	(126.8)	-	-	-	-
<b>Profit before tax</b>	<b>384.5</b>	-	-	-	-
Tax (expense)/benefit	110.0	-	-	-	-
<b>NPAT</b>	<b>494.5</b>	-	-	-	-

Formation of the Viva Energy REIT	IPO Transaction costs	Public company costs	Adjustment to remove impact of AASB 16 Leases	Adjustment to remove impact of AASB 15 Revenue from Contracts with Customers	Other one- off items	Tax adjustments	Pro Forma 12 months June-19
-	-	-	-	1,700.6	-	-	17,002.3
-	-	-	7.9	-	-	-	151.1
-	-	-	-	-	-	-	12.8
-	-	-	7.9	1,700.6	-	-	17,166.2
-	-	-	-	(1,700.6)	-	-	(10,819.8)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(4,221.7)
-	-	-	-	-	-	-	(270.0)
-	-	-	-	(1,700.6)	-	-	(15,311.5)
-	-	-	7.9	-	-	-	1,854.7
-	-	-	-	-	-	-	39.9
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	10.6
-	-	-	-	-	-	-	50.5
-	-	-	-	-	-	-	(297.4)
-	-	-	-	-	-	-	(263.6)
-	95.7	-	-	-	2.8	-	(167.2)
-	-	-	-	-	-	-	(99.2)
-	-	-	(133.3)	-	-	-	(264.3)
-	-	-	(11.5)	-	-	-	(23.6)
-	-	-	-	-	-	-	(101.7)
-	95.7	-	(144.8)	-	2.8	-	(1,217.0)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	95.7	-	(136.9)	-	2.8	-	688.2
-	-	-	85.5	-	-	-	(129.8)
-	95.7	-	(51.4)	-	2.8	-	558.4
-	-	-	-	-	-	-	-
-	-	-	98.1	-	-	-	(28.7)
-	95.7	-	46.7	-	2.8	-	529.7
-	-	-	-	-	-	(268.9)	(158.9)
-	95.7	-	46.7	-	2.8	(268.9)	370.8

## Appendix A. Selected statutory accounts information and reconciliations

Table A8: Reconciliation of Statutory Forecast Consolidated Income Statement to Pro Forma Forecast Consolidated Income Statement on a line-by-line basis for 1H2018

\$ in millions	Statutory Forecast 6 month 1H2018	Reclassifications	Impact of the Restructure	Acquisition of Shell Aviation Australia	Revaluation of right to future income
<b>Revenue from the sale of goods</b>	<b>7,151.5</b>	-	-	-	-
Non-fuels income	72.6	-	-	-	-
Other revenue	23.7	-	-	-	-
<b>Revenue</b>	<b>7,247.8</b>	-	-	-	-
Cost of crude oil and refined product (RC)	(4,255.2)	-	-	-	-
Net inventory gain/(loss)	(20.8)	-	-	-	-
Sale taxes and duties	(2,012.4)	-	-	-	-
Import freight expenses	(128.1)	-	-	-	-
<b>Historical cost of goods sold</b>	<b>(6,416.5)</b>	-	-	-	-
<b>Gross profit</b>	<b>831.3</b>	-	-	-	-
Share of profit of associates	19.0	-	-	-	-
Net gain on disposal of PP&E to Viva Energy REIT	-	-	-	-	-
Net gain/(loss) on other disposal of PP&E	(0.4)	-	-	-	-
<b>Other income/(expense)</b>	<b>18.6</b>	-	-	-	-
Transportation expenses	(140.1)	-	-	-	-
Salaries and wages	(121.8)	-	(0.5)	-	-
General and administration expense	(98.6)	-	14.5	-	-
Maintenance expense	(43.2)	-	-	-	-
Operating leases	(126.9)	-	-	-	-
Lease straight-lining	(13.5)	-	-	-	-
Sales and marketing	(58.1)	-	-	-	-
<b>Operating expenses</b>	<b>(602.2)</b>	-	<b>14.0</b>	-	-
Realised/unrealised gain/(loss) on derivatives	(3.1)	3.1	-	-	-
Net foreign exchanges (loss)/gain	(8.2)	8.2	-	-	-
Movement in financial assets	-	-	-	-	-
Revaluation gain/(loss) on FX and oil derivatives	-	(11.3)	-	-	-
<b>Profit before interest, tax, depreciation and amortisation</b>	<b>236.4</b>	-	<b>14.0</b>	-	-
Depreciation and amortisation	(59.4)	-	-	-	-
<b>Profit before interest and tax</b>	<b>177.0</b>	-	<b>14.0</b>	-	-
Interest income	-	-	-	-	-
Finance costs	(16.5)	-	-	-	-
<b>Profit before tax</b>	<b>160.5</b>	-	<b>14.0</b>	-	-
Tax (expense)/benefit	(48.2)	-	-	-	-
<b>NPAT</b>	<b>112.3</b>	-	<b>14.0</b>	-	-

Formation of the Viva Energy REIT	IPO Transaction costs	Public company costs	Adjustment to remove impact of AASB 16 Leases	Adjustment to remove impact of AASB 15 Revenue from Contracts with Customers	Other one-off items	Tax adjustments	Pro Forma 6 month 1H2018
-	-	-	-	802.7	-	-	7,954.2
-	-	-	-	-	-	-	72.6
-	-	-	-	-	(15.2)	-	8.5
-	-	-	-	802.7	(15.2)	-	8,035.3
-	-	-	-	(802.7)	-	-	(5,057.9)
-	-	-	-	-	-	-	(20.8)
-	-	-	-	-	-	-	(2,012.4)
-	-	-	-	-	-	-	(128.1)
-	-	-	-	(802.7)	-	-	(7,219.2)
-	-	-	-	-	(15.2)	-	816.1
-	-	-	-	-	-	-	19.0
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(0.4)
-	-	-	-	-	-	-	18.6
-	-	-	-	-	-	-	(140.1)
-	-	(2.1)	-	-	-	-	(124.4)
-	8.4	(1.8)	-	-	-	-	(77.5)
-	-	-	-	-	-	-	(43.2)
-	-	-	-	-	-	-	(126.9)
-	-	-	-	-	-	-	(13.5)
-	-	-	-	-	-	-	(58.1)
-	8.4	(3.9)	-	-	-	-	(583.7)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(11.3)
-	8.4	(3.9)	-	-	(15.2)	-	239.7
-	-	-	-	-	-	-	(59.4)
-	8.4	(3.9)	-	-	(15.2)	-	180.3
-	-	-	-	-	-	-	-
-	-	-	-	-	0.6	-	(15.9)
-	8.4	(3.9)	-	-	(14.6)	-	164.4
-	-	-	-	-	-	(1.1)	(49.3)
-	8.4	(3.9)	-	-	(14.6)	(1.1)	115.1

## Appendix A. Selected statutory accounts information and reconciliations

Table A9: Reconciliation of Statutory Forecast Consolidated Income Statement to Pro Forma Consolidated Income Statement on a line-by-line basis for 1H2019

\$ in millions	Statutory Forecast 6 month 1H2019	Reclassifications	Impact of the Restructure	Acquisition of Shell Aviation Australia	Revaluation of right to future income
<b>Revenue from the sale of goods</b>	<b>7,574.4</b>	-	-	-	-
Non-fuels income	67.6	-	-	-	-
Other revenue	4.3	-	-	-	-
<b>Revenue</b>	<b>7,646.3</b>	-	-	-	-
Cost of crude oil and refined product (RC)	(4,505.3)	-	-	-	-
Net inventory gain/(loss)	-	-	-	-	-
Sale taxes and duties	(2,094.4)	-	-	-	-
Import freight expenses	(136.5)	-	-	-	-
<b>Historical cost of goods sold</b>	<b>(6,736.2)</b>	-	-	-	-
<b>Gross profit</b>	<b>910.1</b>	-	-	-	-
Share of profit of associates	20.0	-	-	-	-
Net gain on disposal of PP&E to Viva Energy REIT	-	-	-	-	-
Net gain/(loss) on other disposal of PP&E	0.6	-	-	-	-
<b>Other income/(expense)</b>	<b>20.6</b>	-	-	-	-
Transportation expenses	(142.7)	-	-	-	-
Salaries and wages	(133.8)	-	-	-	-
General and administration expense	(82.1)	-	-	-	-
Maintenance expense	(48.6)	-	-	-	-
Operating leases	-	-	-	-	-
Lease straight-lining	-	-	-	-	-
Sales and marketing	(54.6)	-	-	-	-
<b>Operating expenses</b>	<b>(461.8)</b>	-	-	-	-
Realised/unrealised gain/(loss) on derivatives	-	-	-	-	-
Net foreign exchanges (loss)/gain	-	-	-	-	-
Movement in financial assets	-	-	-	-	-
Revaluation gain/(loss) on FX and oil derivatives	-	-	-	-	-
<b>Profit before interest, tax, depreciation and amortisation</b>	<b>468.9</b>	-	-	-	-
Depreciation and amortisation	(151.3)	-	-	-	-
<b>Profit before interest and tax</b>	<b>317.6</b>	-	-	-	-
Interest income	-	-	-	-	-
Finance costs	(112.4)	-	-	-	-
<b>Profit before tax</b>	<b>205.2</b>	-	-	-	-
Tax (expense)/benefit	(61.5)	-	-	-	-
<b>NPAT</b>	<b>143.7</b>	-	-	-	-

Formation of the Viva Energy REIT	IPO Transaction costs	Public company costs	Adjustment to remove impact of AASB 16 Leases	Adjustment to remove impact of AASB 15 Revenue from Contracts with Customers	Other one- off items	Tax adjustments	Pro Forma 6 month 1H2019
-	-	-	-	846.2	-	-	8,420.6
-	-	-	7.9	-	-	-	75.5
-	-	-	-	-	-	-	4.3
-	-	-	7.9	846.2	-	-	8,500.4
-	-	-	-	(846.2)	-	-	(5,351.5)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(2,094.4)
-	-	-	-	-	-	-	(136.5)
-	-	-	-	(846.2)	-	-	(7,582.4)
-	-	-	7.9	-	-	-	918.0
-	-	-	-	-	-	-	20.0
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	0.6
-	-	-	-	-	-	-	20.6
-	-	-	-	-	-	-	(142.7)
-	-	-	-	-	-	-	(133.8)
-	-	-	-	-	-	-	(82.1)
-	-	-	-	-	-	-	(48.6)
-	-	-	(133.3)	-	-	-	(133.3)
-	-	-	(11.5)	-	-	-	(11.5)
-	-	-	-	-	-	-	(54.6)
-	-	-	(144.8)	-	-	-	(606.6)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	(136.9)	-	-	-	332.0
-	-	-	85.5	-	-	-	(65.8)
-	-	-	(51.4)	-	-	-	266.2
-	-	-	-	-	-	-	-
-	-	-	98.1	-	-	-	(14.3)
-	-	-	46.7	-	-	-	251.9
-	-	-	-	-	-	(14.0)	(75.5)
-	-	-	46.7	-	-	(14.0)	176.4

## Appendix A. Selected statutory accounts information and reconciliations

Table A10: Reconciliation of Statutory Income Statement to Pro Forma Income Statement by segment for FY2015, FY2016 and FY2017

