ASX Release

9 July 2021

Operational update and 1H2021 guidance

Viva Energy Group Limited (the **Company**) today provides an operational update and unaudited financial Group results for the six months ended 30 June 2021 (**1H2021**).

CEO and Managing Director, Scott Wyatt said: "Viva Energy has delivered very strong first half performance driven by strong sales growth in our non-aviation businesses, supportive margins, and an improved refining performance since returning to full production in late 2020. While retail fuel sales continue to be impacted by periodic lockdowns, and aviation by ongoing border closures, overall growth across all retail and commercial channels has been very encouraging with total Petrol and Diesel sales volumes up 4% and 16% respectively on 1H2019, as a comparison to pre-COVID demand. Refining remains challenging, but supported by strong production levels, receipt of the short-term production payment grant, and the long-term fuel security package commencing 1 July 2021 that minimises the downside volatility of refining margins. Our recovery program remains on track, and I am very pleased with the performance of the business."

		1H2019	1H2020	1H2021	1H2019 vs 1H2021[1]
Unaudited Underlying Group EBITDA (RC)[2]	*$m*	297.4	269.3	390.0 – 410.0	*34%*
Company volumes					
Petrol	*ML*	1,577	1,368	1,634	*4%*
Diesel	*ML*	3,272	3,215	3,799	*16%*
Jet	*ML*	1,679	1033	666	*-60%*
Other	*ML*	599	725	551	*-8%*
Total Group	*ML*	**7,127**	**6,342**	**6,650**	***-7%***
Premium penetration	*%*	28%	29%	30%	*7%*
Weekly Alliance sales	*MLpw*	59.3	54.1	58.4	*-2%*
Geelong Refining Margin	*(US$/BBL)*	5.1	2.9	6.6	*29%*
Refining intake	*MBBL*	21.4	18.4	21.4	-

Viva Energy Group Limited
Level 16, 720 Bourke Street, Docklands, Victoria, 3008
ABN 74 626 661 032

Retail Fuels & Marketing

The Company achieved strong transport fuels (gasoline and diesel) sales growth across Retail and Commercial segments when compared to half year periods ended 30 June 2019 (**1H2019**) and 30 June 2020 (**1H2020**), supported by network additions in the Liberty Convenience channel and Commercial sales growth within Agriculture, Resources and Transport sectors in particular. While Retail margins were impacted at times by sharp increases in oil prices during the period, retail markets have absorbed these price increases and returns across the period have been solid.

Retail Alliance sales volumes were impacted by short-term lockdowns averaging 58.4 million litres per week in the period, and broadly in-line with levels achieved in 1H2019. Premium petrol sales were up 7% on 1H2019 and now represent approximately 30% of total petrol sales, reflecting increased consumer demand for premium fuels and the continued roll-out and uptake of V-Power through the broader Shell branded network.

Refining

The actual Geelong Refining Margin (**GRM**)[3] for 1H2021 was US$6.6/Barrel (**BBL**), compared with US$2.9/BBL achieved in 1H2020, which was impacted by Geelong Refinery operating in a hydro-skimming mode from April 2020 through to October 2020 following the shutdown of the Residual Catalytic Cracking Unit and other units, which was necessitated by weak demand. The Refinery operated at or above break-even levels during 1H2021 with additional support from the receipt of approximately $40.6 million of the Federal Government's Temporary Refining Production payment.

The Fuel Security Service Payment (**FSSP**) announced as part of the Federal Government's long-term Fuel Security Package (**FSP**) is expected to commence with effect from 1 July 2021 through to 30 June 2027 (unless extended by option) and will replace the above temporary payment. The FSSP support is designed to mitigate some of the downside risk to refining margins, providing payments when the margin environment falls below the long-term cash breakeven level of Geelong's operations. The legislation enabling the FSSP was passed in Federal Parliament on 29 June 2021, and the necessary guidelines and rules to give effect to the legislation are currently being prepared by government.

As a result of the FSP, the Company is now proceeding with major maintenance activity, such as the Hydrofluoric Acid Alkylation plant, that was deferred from 2020 with an expected investment of $25-35 million (in-line with prior guidance). The major maintenance activity is expected to negatively impact refining intake by approximately 0.9 MBBLs in the next quarter ending 30 September 2021.

In addition, the Company is undertaking preliminary studies to commence the necessary capital upgrades to the Refinery to manufacture low sulphur gasoline. The capital costs associated with this project and other associated projects, are expected to be up to approximately $250 million, with the Federal Government to contribute up to a maximum of $125 million (or 50%) of the capital costs.

Future reporting

Going forward, the Company will provide quarterly operational updates.

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

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Further enquiries:

Media Enquiries
Michael Cave
T: +61 409 647 910
E: michael.cave@vivaenergy.com.au

Investor Relations
Cameron Sinclair
T: +613 8823 4811
E: investors@vivaenergy.com.au

Notes

1. Variance calculated using mid-point of 1H2021 ranges for unaudited financials.
2. Viva Energy reports its 'Underlying' performance on a "replacement cost" (RC) basis. RC is a non-IFRS measure under which the cost of goods sold is calculated on the basis of theoretical new purchases of inventory instead of historical cost of inventory. This removes the effect of timing differences and the impact of movements in the oil price.
3. The Geelong Refining Margin is a non-IFRS measure calculated in the following way: IPP less the COGS, and is expressed in US dollars per barrel (US$/BBL), where:

   IPP: a notional internal sales price which is referrable to an import parity price for the relevant refined products, being the relevant Singapore pricing market and relevant quality or market premiums or discounts plus freight and other costs that would be incurred to import the product into Australia

   COGS: the actual purchase price of crude oil and other feedstock used to produce finished products

   Geelong Refining Margin is a financial measure Viva Energy uses to illustrate and aid in the understanding of the performance of the Geelong Refinery. It involves elements of estimation and is not alone a measure of historical financial performance. In addition, it is only one contributor to the replacement cost Underlying EBITDA of Viva Energy. In its financial reporting, Viva Energy converts GRM into Australian dollars using the prevailing month average exchange rate.

About Viva Energy

Viva Energy (ASX: VEA) is one of Australia's leading energy companies and supplies approximately a quarter of the country's liquid fuel requirements. It is the exclusive supplier of high-quality Shell fuels and lubricants in Australia through an extensive network of more than 1,330 service stations across the country.

Viva Energy owns and operates the strategically located Geelong Refinery in Victoria, and operates bulk fuels, aviation, bitumen, marine, chemicals and lubricants businesses supported by more than 20 terminals and 55 airports and airfields across the country.

www.vivaenergy.com.au