\$ in millions	Retail, Fuels and Marketing		
	FY2015	FY2016	FY2017
<b>Statutory revenue</b>	<b>16,233.2</b>	<b>13,727.5</b>	<b>15,214.9</b>
Acquisition of Shell Aviation Australia	174.7	204.7	67.2
Other one-off items	-	-	-
<b>Pro forma adjustments</b>	<b>174.7</b>	<b>204.7</b>	<b>67.2</b>
<b>Pro forma revenue</b>	<b>16,407.9</b>	<b>13,932.2</b>	<b>15,282.1</b>
<b>Statutory gross profit (HC)</b>	<b>1,032.8</b>	<b>1,078.5</b>	<b>1,232.4</b>
Acquisition of Shell Aviation Australia	120.1	146.8	67.2
Other one-off items	-	-	-
<b>Pro forma adjustments</b>	<b>120.1</b>	<b>146.8</b>	<b>67.2</b>
<b>Pro forma gross profit (HC)</b>	<b>1,152.9</b>	<b>1,225.3</b>	<b>1,299.6</b>
<b>Statutory profit before interest, tax, depreciation and amortisation (HC)</b>	<b>732.4</b>	<b>784.9</b>	<b>885.5</b>
<b>Pro forma adjustments</b>			
Impact of the Restructure	-	-	-
Acquisition of Shell Aviation Australia	46.0	72.8	33.3
Revaluation of right to future income	-	-	-
Formation of the Viva Energy REIT	-	-	-
Public company costs	-	-	-
Other one-off items	-	-	-
<b>Pro forma adjustments</b>	<b>46.0</b>	<b>72.8</b>	<b>33.3</b>
<b>Pro forma profit before interest, tax, depreciation and amortisation (HC)</b>	<b>778.4</b>	<b>857.7</b>	<b>918.8</b>



	Refining			Supply, Corporate and Overheads			Group		
	FY2015	FY2016	FY2017	FY2015	FY2016	FY2017	FY2015	FY2016	FY2017
	-	-	-	261.4	403.4	445.6	16,494.6	14,130.9	15,660.5
	-	-	-	-	-	-	174.7	204.7	67.2
	-	-	-	(8.4)	(6.2)	(3.4)	(8.4)	(6.2)	(3.4)
	-	-	-	(8.4)	(6.2)	(3.4)	166.3	198.5	63.8
	-	-	-	253.0	397.2	442.2	16,660.9	14,329.4	15,724.3
	535.4	359.8	483.3	(2.6)	(19.1)	31.3	1,565.6	1,419.2	1,747.0
	-	-	-	-	-	-	120.1	146.8	67.2
	-	-	-	(8.4)	(6.2)	(3.4)	(8.4)	(6.2)	(3.4)
	-	-	-	(8.4)	(6.2)	(3.4)	111.7	140.6	63.8
	535.4	359.8	483.3	(11.0)	(25.3)	27.9	1,677.3	1,559.8	1,810.8
	325.9	143.6	276.1	(650.5)	911.4	(575.5)	407.8	1,839.9	586.1
	-	-	-	78.0	78.0	27.5	78.0	78.0	27.5
	-	-	-	2.0	(14.1)	(3.4)	48.0	58.7	29.9
	-	-	-	-	(129.5)	(4.8)	-	(129.5)	(4.8)
	-	-	-	(117.6)	(1,422.5)	-	(117.6)	(1,422.5)	-
	-	-	-	(7.8)	(7.8)	(7.8)	(7.8)	(7.8)	(7.8)
	-	-	-	10.5	(2.7)	22.2	10.5	(2.7)	22.2
	-	-	-	(34.9)	(1,498.6)	33.7	11.1	(1,425.8)	67.0
	325.9	143.6	276.1	(685.4)	(587.2)	(541.8)	418.9	414.1	653.1

## Appendix A. Selected statutory accounts information and reconciliations

Table A11: Reconciliation of Statutory Forecast Income Statement to Pro Forma Forecast Income Statement by segment for FY2018, 12 months ending June 2019, 1H2018 and 1H2019

\$ in millions	Retail, Fuels and Marketing				Refining			
	FY2018	12 month June-19	6 month 1H2018	6 month 1H2019	FY2018	12 month June-19	6 month 1H2018	6 month 1H2019
<b>Statutory revenue</b>	<b>14,584.1</b>	<b>14,989.6</b>	<b>7,015.1</b>	<b>7,420.6</b>	-	-	-	-
Adjustment to remove impact of AASB 16 Leases	-	7.9	-	7.9	-	-	-	-
Adjustment to remove impact of AASB 15 Revenue from Contracts with Customers	1,657.1	1,700.6	802.7	846.2	-	-	-	-
Other one-off items	-	-	-	-	-	-	-	-
<b>Pro forma adjustments</b>	<b>1,657.1</b>	<b>1,708.5</b>	<b>802.7</b>	<b>854.1</b>	-	-	-	-
<b>Pro forma revenue</b>	<b>16,241.2</b>	<b>16,698.1</b>	<b>7,817.8</b>	<b>8,274.7</b>	-	-	-	-
<b>Statutory gross profit (HC)</b>	<b>1,320.4</b>	<b>1,338.5</b>	<b>654.0</b>	<b>672.1</b>	<b>413.2</b>	<b>473.8</b>	<b>164.1</b>	<b>224.7</b>
Adjustment to remove impact of AASB 16 Leases	-	7.9	-	7.9	-	-	-	-
Other one-off items	-	-	-	-	-	-	-	-
<b>Pro forma adjustments</b>	<b>-</b>	<b>7.9</b>	<b>-</b>	<b>7.9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Pro forma gross profit (HC)</b>	<b>1,320.4</b>	<b>1,346.4</b>	<b>654.0</b>	<b>680.0</b>	<b>413.2</b>	<b>473.8</b>	<b>164.1</b>	<b>224.7</b>
<b>Statutory profit before interest, tax, depreciation and amortisation (HC)</b>	<b>935.9</b>	<b>949.4</b>	<b>465.0</b>	<b>478.5</b>	<b>216.7</b>	<b>276.4</b>	<b>67.8</b>	<b>127.5</b>
<b>Pro forma adjustments</b>								
Impact of the Restructure	-	-	-	-	-	-	-	-
IPO transaction costs	-	-	-	-	-	-	-	-
Public company costs	-	-	-	-	-	-	-	-
Adjustment to remove impact of AASB 16 Leases	-	7.9	-	7.9	-	-	-	-
Other one-off items	-	-	-	-	-	-	-	-
<b>Pro forma adjustments</b>	<b>-</b>	<b>7.9</b>	<b>-</b>	<b>7.9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Pro forma profit before interest, tax, depreciation and amortisation (HC)</b>	<b>935.9</b>	<b>957.3</b>	<b>465.0</b>	<b>486.4</b>	<b>216.7</b>	<b>276.4</b>	<b>67.8</b>	<b>127.5</b>

Supply, Corporate and Overheads				Group			
FY2018	12 month June-19	6 month 1H2018	6 month 1H2019	FY2018	12 month June-19	6 month 1H2018	6 month 1H2019
475.1	468.1	232.7	225.7	15,059.2	15,457.7	7,247.8	7,646.3
-	-	-	-	-	7.9	-	7.9
-	-	-	-	1,657.1	1,700.6	802.7	846.2
(15.2)	-	(15.2)	-	(15.2)	-	(15.2)	-
(15.2)	-	(15.2)	-	1,641.9	1,708.5	787.5	854.1
459.9	468.1	217.5	225.7	16,701.1	17,166.2	8,035.3	8,500.4
34.4	34.5	13.2	13.3	1,768.0	1,846.8	831.3	910.1
-	-	-	-	-	7.9	-	7.9
(15.2)	-	(15.2)	-	(15.2)	-	(15.2)	-
(15.2)	-	(15.2)	-	(15.2)	7.9	(15.2)	7.9
19.2	34.5	(2.0)	13.3	1,752.8	1,854.7	816.1	918.0
(658.5)	(499.2)	(296.4)	(137.1)	494.1	726.6	236.4	468.9
14.0	-	14.0	-	14.0	-	14.0	-
104.1	95.7	8.4	-	104.1	95.7	8.4	-
(3.9)	-	(3.9)	-	(3.9)	-	(3.9)	-
-	(144.8)	-	(144.8)	-	(136.9)	-	(136.9)
(12.4)	2.8	(15.2)	-	(12.4)	2.8	(15.2)	-
101.8	(46.3)	3.3	(144.8)	101.8	(38.4)	3.3	(136.9)
(556.7)	(545.5)	(293.1)	(281.9)	595.9	688.2	239.7	332.0





## **Appendix B:**

# Management discussion and analysis: Statutory Historical Results

## Appendix B. Management Discussion and Analysis: Statutory Historical Results

Set out below is a discussion of the key factors that affected the Statutory Historical Results for FY2015, FY2016 and FY2017. This discussion should be read in conjunction with Section 4.7, which sets out the management discussion and analysis of the Pro Forma Historical Financial Information.

### Management discussion and analysis: Statutory Historical Results for FY2016 compared to FY2015

Table B1: Summary of Statutory Historical Results for FY2016 compared to F2015

\$ in millions	Statutory Historical Results			
	FY2015	FY2016	Change	% change
<b>Revenue from sale of goods</b>	<b>16,350.9</b>	<b>13,967.4</b>	<b>(2,383.5)</b>	<b>-14.6%</b>
Non-fuels income	121.7	133.6	11.9	9.8%
Other revenue	22.0	29.9	7.9	35.9%
<b>Revenue</b>	<b>16,494.6</b>	<b>14,130.9</b>	<b>(2,363.7)</b>	<b>-14.3%</b>
Cost of crude oil and refined product (RC)	(10,190.4)	(8,214.7)	1,975.7	-19.4%
Net inventory gain / (loss)	(52.6)	(61.2)	(8.6)	16.3%
Sale taxes and duties	(4,273.4)	(4,177.1)	96.3	-2.3%
Import freight expenses	(412.6)	(258.7)	153.9	-37.3%
<b>Historical cost of goods sold</b>	<b>(14,929.0)</b>	<b>(12,711.7)</b>	<b>2,217.3</b>	<b>-14.9%</b>
<b>Gross profit (HC)</b>	<b>1,565.6</b>	<b>1,419.2</b>	<b>(146.4)</b>	<b>-9.4%</b>
Share of profit of associates	-	-	-	n.a.
Net gain on disposal of PP&E to Viva Energy REIT	-	1,379.3	1,379.3	n.a.
Net gain/(loss) on other disposal of PP&E	(17.7)	10.3	28.0	-158.2%
<b>Other income / (expense)</b>	<b>(17.7)</b>	<b>1,389.6</b>	<b>1,407.3</b>	<b>-7950.8%</b>
Transportation expenses	(328.2)	(323.6)	4.6	-1.4%
Salaries and wages	(255.4)	(220.3)	35.1	-13.7%
General and administration expense	(183.2)	(194.6)	(11.4)	6.2%
Maintenance expense	(119.1)	(103.7)	15.4	-12.9%
Operating leases	(97.0)	(153.7)	(56.7)	58.5%
Lease straight-lining	-	(12.1)	(12.1)	100.0%
Sales and marketing	(97.0)	(97.4)	(0.4)	0.4%
<b>Operating expenses</b>	<b>(1,079.9)</b>	<b>(1,105.4)</b>	<b>(25.5)</b>	<b>2.4%</b>
Realised/unrealised gain/(loss) on derivatives	(27.3)	17.0	44.3	-162.3%
Net foreign exchanges (loss)/gain	(32.9)	(10.0)	22.9	-69.6%
Movement in financial assets	-	129.5	129.5	n.a.
<b>Profit before interest, tax, depreciation and amortisation</b>	<b>407.8</b>	<b>1,839.9</b>	<b>1,432.1</b>	<b>351.2%</b>
Depreciation and amortisation	(76.9)	(78.2)	(1.3)	1.7%
<b>Profit before interest and tax</b>	<b>330.9</b>	<b>1,761.7</b>	<b>1,430.8</b>	<b>432.4%</b>
Net finance costs	(91.0)	(62.2)	28.8	-31.6%
<b>Profit before tax</b>	<b>239.9</b>	<b>1,699.5</b>	<b>1,459.6</b>	<b>608.4%</b>
Income tax expense	(80.1)	(480.4)	(400.3)	499.8%
<b>NPAT</b>	<b>159.8</b>	<b>1,219.1</b>	<b>1,059.3</b>	<b>662.9%</b>

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## Revenue

Revenue decreased by \$2,363.7 million, or 14.3%, from \$16,494.6 million in FY2015 to \$14,130.9 million in FY2016. This was primarily driven by a fall in refined product prices. Sales volumes decreased by 191.1 million litres, or 1.3%, from 14,747.8 million litres in FY2015 to 14,556.7 million litres in FY2016. This decrease in volume was primarily driven by a 331.6 million litre, or 7.5%, decrease in petrol volumes.

Non-fuel income grew by \$11.9 million, or 9.8%, from \$121.7 million in FY2015 to \$133.6 million in FY2016. This was driven by annual escalation in lease and licence fee income and the addition of 12 new Company Controlled Retail Sites in the Company's Retail Network, increasing the number of Retail Sites from which Viva Energy receives lease and licence fee income.

## Cost of goods sold

Cost of goods sold decreased by \$2,217.3 million, or 14.9%, from \$14,929.0 million in FY2015 to \$12,711.7 million in FY2016. This was primarily driven by a fall in global crude oil and refined product prices, a decrease in sales volumes and lower import freight expenses due to a global reduction in freight costs.

## Gross profit

Gross profit decreased by \$146.4 million, or 9.4%, from \$1,565.6 million in FY2015 to \$1,419.2 million in FY2016.

On a segment basis, the drivers of the change in gross profit were as follows:

### Retail, Fuels and Marketing

Gross profit for the Retail, Fuels and Marketing segment increased by \$45.7 million, or 4.4%, from \$1,032.8 million in FY2015 to \$1,078.5 million in FY2016. The retail sub-segment contributed \$44.3 million of the increase for the reasons discussed in Section 4.7.2.3. Gross profit in the commercial sub-segment increased by \$1.3 million, with price decreases offsetting a rise in volumes.

### Refining

The Refining segment's gross profit decreased by \$175.6 million, or 32.8%, from \$535.4 million in FY2015 to \$359.8 million in FY2016.

The Refining Margin was US\$7.9 per barrel in FY2016 compared with US\$11.8 per barrel in FY2015. The lower margin reflected a decline in Australian import parity prices for refined products that was only partially offset by lower crude oil prices.

During FY2016, the Geelong Refinery undertook a major turnaround of the catalytic cracking unit (RCCU) and associated units, while FY2015 saw a major turnaround of the crude distillation unit (CDU4) and associated units. Despite slightly higher refinery intake (39.9 million barrels in FY2016 compared to 37.8 million barrels in FY2015), the RCCU and associated units turnaround in FY2016 caused a more significant interruption to the production of more complex, higher margin products, resulting in a larger negative impact on gross profit. A reduction in the A\$/US\$ exchange rate over the year slightly offset the impact of the lower Refining Margin.

### Supply, Corporate and Overheads

The Supply, Corporate and Overheads segment's gross profit declined by \$16.5 million from a loss of \$2.6 million in FY2015 to a loss of \$19.1 million in FY2016 as a result of the reduction in revenue derived from "buy/sell" arrangements with other Integrated Refiner/Marketers, and an \$8.6 million increase in net inventory loss.

## Operating expenses

Operating expenses increased by \$25.5 million, or 2.4%, from \$1,079.9 million in FY2015 to \$1,105.4 million in FY2016. Operating lease expense increased by \$68.8 million as a result of the lease-back of the Retail Sites transferred to Viva Energy REIT in August 2016 and general and operating expenses increased by \$11.4 million. This was partially offset by a \$35.1 million decrease in salaries and wages, as a result of reducing employee numbers as a part of cost reduction and efficiency initiatives and a \$15.4 million decrease in maintenance expenses.



## Appendix B. Management Discussion and Analysis: Statutory Historical Results

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### Profit before interest, tax, depreciation and amortisation

Profit before interest, tax, depreciation and amortisation increased by \$1,432.1 million from \$407.8 million in FY2015 to \$1,839.9 million in FY2016, largely due to the net gain of \$1,379.3 million on the disposal of the Company's property portfolio to Viva Energy REIT.

On a segment basis, the drivers of the change in profit before interest, tax, depreciation and amortisation were as follows:

#### Retail, Fuels and Marketing

The Retail, Fuels and Marketing segment recorded an increase in profit before interest, tax, depreciation and amortisation of \$52.5 million, or 7.2%, from \$732.4 million in FY2015 to \$784.9 million in FY2016. This largely reflected the increased gross profit in the retail sub-segment together with reduced salaries and wages and reduced transport costs.

#### Refining

The Refining segment recorded a decrease in profit before interest, tax, depreciation and amortisation of \$182.3 million, or 55.9%, from \$325.9 million in FY2015 to \$143.6 million in FY2016, primarily due to lower gross profit as described above.

#### Supply, Corporate and Overheads

The Supply Corporate and Overheads segment recorded an increase in profit before interest, tax, depreciation and amortisation of \$1,561.9 million from a loss of \$650.5 million in FY2015 to a gain of \$911.4 million in FY2016. This increase was largely due to the gain of \$1,379.3 million on the disposal of the Company's property portfolio to Viva Energy REIT. The remaining increase of \$182.6 million reflected a \$129.5 million gain on the revaluation of income receivables from the Shell Aviation business, together with reductions in storage and handling terminal operating costs and a decrease in corporate costs, primarily driven by the reduction in full-time equivalent employees as part of cost reduction and efficiency initiatives, partially offset by operating lease expenses for the Retail Sites transferred to Viva Energy REIT and annual escalation of lease expenses at terminals and corporate offices.

### Depreciation and amortisation

Depreciation and amortisation increased by \$1.3 million, or 1.7%, from \$76.9 million in FY2015 to \$78.2 million in FY2016. Increased depreciation charges for the Geelong Refinery following capital expenditure on turnarounds were largely offset by decreased depreciation on the Retail Sites transferred to Viva Energy REIT in August 2016.

### Net finance costs

Net finance costs decreased by \$28.8 million, or 31.6%, from \$91.0 million in FY2015 to \$62.2 million in FY2016, principally reflecting reduced interest payments following repayment of a term loan with the proceeds from the establishment of Viva Energy REIT, partially offset by the amortisation of the establishment costs of that facility, together with a reduction in both size and margin of its borrowing base facility in April 2016.

### Tax expense

Tax expense increased by \$400.3 million, or 499.8%, from \$80.1 million in FY2015 to \$480.4 million in FY2016, reflecting the increased profit. The effective tax rate was 28.3% in FY2016.

### NPAT

NPAT increased by \$1,059.3 million from \$159.8 million in FY2015 to \$1,219.1 million in FY2016 for the reasons discussed above.

## Management discussion and analysis: Statutory Historical Results for FY2017 compared to FY2016

Table B2: Summary of Statutory Historical Results for FY2017 compared to F2016

\$ in millions	Statutory Historical Results			
	FY2016	FY2017	Change	% change
<b>Revenue from sale of goods</b>	<b>13,967.4</b>	<b>15,489.0</b>	<b>1,521.6</b>	<b>10.9%</b>
Non-fuels income	133.6	141.7	8.1	6.1%
Other revenue	29.9	29.8	(0.1)	-0.3%
<b>Revenue</b>	<b>14,130.9</b>	<b>15,660.5</b>	<b>1,529.6</b>	<b>10.8%</b>
Cost of crude oil and refined product (RC)	(8,214.7)	(9,524.8)	(1,310.1)	15.9%
Net inventory gain / (loss)	(61.2)	(8.7)	52.5	-85.8%
Sale taxes and duties	(4,177.1)	(4,123.6)	53.5	-1.3%
Import freight expenses	(258.7)	(256.4)	2.3	-0.9%
<b>Historical cost of goods sold</b>	<b>(12,711.7)</b>	<b>(13,913.5)</b>	<b>(1,201.8)</b>	<b>9.5%</b>
<b>Gross profit (HC)</b>	<b>1,419.2</b>	<b>1,747.0</b>	<b>327.8</b>	<b>23.1%</b>
Share of profit of associates	-	65.4	65.4	n.a.
Net gain on disposal of PP&E to Viva Energy REIT	1,379.3	-	(1,379.3)	n.a.
Net gain/(loss) on other disposal of PP&E	10.3	15.7	5.4	52.4%
<b>Other income / (expense)</b>	<b>1,389.6</b>	<b>81.1</b>	<b>(1,308.5)</b>	<b>-94.2%</b>
Transportation expenses	(323.6)	(311.1)	12.5	-3.9%
Salaries and wages	(220.3)	(242.7)	(22.4)	10.2%
General and administration expense	(194.6)	(192.1)	2.5	-1.3%
Maintenance expense	(103.7)	(102.4)	1.3	-1.3%
Operating leases	(153.7)	(240.1)	(86.4)	56.2%
Lease straight-lining	(12.1)	(28.9)	(16.8)	138.8%
Sales and marketing	(97.4)	(106.1)	(8.7)	8.9%
<b>Operating expenses</b>	<b>(1,105.4)</b>	<b>(1,223.4)</b>	<b>(118.0)</b>	<b>10.7%</b>
Realised/unrealised gain/(loss) on derivatives	17.0	(41.1)	(58.1)	-341.8%
Net foreign exchanges (loss)/gain	(10.0)	17.7	27.7	-277.0%
Movement in financial assets	129.5	4.8	(124.7)	-96.3%
<b>Profit before interest, tax, depreciation and amortisation</b>	<b>1,839.9</b>	<b>586.1</b>	<b>(1,253.8)</b>	<b>-68.1%</b>
Depreciation and amortisation	(78.2)	(107.2)	(29.0)	37.1%
<b>Profit before interest and tax</b>	<b>1,761.7</b>	<b>478.9</b>	<b>(1,282.8)</b>	<b>-72.8%</b>
Net finance costs	(62.2)	(27.7)	34.5	-55.5%
<b>Profit before tax</b>	<b>1,699.5</b>	<b>451.2</b>	<b>(1,248.3)</b>	<b>-73.5%</b>
Income tax expense	(480.4)	(161.5)	318.9	-66.4%
<b>NPAT</b>	<b>1,219.1</b>	<b>289.7</b>	<b>(929.4)</b>	<b>-76.2%</b>

### Revenue

Revenue increased by \$1,529.6 million, or 10.8%, from \$14,130.9 million in FY2016 to \$15,660.5 million in FY2017. This was primarily driven by an increase in refined product prices, more than offsetting a 405.3 million litres decline, or (2.8%) in sales volumes.

## Appendix B. Management Discussion and Analysis: Statutory Historical Results

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Non-fuel income grew by \$8.1 million, or 6.1%, from \$133.6 million in FY2016 to \$141.7 million in FY2017. This was driven by an increase in convenience store royalties, annual escalation in lease and licence fees and the addition of 20 new Company Controlled Retail Sites in the Company's Retail Network, increasing the number of Retail Sites from which Viva Energy received lease and licence fee income.

### Cost of goods sold

Cost of goods sold increased by \$1,201.8 million, or 9.5%, from \$12,711.7 million in FY2016 to \$13,913.5 million in FY2017. This was driven by the increases in global crude oil and refined product prices and sales volume.

### Gross profit

Gross profit increased by \$327.8 million, or 23.1%, from \$1,419.2 million in FY2016 to \$1,747.0 million in FY2017.

On a segment basis, the drivers of the change in gross profit were as follows:

#### Retail, Fuels and Marketing

Gross profit for the Retail, Fuels and Marketing segment increased by \$153.9 million, or 14.3%, from \$1,078.5 million in FY2016 to \$1,232.4 million in FY2017. The retail sub-segment contributed \$64.0 million of the increase for the reasons discussed in Section 4.7.4.3. The commercial sub-segment contributed \$89.9 million of the increase, primarily reflecting the acquisition of the Shell Aviation business.

#### Refining

The Refining segment's gross profit increased by \$123.5 million, or 34.3%, from \$359.8 million in FY2016 to \$483.3 million in FY2017. The Refining Margin was US\$10.2 per barrel in FY2017 compared with US\$7.9 per barrel in FY2016. The higher margin reflected an increase in Australian import parity prices for refined products that was only partially offset by rising crude oil and condensate prices. Operational availability improved at the Geelong Refinery from 89.3% in FY2016 to 93.6% in FY2017, attributable to lower Planned Downtime, and correspondingly refinery intake was higher at 40.8 million barrels in FY2017 compared with 39.9 million barrels in FY2016. The higher margin, availability and intake were partially offset by a strengthening A\$/US\$ exchange rate and increases in electricity costs.

#### Supply, Corporate and Overheads

The Supply, Corporate and Overheads segment's gross profit increased by \$50.4 million from a loss of \$19.1 million in FY2016 to a gain of \$31.3 million in FY2017 primarily as a result of a \$52.5 million reduction in net inventory loss.

### Operating expenses

Operating expenses increased by \$118.0 million, or 10.7%, from \$1,105.4 million in FY2016 to \$1,223.4 million in FY2017. Operating lease expense increased by \$103.2 million, primarily as a result of the full year cost of the lease-back of the Retail Sites transferred to Viva Energy REIT in August 2016 and salaries and wages increased by \$22.4 million, largely reflecting the acquisition of the aviation business. These increases were partially offset by a \$12.5 million, or 3.9%, decrease in transportation expenses primarily driven by the 2.8% reduction in sales volumes noted above.

### Profit before interest, tax, depreciation and amortisation

Profit before interest, tax, depreciation and amortisation decreased by \$1,253.8 million from \$1,839.9 million in FY2016 to \$586.1 million in FY2017, largely due to the gain of \$1,379.3 million in FY2016 on the disposal of the Company's property portfolio to Viva Energy REIT.

On a segment basis, the drivers of the change in profit before interest, tax, depreciation and amortisation were as follows:

#### Retail, Fuels and Marketing

The Retail, Fuels and Marketing segment recorded an increase in profit before interest, tax, depreciation and amortisation of \$100.6 million, or 12.8%, from \$784.9 million in FY2016 to \$885.5 million in FY2017. This largely reflected the increased gross profit in the retail sub-segment as well as a reduction in transportation expenses as a result of lower sales volumes as noted above.

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## Refining

The Refining segment recorded an increase in profit before interest, tax, depreciation and amortisation of \$132.5 million, or 92.3%, from \$143.6 million in FY2016 to \$276.1 million in FY2017, primarily due to the increase in gross profit as described above. Refinery operating expenses decreased by \$9.0 million, or 4.2%, from \$216.2 million in FY2016 to \$207.2 million in FY2017, driven by efficiencies delivered through commencement of a number of Geelong Refinery modernisation projects and a partial year impact of demurrage savings following completion of construction of a new crude tank at the Geelong Refinery.

## Supply, Corporate and Overheads

The Supply, Corporate and Overheads segment recorded a decrease in profit before interest, tax, depreciation and amortisation of \$1,486.9 million from a gain of \$911.4 million in FY2016 to a loss of \$575.5 million in FY2017. This decrease was primarily due to:

- the gain of \$1,379.3 million in FY2016 on the disposal of the Company's property portfolio to Viva Energy REIT;
- a \$4.8 million gain on revaluation of the Shell Aviation income receivable (compared to the \$129.5 million gain in FY2016);
- \$103.2 million increase in operating lease expense, due to the full year cost of the lease-back of the Retail Sites transferred to Viva Energy REIT in August 2016;
- an aggregate \$23.4 million revaluation loss on derivatives and foreign exchange (compared to a \$7.0 million gain in FY2016); partially offset by
- a \$65.4 million increase in share of profit of associates as a result of the establishment of Viva Energy REIT.

## Depreciation and amortisation

Depreciation and amortisation increased by \$29.0 million, or 37.1%, from \$78.2 million in FY2016 to \$107.2 million in FY2017. The full year effect of increased depreciation charges to the Geelong Refinery, including capital expenditure on refinery turnarounds, and the additional depreciation resulting from the acquisition of the aviation business was partially offset by the full year effect of decreased depreciation on the Retail Sites transferred to Viva Energy REIT in August 2016.

## Net finance costs

Net finance costs decreased by \$34.5 million, or 55.5%, from \$62.2 million in FY2016 to \$27.7 million in FY2017, principally reflecting the full year effect of the reduced interest payments following repayment of a term loan with the proceeds from the establishment of Viva Energy REIT and the margin and size reduction of its borrowing base facility in April 2016.

## Tax expense

Tax expense decreased by \$318.9 million, or 66.4%, from \$480.4 million in FY2016 to \$161.5 million in FY2017, reflecting the decreased profit in FY2017. The effective tax rate in FY2017 was 35.8%, resulting from the effect of Viva Energy's entry into income tax consolidation in the prior year.

## NPAT

NPAT decreased by \$929.4 million from \$1,219.1 million in FY2016 to \$289.7 million in FY2017 for the reasons discussed in Section 4.7.4.

## Statutory Historical Cash Flows

The table below presents the statutory historical consolidated cash flow information for FY2015, FY2016 and FY2017. Statutory free cash flow presented in Table B3 is reconciled to pro forma free cash flow (presented in Table 13 in Section 4.6.1).

## Appendix B. Management Discussion and Analysis: Statutory Historical Results

Table B3: Reconciliation of Statutory Historical Operating Cash Flow to Statutory Historical Cash Flow

\$ in millions	Historical Cash Flows		
	FY2015	FY2016	FY2017
<b>Profit before interest, tax, depreciation and amortisation</b>	<b>407.8</b>	<b>1,839.9</b>	<b>586.1</b>
Non-cash items in profit before interest, tax, depreciation and amortisation	76.9	(1,513.9)	(91.4)
Changes in working capital	299.5	162.1	(113.7)
<b>Operating Cash Flow</b>	<b>784.2</b>	<b>488.1</b>	<b>381.0</b>
Capital expenditure	(240.9)	(301.4)	(231.1)
Proceeds from sale of PPE and intangibles	3.2	1,591.8	26.7
Dividends received from associates	-	1.8	32.8
Net cash consideration paid for the acquisition of Shell Aviation	-	-	(259.0)
<b>Free Cash Flow</b>	<b>546.5</b>	<b>1,780.3</b>	<b>(49.6)</b>
Interest received	3.2	3.7	2.4
Interest paid on loans	(79.4)	(40.5)	(10.9)
Interest paid on finance lease	(7.1)	(7.3)	(7.5)
Income tax paid	(0.3)	(0.4)	(202.9)
Loan repayments received from third parties	21.9	27.3	19.7
Loans advanced to associate company	(5.0)	-	-
Draw-down of borrowings	1,180.0	645.0	2,315.0
Repayments of borrowings	(1,535.0)	(2,006.8)	(2,075.0)
Dividends paid	-	-	(252.8)
Capital return	-	(163.0)	-
<b>Net cash flow</b>	<b>124.8</b>	<b>238.3</b>	<b>(261.6)</b>

### Management discussion and analysis: Statutory Historical Cash Flows for FY2016 compared to FY2015

Table B4: Summary of Statutory Historical Cash Flows for FY2016 compared to F2015

\$ in millions	Statutory Historical Cash Flows			
	FY2015	FY2016	Change	% change
<b>Profit before interest, tax, depreciation and amortisation</b>	<b>407.8</b>	<b>1,839.9</b>	<b>1,432.1</b>	<b>351.2%</b>
Non-cash items in profit before interest, tax, depreciation and amortisation	76.9	(1,513.9)	(1,590.8)	-2,068.7%
Changes in working capital	299.5	162.1	(137.4)	-45.9%
<b>Operating Cash Flow</b>	<b>784.2</b>	<b>488.1</b>	<b>(296.1)</b>	<b>-37.8%</b>
Capital expenditure	(240.9)	(301.4)	(60.5)	25.1%
Proceeds from sale of PPE and intangibles	3.2	1,591.8	1,588.6	49643.8%
Dividends received from associates	-	1.8	1.8	n.a.
Net cash consideration paid for the acquisition of Shell Aviation	-	-	-	n.a.
<b>Free Cash Flow</b>	<b>546.5</b>	<b>1,780.3</b>	<b>1,233.8</b>	<b>225.8%</b>

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## Operating Cash Flow

Operating cash flow before capital expenditure decreased by \$296.1 million, or 37.8%, from \$784.2 million in FY2015 to \$488.1 million in FY2016. The key changes are summarised below:

- a decrease of \$158.7 million, or 32.7%, in profit before interest, tax, depreciation and amortisation, excluding non-cash items and before the \$1,569.2 million proceeds from the disposal of the Company's property portfolio to Viva Energy REIT; and
- working capital improved by \$162.1 million in FY2016, driven by lower product prices and working capital initiatives to optimise receivable balances and supplier payment terms; however, the improvement in FY2016 was \$137.4 million less than the \$299.5 million in FY2015.

## Capital expenditure

### In FY2015, total capital expenditure of \$240.9 million was incurred, of which:

- Retail, Fuels and Marketing accounted for \$87.2 million, driven by investment in new Retail Sites;
- Refining accounted for \$90.1 million, including maintenance and turnaround expenditure at the Geelong Refinery; and
- Supply, Corporate and Overheads accounted for \$63.6 million, including continuation of the Clyde terminal conversion as described in Section 3.1.1.

### In FY2016, capital expenditure totalled \$301.4 million, of which:

- Retail, Fuels and Marketing accounted for \$51.8 million, primarily driven by continued investment in newly acquired Retail Sites, such as the costs of installing tanks and fuel equipment at new Retail Sites;
- Refining accounted for \$164.5 million, primarily driven by a major turnaround expenditure and the costs of construction of a new crude tank at the Geelong Refinery; and
- Supply, Corporate and Overheads accounted for \$85.1 million, including increased expenditure associated with the Clyde terminal conversion, the replacement project for the Enterprise Resource Planning software system (ERP) and investment in tankage and supply chain improvement projects.

## Free Cash Flow

Free cash flow increased by \$1,233.8 million, principally reflecting the proceeds arising on the sale of shares in the Viva Energy REIT, which resulted in a \$1,569.2 million cash inflow during FY2016. Without the Viva Energy REIT transaction, free cash flow would have decreased by \$335.4 million, reflecting the decreased operating cash flow and increased capital expenditure.

## Appendix B. Management Discussion and Analysis: Statutory Historical Results

### Management discussion and analysis: Statutory Historical Cash Flows for FY2017 compared to FY2016

Table B5: Summary of Statutory Historical Cash Flows for FY2017 compared to F2016

\$ in millions	Statutory Historical Cash Flows			
	FY2016	FY2017	Change	% change
<b>Profit before interest, tax, depreciation and amortisation</b>	<b>1,839.9</b>	<b>586.1</b>	<b>(1,253.8)</b>	<b>-68.1%</b>
Non-cash items in profit before interest, tax, depreciation and amortisation	(1,513.9)	(91.4)	1,422.5	-94.0%
Changes in working capital	162.1	(113.7)	(275.8)	-170.1%
<b>Operating Cash Flow</b>	<b>488.1</b>	<b>381.0</b>	<b>(107.1)</b>	<b>-21.9%</b>
Capital expenditure	(301.4)	(231.1)	70.3	-23.3%
Proceeds from sale of PPE and intangibles	1,591.8	26.7	(1,565.1)	-98.3%
Dividends received from associates	1.8	32.8	31.0	-1722.2%
Net cash consideration paid for the acquisition of Shell Aviation	-	(259.0)	(259.0)	n.a.
<b>Free Cash Flow</b>	<b>1,780.3</b>	<b>(49.6)</b>	<b>(1,829.9)</b>	<b>-102.8%</b>

### Operating cash flow

Operating cash flow before capital expenditure decreased by \$107.1 million, or 21.9%, from \$488.1 million in FY2016 to \$381.0 million in FY2017. The key changes are summarised below:

- an increase of \$168.7 million, or 51.7%, in profit before interest, tax, depreciation and amortisation excluding non-cash items and before the \$1,569.2 million proceeds from the disposal of the Company's property portfolio to Viva Energy REIT in FY2016; and
- a working capital deterioration of \$275.8 million in FY2017 relative to FY2016, driven by increases in inventory primarily attributable to initial filling of the new crude tank as well as the increase in revenue primarily driven by crude oil prices and refined product prices as described above.

### Capital expenditure

In FY2016, total capital expenditure of \$301.4 million was incurred as described above.

In FY2017, total capital expenditure of \$231.1 million was incurred, of which:

- Retail, Fuels and Marketing accounted for \$73.5 million, driven by continued investment in newly acquired Retail Sites;
- Refining accounted for \$52.8 million, primarily driven by maintenance and the completion of a new crude tank at the Geelong Refinery; and
- Supply, Corporate and Overheads accounted for \$104.8 million, including the continuation of the Clyde terminal conversion, the ERP replacement program, investment in tankage and other supply chain improvement projects.

### Free cash flow

Free cash flow decreased by \$1,829.9 million, principally reflecting receipt of the proceeds arising on the sale of shares in the Viva Energy REIT in FY2016, which resulted in a \$1,569.2 million cash inflow during FY2016, and the acquisition of the Shell Aviation business in FY2017, which resulted in a \$259.0 million outflow. Excluding these flows, free cash flow would have decreased by \$1.7 million, reflecting the decreased profit before interest, tax, depreciation and amortisation being offset by reduced capital expenditure and the increase in dividends from Viva Energy REIT of \$32.8 million.





## Appendix C:

# Significant accounting policies

## Appendix C. Significant accounting policies

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The principal accounting policies adopted in the preparation of the Financial Information included in Section 4 are set out below.

### Critical accounting estimates and judgements

#### (i) Historical cost convention

The Financial Information has been prepared on a historical cost basis, except financial assets and liabilities (including derivative instruments) which have been measured at fair value.

#### (ii) Critical accounting estimates and judgements

The preparation of the Financial Information requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Viva Energy's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates which are significant to the Financial Information include fair value of consideration receivable; estimation of minimum operating stock; impairment of goodwill and non-current assets; provisions for employee benefits, restoration of sites and environmental remediation; financial assets and liabilities; and income tax expense and deferred tax balances.

### Principles of consolidation

#### (i) Subsidiaries

The Financial Information incorporates the financial information of Viva Energy and its controlled subsidiaries. Control is achieved when Viva Energy is exposed, or has rights, to variable returns from its involvement with the investee entity and has the ability to affect those returns through its power over the investee entity.

#### (ii) Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligation for the liabilities relating to the arrangement. Viva Energy recognises its share of any jointly held or incurred assets, liabilities, revenue and expenses in the consolidated financial statements under applicable headings.

#### (iii) Associate entities

Associate entities are those entities in which Viva Energy holds an equity interest, generally of between 20% and 50%, and in respect of which Viva Energy is able to significantly influence the making of decisions of the entity. Investments in associate entities are accounted for in the consolidated financial statements using the equity method of accounting.

### Foreign currency translation

#### (i) Functional and presentation currency

Items included in the Financial Information are measured using the currency of the primary economic environment in which the relevant Viva Energy entity operates (functional currency). The Financial Information is presented in Australian dollars, which is Viva Energy's functional and presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into Australian dollars using the exchange rate at the date of transactions. Gains and losses resulting from the settlement of such transactions and from the translation of foreign exchange denominated monetary assets and liabilities at year end exchange rates are recognised in profit or loss.

### Revenue recognition

Revenue from the sale of goods is recognised when the goods are passed to the customer pursuant to a sales order and the associated risks have passed to the carrier or the customer. Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and GST collected on behalf of third parties. Total revenue includes the recovery of excise paid.

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## Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first in first out (“**FIFO**”) principle and includes the direct cost of acquisition or manufacture plus a proportionate share of appropriate functional overheads, depreciation and amortisation. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Net inventory gains and losses within costs of goods sold represent the difference between the cost of goods sold calculated using the replacement cost of inventory and the cost of goods sold calculated on the FIFO method. Under the FIFO method, which is used to comply with accounting standard requirements, the cost of inventory charged to the statement of profit and loss is based on its historical cost of purchase or manufacture, rather than its replacement cost at the time of sale. Fluctuations in foreign exchange and commodity prices (which are impacted by both the US\$ oil price and the foreign exchange rate) can have a distorting effect on the Group’s underlying results, and the replacement cost of goods sold quantifies this impact. Replacement cost of goods sold is a non-International Financial Reporting Standards measure, and is used by management to present a clearer picture of the Group’s underlying business performance before impacts from movements in oil price and foreign exchange. The Group’s replacement cost methodology is consistent with the methods used by other companies in comparable industries.

## Income tax

The income tax expense for the year is the tax payable on the current year’s taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unrecognised deferred tax assets, or liabilities such as unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination that at the time of the transaction affects neither accounting or taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Tax assets and liabilities are offset when there is a legally enforceable right to offset.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### (i) Tax consolidation legislation

Viva Energy and its wholly owned Australian controlled entities are expected to form a tax consolidated group. The remainder of this policy note is based on expected outcomes on the assumption that Viva Energy does elect into the tax consolidation regime.

The head entity, Viva Energy, and the controlled entities in the proposed tax consolidated Viva Energy group (“**TCG**”) will account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the TCG continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Viva Energy also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the TCG.

The entities will also enter into a tax funding agreement under which the wholly owned entities fully compensate Viva Energy for any current tax payable assumed and are compensated by Viva Energy for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Viva Energy under the tax consolidation legislation.

## Appendix C. Significant accounting policies

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The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements. The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after tax becomes due and payable.

The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and the amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

### Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease against the requirements of the accounting standards. Three types of lease relationship can be described:

#### (i) Operating Lease – Viva Energy as a lessee

A lease in which the Group does not transfer substantially all the risks and rewards of ownership of an asset is classified as an operating lease.

Operating lease payments are recognised as an operating expense in the consolidated statement of profit or loss on a straight-line basis over the lease term.

#### (ii) Finance Lease – Viva Energy as a lessee

A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the consolidated statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

#### (iii) Operating Lease – Viva Energy as a lessor

A lease in which Viva Energy does not transfer substantially all the risks and rewards of ownership of an asset is classified as an operating lease.

Viva Energy leases various service station sites, office premises, vehicles, shipping vessels and storage facilities under non-cancellable operating leases expiring within two to 16 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Future minimum lease expense expected to be paid in relation to non-cancellable leases as lessee.

### Business combinations and goodwill

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary or business comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by Viva Energy. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary or business acquired

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and the measurement of all amounts has been reviewed, the difference is recognised directly in the consolidated income statement as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in the consolidated income statement.

## **Impairment of assets**

Assets are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that are impaired are reviewed for possible reversal of the impairment at each reporting date.

Non-financial assets that have suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

## **Cash and cash equivalents**

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and cash deposits held at call with financial institutions. Cash at bank earns interest at floating rates based on daily bank deposit rates during the year, and at the end of the reporting year there were no restrictions on cash.

## **Trade receivables**

Trade receivables are non-interest-bearing and are generally on terms of 15 to 45 days. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Due to the short-term maturity, the carrying amount approximates the fair value.

Trade receivables are often insured for events of non-payment, through third-party insurance. The maximum exposure to credit risk for the components in the statement of financial position is reflected in the carrying amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that Viva Energy will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is recognised in the consolidated statement of profit or loss as impairment.

Other debtors generally arise from transactions outside the usual operating activities of Viva Energy.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. GST recoverable from, or payable to, the taxation authority is included within trade and other receivables or trade and other payables in the consolidated statement of financial position.

## Appendix C. Significant accounting policies

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### (i) Consideration receivable – significant estimate

Consideration receivable relates primarily to amounts relating to recovery of certain costs from affiliates of Royal Dutch Shell pursuant to the agreement under which Vitol Investment Partnership purchased the Viva Energy Group from an affiliate of Royal Dutch Shell. These receivables are recorded at their fair value based on estimates of future cost recoveries. Future cost recoveries are based on management's best estimate of costs that are likely to be incurred in the future in relation to recoverable activities.

### Financial assets

At initial recognition, Viva Energy measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

### Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation with the exception of construction in progress and freehold land, which are not subject to depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- buildings 20 years;
- plant and equipment 5-15 years;
- supply and refining infrastructure 20-30 years;
- land Not depreciated.

When revalued assets are sold, it is Viva Energy policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

### (i) Minimum operating stock – significant estimate

Minimum operating , which is the minimum level of inventories held in the entire supply chain and is necessary to operate supply and refining as a going concern, is treated as part of property, plant and equipment. It is valued at cost and is depreciated over the estimated useful life of the related asset to its estimated residual value.

### Assets classified as held for sale

Assets classified as held for sale are stated at the lower of their carrying amount, and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. Assets are not depreciated or amortised while they are classified as held for sale.

### Goodwill and other intangible assets

Goodwill arises when the fair value of the consideration paid for a business acquisition exceeds the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Where consideration is less than the fair value of acquired net assets, the difference is recognised immediately in the consolidated statement of profit and loss. Goodwill is not amortised and is measured at cost less any impairment losses. In accordance with Australian accounting standard requirements, goodwill is allocated to a cash-generating unit ("CGU") and is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

The Group capitalises amounts paid for the acquisition of identifiable intangible assets, such as software, customer contracts and joint venture rights, where it is considered that they will provide benefit in future periods through revenue generation or reductions in costs. These assets, classified as finite life intangible assets, are carried in the consolidated statement of financial position at the fair value of consideration paid less accumulated amortisation and impairment losses.

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## (i) Other intangible assets

Other intangible assets that are acquired by Viva Energy are stated at cost less accumulated amortisation and impairment losses.

## (ii) Amortisation

Intangible assets with finite useful lives are amortised on a straight-line basis over their useful lives. The estimated useful lives in the current and comparative periods are reflected by the following amortisation periods:

- software - 5 years;
- customer contracts – 6 to 10 years; and
- joint venture rights – 20 years.

## Investments

Investments in subsidiaries and joint ventures are accounted for by the parent entity at cost. Dividends received from subsidiaries and joint ventures are recognised in the parent entity's profit, rather than being deducted from the carrying amount of these investments.

## Trade and other payables

Trade payables and amounts due to related parties are non-interest-bearing and are normally settled in 30 to 60 days. Amounts due to related parties are primarily for purchases of crude oil and finished products. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the end of the reporting period.

## Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless Viva Energy has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Finance lease liability represents the present value of the lease payments under the finance lease at the reporting date.

## Provisions

Provisions are recognised when Viva Energy has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

## (i) Restoration provision

Where appropriate, the present value of costs for the future dismantling and removal of assets, and restoration of the site on which the assets are located, is capitalised and depreciated over the useful life of the asset. Subsequent accretion to the amount of a provision due to unwinding of discounting is recognised as a finance cost.

The costs for the future dismantling and removal of assets are based upon management's best estimate using actual costs incurred in similar past projects inflated to the estimated restoration date and discounted using an appropriate discount rate.

Viva Energy has recognised a provision for decommissioning obligations associated with plant and equipment including tanks at retail service station sites and fuel storage terminals. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the assets from the site and the expected timing of those costs.



## Appendix C. Significant accounting policies

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### (ii) Environmental provision

Where appropriate, provisions for environmental remediation resulting from ongoing or past operations or events are recognised in the period in which an obligation, legal or constructive, to a third party arises and the amount can be reasonably measured. Measurement of liabilities is based on current legal requirements and existing technology. Liabilities are determined independently of expected insurance recoveries.

Where environmental impact studies have been completed, the result of these is used to estimate cost at the expected time of exit from the site. In other cases, estimates are based on management experience of remediation at similar sites projected over the estimated remaining occupancy of the site, or the remaining term of the lease.

### Employee benefits

Liabilities for wages and salaries, including annual leave and sick leave expected to be settled within 12 months of the end of the year, are measured at the amounts expected to be paid.

Liabilities for long service leave and annual leave that are not expected to be settled within 12 months of the end of the year are measured at present value. In determining present value, consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are adjusted for future wage and inflation movement expectations, and discounted using market yields of corporate bonds.

### Post-employment benefits

The liability or asset recognised in the consolidated statement of financial position in respect of the defined benefit superannuation section is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating the terms of the related obligation.

Gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the consolidated statement of changes in equity and recognised as remeasurement of retirement benefit obligations in the consolidated statement of financial position.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the consolidated statement of profit or loss within salaries and wages as past service costs. Contributions to the defined contribution section of Viva Energy's superannuation fund and other independent defined contribution superannuation funds are recognised as an expense as they become payable.

### Employee option plan

The cost of share-based payments is recognised by expensing the fair value of the options granted, over the period during which the employees become unconditionally entitled to these benefits. Where the plan will be settled by issuing equity, the corresponding entry is an increase in the share-based payment reserve.



## Appendix D: Glossary

## Appendix D. Glossary

Term	Meaning
7-Eleven	7-Eleven Stores Pty Ltd (ACN 005 299 427) and/or one or more of its affiliates and related bodies corporate (as the context requires).
A\$ or \$	Australian dollar.
AAS or Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements adopted by the AASB and Urgent Issues Group interpretations.
AASB	Australian Accounting Standards Board.
ABS	Australian Bureau of Statistics.
ACCC	Australian Competition and Consumer Commission.
AEST	Australian Eastern Standard Time.
Alliance or Coles Alliance	Has the meaning given in Section 9.1.
Alliance Agreement	Has the meaning given in Section 9.1.
Alliance Arrangements	Has the meaning given in Section 9.1.
Alliance Sites	Retail Sites forming part of the Coles Alliance.
Annual Financial Statements	Has the meaning given in Section 4.2.3.
Applicant	A person who submits an Application.
Application	An application made to subscribe for Shares offered under this Prospectus.
Application Form	The application form attached to or accompanying this Prospectus (including the electronic form provided by an online application facility).
Application Monies	The amount of monies for the Application and accompanying an Application Form submitted by an Applicant.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited (ACN 008 624 691) or, where the context requires it, the Australian Securities Exchange operated by it.
ASX Listing Rules	The listing rules of the ASX, as amended, modified or waived from time to time.
ASX Recommendations	The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.
ASX Settlement Operating Rules	The operating rules of ASX Settlement Pty Limited (ACN 008 504 532).
ATO	Australian Taxation Office.
Board	The board of directors of Viva Energy.
Borrower	Has the meaning given in Section 9.7.
BP	BP Australia Pty Ltd (ACN 004 085 616) and/or one or more of its affiliates and related bodies corporate (as the context requires).
Broker	Any ASX participating organisation appointed to act as a broker to the Offer.
Broker Firm Offer	The offer of Shares under this Prospectus to eligible retail clients of Brokers as described in Section 7.1.1 and Section 7.3.
Business	The business currently carried on by the Viva Energy Group.
CAGR	Compound annual growth rate, which describes the rate of growth over the specified period as if the growth was at a steady rate over that period (i.e. it may not describe the actual year-on-year changes, which may vary across this period).
Calculation Date	30 June and 31 December each year.
Caltex	Caltex Australia Limited (ACN 004 201 307) and/or one or more of its affiliates and related bodies corporate (as the context requires).
Capex	Capital expenditure.
CCA	<i>Competition and Consumer Act 2010</i> (Cth).
CDU4	The crude distillation unit of the Geelong Refinery.

Term	Meaning
Co-Lead Manager	Morgans Financial Limited.
Coles	Coles Group Limited (ACN 004 089 936) and/or one or more of its affiliates and related bodies corporate (as the context requires).
Coles Express	Eureka Operations Pty Limited (ACN 104 811 216).
Co-Managers	Bell Potter Securities Limited, Craigs Investment Partners Limited, Crestone Wealth Management Limited, Evans and Partners Pty Ltd (part of the EVANS DIXON group), JBWere Limited, National Australia Bank Limited, Ord Minnett Limited and Wilsons Corporate Finance Limited.
Commercial	Viva Energy's commercial business division within Fuels and Marketing.
Company Controlled Sites	Retail Sites in respect of which Viva Energy holds the freehold or a leasehold interest.
Completion or Completion of the Offer	The completion of the Offer, being the date upon which Shares are issued to successful Applicants in accordance with the terms of the Offer.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Current Assets	Means the sum of cash at bank and in hand, inventory and trade receivables (in each case, which is not encumbered, other than where such asset is encumbered by certain permitted security interests) as shown on the financial statements delivered to National Australia Bank Limited in its capacity as agent under the Debt Facility Agreement.
Dealer Owned Sites	Retail Sites operated by third parties to which Viva Energy supplies petroleum products.
Debt Facility	Has the meaning given in Section 9.7.
Debt Facility Agreement	Has the meaning given in Section 9.7.
DGC	The Australian Dangerous Goods Code.
Director	Each of the directors of Viva Energy.
EBIT	Earnings before interest and tax.
EBITDA	Means: a) earnings before interest, tax, depreciation and amortisation; or b) for the purposes of the Debt Facility Agreement (and any associated definitions used therein), shall mean the consolidated operating profit of the Group before interest, tax, depreciation, amortisation and other non-cash expense items subject to certain agreed add backs or deductions to the extent previously excluded or included (as appropriate) and without any double counting, as the context requires.
Eligible Employees	Permanent and fixed term contract full-time and part-time employees of the Viva Energy Group resident in Australia who are employed by a member of the Viva Energy Group as at the Prospectus Date and who, as at such date, have not given or received notice of termination of their employment.
Eligible U.S. Fund Manager	A dealer or other professional fiduciary organised, incorporated or (if an individual) resident in the United States that is acting for the account (other than an estate or trust) held for the benefit or account of persons that are not "U.S. persons" (within the meaning of Rule 902(k) of Regulation S of the U.S. Securities Act) for which it has and is exercising investment discretion within the meaning of Rule 902(k)(2)(i) of Regulation S under the U.S. Securities Act.
ELT Members	Has the meaning given in Section 6.4.2.
Employee Gift Offer	The offer of Shares under this Prospectus to Eligible Employees as described in Section 7.1.1 and Section 7.5.
Employee Gift Offer Amount	An amount equal to the number of Shares issued pursuant to the Employee Gift Offer multiplied by the Final Price.
Employee Offer	The offer of Shares under this Prospectus to Eligible Employees as described in Section 7.1.1 and Section 7.4.

## Appendix D. Glossary

Term	Meaning
Enterprise Value	Is calculated as the indicative market capitalisation of \$4,861.3 million to \$5,153.0 million (based on the Indicative Price Range), plus pro forma net debt of \$78.0 million as at 31 December 2017 as set out in Section 4.5, less the market value of Viva Energy's 38% stake in Viva Energy REIT of \$588.0 million (based on Viva Energy REIT's closing security price of \$2.13 and outstanding securities on issue of 725.7 million as at close of 19 June 2018) and less the book value of the investment in Liberty Oil which is \$58.4 million as at 31 December 2017.
Escrowed Shares	Has the meaning given in Section 7.11.
ESP	Employee share plan.
ESP Share	A share issued or transferred under the ESP.
EV	Electric vehicle.
Executive Leadership Team	The senior executives listed in Section 6.2, being Chief Executive Officer (Scott Wyatt), Chief Financial Officer (Jevan Bouzo), General Counsel and Company Secretary (Lachlan Pfeiffer), General Manager, Retail (Daniel Ridgway), General Manager, Commercial (Denis Urtizberea), General Manager, Geelong Refinery (Thys Heyns) and General Manager, Human Resources (Jodie Haydon).
Existing Options	Has the meaning given in Section 4.1.
Exposure Period	The seven day period after the Prospectus Date, which may be extended by ASIC for up to an additional seven days, during which an Application must not be accepted.
ExxonMobil	ExxonMobil Australia Pty Ltd (ACN 091 561 198) and/or one or more of its affiliates and related bodies corporate (as the context requires).
FCF	Free cash flow.
FCF Component	Has the meaning given in Section 10.4.2.
Feedstock	Has the meaning given in Section 9.3(a).
Final Price	The price per Share that Successful Applicants or bidders will pay for Shares under the Offer as determined by the bookbuild and the process set out in Section 7.10.2 and Section 7.10.3.
Financial Information	Has the meaning given in Section 4.1.1.
Forecast Financial Information	Has the meaning given in Section 4.1.1.
FQSA	<i>Fuel Quality Standards Act 2000</i> (Cth).
FW Act	<i>Fair Work Act 2009</i> (Cth).
FWC	Fair Work Commission.
FY2018 STI Award	Has the meaning given in Section 6.4.2.
GDP	Gross Domestic Product.
Geelong Gross Refining Margin	Has the meaning given in Section 3.3.
Geelong Refinery	The refinery owned and operated by Viva Energy located in Geelong, Victoria.
Geelong Refining Margin or Refining Margin	Has the meaning given in Section 3.3.
Gross Profit	Has the meaning given in Section 4.3.1.
Gross Profit (HC)	Has the meaning given in Section 4.3.1.
Gross Profit (RC)	Has the meaning given in Section 4.3.1.
GST	Has the meaning given in <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
Guarantor	Has the meaning given in Section 9.7.
HC	Historical cost.
Hedge Agreement	The "ISDA Master Agreement" between an affiliate of Vitol and Viva Energy, as described in Section 6.5.

Term	Meaning
Historical Financial Information	Has the meaning given in Section 4.1.1.
HSSE	Health, Safety, Security and Environment.
HSSEC	Health, Safety, Security, Environment, Community and Sustainability.
HSSE Management System	Viva Energy's Health, Safety, Security and Environment Management System.
HSSE Risk Management Framework	Viva Energy's Health, Safety, Security and Environment Risk Management Framework.
HVNL	National Heavy Vehicle Law.
IASB	International Accounting Standards Board.
IFRS	International Financial Reporting Standards.
IMO	International Maritime Organisation.
Importers	Has the meaning given in Section 2.3.
Indicative Price Range	The indicative range for the Final Price.
Industry Data	Data in relation to the industries, segments and end-markets in which Viva Energy operates.
Institutional Investors	Investors who are (a) persons in Australia who are wholesale clients under section 761G of the Corporations Act and either "professional investors" or "sophisticated investors" under sections 708(11) and 708(8) of the Corporations Act, respectively; or (b) institutional investors in certain other jurisdictions, as agreed between Viva Energy and the Joint Lead Managers, to whom offers or invitations in respect of Shares may lawfully be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approval by, any government agency (except one with which Viva Energy is willing, in its absolute discretion, to comply), in either case, provided that if such person is in the United States, it is reasonably believed to be a "qualified institutional buyer" as defined in Rule 144A under the U.S. Securities Act or it is an Eligible U.S. Fund Manager.
Institutional Offer	The offer of Shares under this Prospectus to Institutional Investors as described in Section 7.1.1 and Section 7.10.
Institutional Offering Circular	An offering memorandum under which the Institutional Offer will be made in certain overseas jurisdictions which consists of this Prospectus and an offer document "wrap".
Integrated Refiner/Marketers	Has the meaning given in Section 2.3.
Interest Cover Ratio	The ratio of Group EBITDA to Net Interest Expense for the previous 12 months ending at a Calculation Date.
IPO	Initial public offering.
IPP	Import parity price.
Joint Global Coordinators	Merrill Lynch Equities (Australia) Limited and Deutsche Bank AG, Sydney Branch.
Joint Lead Managers	Merrill Lynch Equities (Australia) Limited, Deutsche Bank AG, Sydney Branch and UBS AG, Australia Branch.
JUHI	Joint User Hydrant Installation.
JUHI Agreement	Has the meaning given in Section 5.2.7.
LBA Plant	Has the meaning given in Section 5.2.12.
Legacy LTIP	Has the meaning given in Section 6.4.4.1.
Legal Proceedings	Has the meaning given in Section 5.2.2.6.
Lender	Has the meaning given in Section 9.7.
Leverage Ratio	In respect of a particular date, means the ratio of: <ul style="list-style-type: none"> <li>• term debt as at that date; to</li> <li>• EBITDA for the previous 12 months to that date.</li> </ul>



## Appendix D. Glossary

Term	Meaning
Liberty Fuel Supply Agreements	Has the meaning given in Section 9.5.
Liberty Oil	Liberty Oil Holdings Pty Ltd (ACN 068 080 124).
Liberty Option Deed	Has the meaning given in Section 9.5.
Liberty Shareholders Agreement	Has the meaning given in Section 9.5.
Liberty Sites	Retail Sites operated under the "Liberty Oil" brand and to which Viva Energy's petroleum products are supplied by Liberty Oil.
Licensed Products	Has the meaning given in Section 9.2.
Liquidity Ratio	In respect of a particular date, means the ratio of: <ul style="list-style-type: none"> <li>• Working Capital Liabilities of the Viva Energy Group; to</li> <li>• Current Assets of the Viva Energy Group.</li> </ul>
Listing	Admission of Viva Energy to the Official List and quotation of the Shares on the ASX.
LPG	Liquefied petroleum gas.
LTi	Long term incentive.
LTIF	Lost time injury frequency.
LTIP	Long term incentive plan.
Major Hazard Facility	Facilities subject to specific regulations due to the hazardous substances that they store, process and/or handle.
Net Interest Expense	An amount equal to all interest, margin, discount, commitment fees, contingent instrument fees and other recurring payments of similar nature paid by a member of the Viva Energy Group in relation to any loans, debt securities or advances net of any interest, margin, discount, and other recurring payments of similar nature accrued to the Viva Energy Group but excluding certain agreed exclusions.
New Options	Has the meaning given in Section 4.1.
NCI	Nelson Complexity Index.
NPAT	Net profit/(loss) after tax.
NPAT (RC)	Net Profit after Tax (on a Replacement Cost basis).
NWH	Has the meaning given in Section 9.5.
Obligors	Has the meaning given in Section 9.7.
OECD	Organisation for Economic Cooperation and Development.
Offer	The initial public offer of Shares under this Prospectus.
Offer Management Agreement	The offer management agreement dated 20 June 2018 between Viva Energy, Viva Energy Holding and the Joint Lead Managers.
Offer Period	The period from the opening date to the closing date of the Retail Offer.
Official List	The official list of the ASX.
Oilcode	The <i>Competition and Consumer (Industry Codes – Oil) Regulations 2017</i> .
Option	An option to acquire an unissued Share.
Option Cancellation Fee	Has the meaning given in Section 6.4.1.
Optionholders	The holders of Existing Options.
Performance Right	Has the meaning given in Section 6.3.1.4.
Planned Downtime	Planned shutdowns of refinery units for maintenance and upgrades.
Portfolio	Has the meaning given in Section 4.4.3.
Pre-IPO Restructure	Has the meaning given in Section 4.1.



Term	Meaning
Priority Offer	The component of the Offer under which selected investors nominated by Viva Energy who have received a Priority Offer invitation can apply for Shares, as discussed in Section 7.6 and Section 7.2.
Privacy Act	<i>Privacy Act 1988</i> (Cth).
Product	Has the meaning given in Section 9.3.
Pro Forma Forecast Financial Information	Has the meaning given in Section 4.1.1.
Pro Forma Forecast Cash Flows	Has the meaning given in Section 4.1.1.
Pro Forma Forecast Results	Has the meaning given in Section 4.1.1.
Pro Forma Historical Balance Sheet	Has the meaning given in Section 4.1.1.
Pro Forma Historical Cash Flows	Has the meaning given in Section 4.1.1.
Pro Forma Historical Financial Information	Has the meaning given in Section 4.1.1.
Pro Forma Historical Results	Has the meaning given in Section 4.1.1.
Promissory Note	The promissory note issued to Viva Energy B.V. by the Company under the VEH SPA with a face value of an amount equal to the aggregate cash proceeds offer less the Transaction Costs Amount less the Employee Gift Offer Amount.
Prospectus	This document dated 20 June 2018 and any replacement or supplementary prospectus in relation to this document.
Prospectus Date	The date on which this Prospectus was lodged with ASIC, being 20 June 2018.
PwC	PricewaterhouseCoopers (ABN 52 780 433 757).
RC	Replacement cost.
RCCU	The catalytic cracking unit of the Geelong Refinery.
Refining	Has the meaning given in Section 1.1.
Refining Margin	Has the meaning given in Section 4.3.1.
Refuelling Services	Has the meaning given in Section 9.3(b).
Restriction Period	Has the meaning given in Section 6.4.5.
Retail	Viva Energy's retail business division within Fuels and Marketing.
Retail Agent	A person other than Coles Express engaged by Viva Energy to operate a Company Controlled Site.
Retail Agent Sites	Retail Sites operated by third parties, engaged by Viva Energy to operate the Retail Sites.
Retail, Fuels and Marketing	Has the meaning given in Section 1.1.
Retail Network	The network of Retail Sites.
Retail Offer	The Broker Firm Offer, Employee Offer, Employee Gift Offer and Priority Offer as described in Section 7.1.1, Section 7.3, Section 7.4, Section 7.5 and Section 7.6.
Retail Site	A service station site at which petroleum products are sold to retail customers. Such service station sites include sites at which there is a convenience offering and truck stops.
ROCE	Return on capital employed.
ROCE Component	Return on capital employed component, being Viva Energy's average return on capital employed for each year of the performance period.
Section	A section of this Prospectus.
Senior Executive	Has the meaning given in Section 7.10.
Settlement Date	Expected to be Tuesday, 17 July 2018.

## Appendix D. Glossary

Term	Meaning
Share	A fully paid ordinary share in the capital of Viva Energy.
Share Registry	Link Market Services Limited (ACN 083 214 537).
Share Right	The right attaching to a fully paid ordinary share in the capital of Viva Energy.
Share Transfer	The share transfer pursuant to which Viva Energy B.V. transfers all of the shares in Viva Energy Holding to the Company, as described in Section 10.2.
Shareholder	A registered holder of one or more Shares.
Shell	Royal Dutch Shell and its controlled entities.
Shell Aviation	Shell Aviation Australia Pty Ltd.
Shell Brands	Shell Brands International AG.
Shell Brands Licence Agreement	Has the meaning given in Section 9.2.
Shell Card	Has the meaning given in Section 3.2.2.4.
Shell Lubricants Agreement	Has the meaning given in Section 9.2.
Shell Markets	Shell Markets (Middle East) Limited.
Shell V-Power	The premium Shell fuel brand, which is available in 98 Octane Petrol and more recently Shell V-Power Diesel.
Singapore GRM	Singapore gross refining margin.
Site Agreement	Has the meaning given in Section 9.1.
SPCo	The Shell Petroleum Company Limited.
Statutory Forecast Cash Flows	Has the meaning given in Section 4.1.1.
Statutory Forecast Results	Has the meaning given in Section 4.1.1.
Statutory Historical Balance Sheet	Has the meaning given in Section 4.1.1.
Statutory Historical Cash	Has the meaning given in Section 4.1.1.
Statutory Historical Financial Information	Has the meaning given in Section 4.1.1.
Statutory Historical Results	Has the meaning given in Section 4.1.1.
STI	Short term incentive.
STIP	Short term incentive plan.
Successful Applicants	Applicants who submit a successful Application.
Supply, Corporate and Overheads	Has the meaning given in Section 1.1.
Tangible Net Worth	The aggregate of the amounts paid up or credited as paid up on the issued share capital of the Company and the aggregate amount of reserves of the Group including (without double counting) any amount credited to: (a) the shareholder or contributed equity; (b) reserves; or (c) retained earnings of the Group, less intangible assets as disclosed in the financial statements delivered as part of the Viva Energy Group's undertakings.
Transaction Costs Amount	An amount equal to the aggregate amount of transaction costs (including duty) payable by the Company (or any entity it will control immediately following completion of the Share Transfer) in connection with the Listing, as determined by the Company and Viva Energy B.V. prior to Completion.
Transaction Participants	DBS Bank Ltd., Mizuho Securities Asia Limited, SMBC Nikko Capital Markets Limited, The Bank of Nova Scotia, Australia Branch and The Hongkong and Shanghai Banking Corporation Limited.
TSR	Total shareholder return.

Term	Meaning
TSR Component	Has the meaning given in Section 10.4.2.
UBS	UBS AG, Australia Branch.
Underlying EBITDA	Is calculated as profit before interest, tax, depreciation and amortisation adjusted to remove the impact of the following additional non-cash items that do not necessarily reflect the operational performance of the business: <ul style="list-style-type: none"> <li>• lease straight-lining expense;</li> <li>• share of net profit of associates;</li> <li>• gains or losses on the disposal of property, plant and equipment; and</li> <li>• gains or losses on derivatives and foreign exchange (both realised and unrealised), as set out in Section 4.3.1.</li> </ul>
Underlying EBITDA (RC)	Replacement cost Underlying EBITDA.
Underlying NPAT (RC)	Underlying NPAT (RC) will be calculated based on NPAT (RC) adjusted for short-term outcomes that are expected to normalise over the medium to longer term, most notably in relation to one-off items, especially those that are non-cash. Underlying NPAT is not a measure that Viva Energy has historically reported and accordingly is not represented in the Financial Information.
Unmanned Truck Stops	An unmanned Retail Site where petrol and diesel fuel products are supplied to customers and where there is no convenience offering and no staff onsite.
Unplanned Downtime	Unplanned shutdowns of refinery units from a variety of unforeseen causes.
UPSS	Underground petroleum storage systems.
U.S. or United States	United States of America, its territories and possessions, any State of the United States of America and the District of Columbia.
U.S. Securities Act	U.S. Securities Act of 1933.
VEA Group	Viva Energy Australia and each of its direct and indirect holding companies and subsidiaries, and subsidiary undertakings and associated companies from time to time of such holding companies.
VEAG	Viva Energy Australia Group Pty Ltd (ACN 004 400 220).
VEH SPA	Has the meaning given in Section 9.6.
VIP Entity	A wholly owned subsidiary of Vitol Investment Partnership.
VIPL or Vitol Investment Partnership	Vitol Investment Partnership Limited.
Vitol	Vitol Holding B.V..
Vitol Asia	Vitol Asia Pte Ltd.
Vitol Aviation	Vitol Aviation B.V..
Vitol Fuel Supply Agreement	Has the meaning given in Section 9.3.
Viva Energy or Company or Issuer	Viva Energy Group Limited (ACN 626 661 032) and includes Viva Energy Holding and/or its subsidiaries, as the context requires.
Viva Energy Australia	Viva Energy Australia Pty Ltd (ACN 004 610 459).
Viva Energy B.V.	Viva Energy B.V. (an indirectly wholly owned subsidiary of Vitol Investment Partnership).
Viva Energy Call Option	Has the meaning given in Section 9.5.
Viva Energy Group or Group	Viva Energy Holding and its related bodies corporate (which for the avoidance of doubt includes the Company on and from completion of the Share Transfer).
Viva Energy Holding or VEH	Viva Energy Holding Pty Ltd (ACN 167 883 525).

## Appendix D. Glossary

Term	Meaning
Viva Energy Party or Viva Energy Parties	Any member of the Viva Energy Group or any of their respective affiliates, directors, officers, employees, advisers, agents, partners, consultants or representatives, or any person with a direct or indirect equity interest in Viva Energy.
Viva Energy Put Option	Has the meaning given in Section 9.5.
Viva Energy REIT	Means the ASX-listed stapled entity that is known as “Viva Energy REIT” and which comprises Viva Energy REIT Limited, Viva Energy REIT Trust and each of their respective affiliated entities and sub-trusts. Any reference to Viva Energy REIT in this Prospectus includes each entity that is a direct or indirect subsidiary of Viva Energy REIT Limited or which otherwise forms part of Viva Energy REIT.
Viva Energy REIT Trust	Viva Energy REIT Trust (ARSN 613 146 464).
Viva Energy Services	Has the meaning given in Section 4.1.
VVR Leases	Has the meaning given in Section 9.4.
VVR Management Agreement	Has the meaning given in Section 9.4.
VVR Manager	Has the meaning given in Section 9.4.
VVR Master Agreement	Has the meaning given in Section 9.4.
WAG Crude Pipeline	Westernport Altona Geelong Crude Pipeline.
WALE	The weighted average lease expiry, measured in years.
WHS	Work, Health and Safety.
Working Capital Liabilities	Means the aggregate principal amount of (subject to agreed exceptions) all outstanding loans, debt securities or cash advances of, or guaranteed (but only to the extent that there has been a claim (which is not a frivolous or vexatious claim, or a claim withdrawn or resolved) under any such guarantee provided by a Group member in support of the obligations of a non-Group member) by, a Group member provided or issued under facilities or programs which are revolving working capital in nature (including under the New Bank Facility) and, in each case, which at their inception are provided by: (a) sponsors or their affiliates; or (b) an entity regularly engaged in making, purchasing or investing in loans or debt securities or an investor in a retail offering of debt securities.
Wood Mackenzie	Wood Mackenzie Asia Pacific Pte Ltd.

# Application form







# Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Application Form relates are Viva Energy Group Limited Shares. Further details about the Shares are contained in the Prospectus dated 20 June 2018 issued by Viva Energy Group Limited. No Shares will be issued or sold on the basis of this Prospectus later than 13 months after the Prospectus was issued. While the Prospectus is current, Viva Energy Group Limited will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investments Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

- A** Insert the number of Shares you wish to apply for. The Application must be for a minimum of \$2,000 worth of Shares and in multiples of \$500 worth of Shares thereafter. You may be issued all of the Shares applied for or a lesser number.
- B** Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- C** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Viva Energy Group Limited will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- D** Please enter your postal address for all correspondence. All communications to you from Viva Energy Group Limited and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- E** If you are already a CHES participant or sponsored by a CHES participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHES for this HIN is different to the details given on this form, your Shares will be issued to Viva Energy Group Limited's issuer sponsored subregister.
- F** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- G** Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section A.
- If you receive a firm allocation of Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

## LODGEMENT INSTRUCTIONS

If you are a Broker Firm Offer Applicant, you must return your Application Form and Application Monies to your Broker (unless your Broker instructs you otherwise). The Broker Firm Offer opens at 9:00am (AEST) on 28 June 2018 and is expected to close at 5:00pm (AEST) on 10 July 2018. Broker clients should complete and lodge their Application Form with the Broker from whom they received their invitation to acquire Shares under this Prospectus. Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out in the Application Form. Your Application must be received by your Broker before 5:00pm (AEST) on the Closing Date or any earlier date as determined by your Broker. You must not return this Application Form to the Share Registry. None of Link Market Services Limited, Viva Energy or Viva Energy Holding accepts any responsibility if you lodge the Application Form at any other address or by any other means. None of Viva Energy, Viva Energy Holding, the Joint Lead Managers or the Share Registry takes any responsibility for any acts or omissions of your Broker in connection with your Application. If you have any enquiries concerning your Application Form, please contact your Broker.

## PERSONAL INFORMATION COLLECTION NOTIFICATION STATEMENT

Personal information about you is held on the public register in accordance with Chapter 2C of the Corporations Act 2001. For details about Link Group's personal information handling practices including collection, use and disclosure, how you may access and correct your personal information and raise privacy concerns, visit our website at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) for a copy of the Link Group condensed privacy statement, or contact us by phone on +61 1800 502 355 (free call within Australia) 9am-5pm (Sydney time) Monday to Friday (excluding public holidays) to request a copy of our complete privacy policy.

## BY SUBMITTING THIS APPLICATION FORM:

- I/we declare, represent and warrant that this Application Form is complete and lodged in accordance with the Prospectus, and confirm that details provided by me/us are complete and accurate;
- I/we make the acknowledgements, declarations, representations and warranties set out in Section 7.11 and this Broker Firm Offer Application Form and declare that all declarations, details and statements made by me/us are complete and accurate;
- I/we agree to be bound by the Constitution of Viva Energy and the terms of the Offer and agree to the issue to me/us of any number of Shares equal to or less than the value indicated in section A above which may be issued to me/us pursuant to the Prospectus including, without limitation, those set out in Section 7.14; and
- I/we warrant that I am/we are Australian or New Zealand resident retail client(s) of participating Brokers who have a registered address in Australia or New Zealand respectively and have received an invitation from a Broker to acquire Shares under the Prospectus.

## CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
<b>Individual</b> Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
<b>Company</b> Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
<b>Joint Holdings</b> Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
<b>Trusts</b> Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
<b>Deceased Estates</b> Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
<b>Minor (a person under the age of 18 years)</b> Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
<b>Partnerships</b> Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
<b>Long Names</b>	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
<b>Clubs/Unincorporated Bodies/Business Names</b> Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
<b>Superannuation Funds</b> Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section B on the Application Form.

# Corporate Directory

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## VIVA ENERGY REGISTERED OFFICE

Level 16  
720 Bourke Street  
Docklands VIC 3008, Australia

## JOINT GLOBAL CO-ORDINATORS

### Merrill Lynch Equities (Australia) Limited

Level 34, Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000, Australia

### Deutsche Bank AG, Sydney Branch

Level 16, Deutsche Bank Place  
126 Phillip Street  
Sydney NSW 2000, Australia

## JOINT LEAD MANAGERS

### Merrill Lynch Equities (Australia) Limited

Level 34, Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000, Australia

### Deutsche Bank AG, Sydney Branch

Level 16, Deutsche Bank Place  
126 Phillip Street  
Sydney NSW 2000, Australia

### UBS AG, Australia Branch

Level 16, Chifley Tower  
2 Chifley Square  
Sydney NSW 2000, Australia

## AUSTRALIAN LEGAL ADVISER

### Gilbert + Tobin

Level 35, Tower 2  
International Towers Sydney  
200 Barangaroo Avenue  
Barangaroo NSW 2000, Australia

## INVESTIGATING ACCOUNTANT

### PricewaterhouseCoopers Securities Limited

Freshwater Place  
2 Riverside Quay  
Southbank VIC 3006, Australia

## AUDITOR

### PricewaterhouseCoopers

Freshwater Place  
2 Riverside Quay  
Southbank VIC 3006, Australia

## TAX ADVISOR

### PricewaterhouseCoopers

Freshwater Place  
2 Riverside Quay  
Southbank VIC 3006, Australia

## CO-LEAD MANAGER

### Morgans Financial Limited

Level 29, Riverside Centre  
123 Eagle Street  
Brisbane QLD 4000, Australia

## CO-MANAGERS

### Bell Potter Securities Limited

Level 38, Aurora Place  
88 Phillip Street  
Sydney NSW 2000, Australia

### Craigs Investment Partners Limited

Level 36, Vero Centre  
48 Shortland Street  
Auckland 1140, New Zealand

### Crestone Wealth Management Limited

Level 32, Chifley Tower  
2 Chifley Square  
Sydney NSW 2000, Australia

### Evans and Partners Pty Limited

Part of the EVANS DIXON group  
Mayfair Building, 171 Collins Street  
Melbourne VIC 3000, Australia

### JBWere Limited

Level 16, 101 Collins Street  
Melbourne VIC 3000, Australia

### National Australia Bank Limited

Level 22, NAB House  
255 George Street  
Sydney NSW 2000, Australia

### Ord Minnett Limited

Level 8, NAB House  
255 George Street  
Sydney NSW 2000, Australia

### Wilsons Corporate Finance Limited

Level 32, Governor Macquarie Tower  
1 Farrer Place  
Sydney NSW 2000, Australia

## TRANSACTION PARTICIPANTS

### DBS Bank Ltd.

Marina Bay Financial Centre Tower 3  
12 Marina Boulevard  
Singapore 018982

### Mizuho Securities Asia Limited

14-15/F, K11 Atelier  
18 Salisbury Road  
Tsim Sha Tsui Kowloon, Hong Kong

### SMBC Nikko Capital Markets Limited

One New Change  
London EC4M 9AF, UK

### The Bank of Nova Scotia, Australia Branch

Suite 2, Level 44  
1 Farrer Place  
Sydney NSW 2000, Australia

### The Hongkong and Shanghai Banking Corporation Limited

HSBC Main Building  
1 Queen's Road Central, Hong Kong

## SHARE REGISTRY

### Link Market Services Limited

Level 12, 680 George Street  
Sydney NSW 2000, Australia  
Telephone: 1300 554 474

## VIVA ENERGY OFFER INFORMATION LINE AND WEBSITE

1800 129 431 (within Australia)  
+61 1800 129 431 (outside Australia)  
[www.vivaenergyIPO.com.au](http://www.vivaenergyIPO.com.au)

## CORPORATE WEBSITE

[www.vivaenergy.com.au](http://www.vivaenergy.com.au)

