

19 November 2018

Refining Business and Earnings Guidance Update

Viva Energy Group Limited (**Viva Energy**) provides the following update regarding refining operations and updated guidance for full year results to 31 December 2018.

Refining Business

	July	August	September	October
Crude Intake (MBBLS)	3.5	3.1	3.6	3.7
Geelong Refining Margin (USD/BBL)	8.6	11.1	8.1	7.8

Earnings from Refining have been impacted over the second half of 2018 by weaker than forecast regional refining margins together with lost production resulting from the disruption in electricity supply from the external power grid in August 2018. Higher crude prices and growing gasoline stocks have impacted regional refining margins in October 2018 and this has continued through November 2018.

As a consequence, Viva Energy has revised the forecast Geelong Refining Margin (GRM)¹ for FY2018 to US\$8.0/Barrel (**BBL**) compared to the Prospectus² forecast of US\$9.2/BBL. This assumes a GRM of US\$8.0/BBL for the remainder of the year. Forecast refinery intake for FY2018 is revised to 40.1 million barrels (**MBBLs**) compared to the Prospectus forecast of 42.2 MBBLs.

As a result of these revisions, Viva Energy now forecasts FY2018 Underlying EBITDA (RC)³ from the Refining business to be approximately \$150 million, compared to the Prospectus forecast of \$216.7 million.

Other Segments

Total fuel volumes have been relatively stable throughout the year. However, the volume growth expected in the Retail business and, particularly, the Alliance during the second half of 2018 has not materialised. Weaker trading conditions due to higher oil prices and a lower Australian dollar have impacted demand. As a result, total fuel volumes for FY2018 are expected to be between 1.0% and 1.5% below the Prospectus forecast of 14,086 million litres.

Notwithstanding the weaker volume performance, Viva Energy expects to exceed the FY2018 Underlying EBITDA (RC) forecasts for non-Refining segments by approximately \$5 million through continued cost management and outperformance in some segments. FY2018 Underlying EBITDA (RC) for Retail is expected to be up to \$10 million lower than Prospectus forecast, the Commercial segment largely unchanged, and Supply, Corporate and Overheads approximately \$15 million ahead of Prospectus forecast⁴.

Consolidated Group FY2018 Forecast

As a result of the revisions outlined above, Viva Energy expects Underlying EBITDA (RC) for FY2018 to be approximately \$543 million and NPAT (RC) for FY2018 to be approximately \$280 million, compared to the FY2018 Prospectus forecast for Underlying EBITDA (RC) of \$605.1 million and NPAT (RC) of \$324.1 million.

Viva Energy notes that final Refining financial performance will be subject to, amongst other things, the actual regional refining margins and foreign exchange rates achieved, which are variables outside of the control of the company. Please see sections 3.3 and 4.3.1 of the Prospectus for further discussion of the components and calculation of GRM, and the impact of refining margins on financial performance. In addition, a sensitivity analysis for GRM and foreign exchange rates is set out in Table 1 below.

The revisions set out above will have a commensurate impact on Statutory Forecast Results for FY2018 provided in the Prospectus.⁵ Viva Energy's statutory accounts are prepared on a historical cost basis, and accordingly are subject to inventory gains and losses dependent on market variables that include changes in the crude oil price and foreign exchange rates, and the final statutory results will be dependent on such factors which Viva Energy does not attempt to forecast.⁶

Viva Energy notes the forecast results for the 12 months ending June 2019 provided in the Prospectus will be impacted by the revised 2H2018 forecast provided today. Viva Energy will continue to provide monthly refining margin updates, and expects to provide a further update on outlook for 1H2019 when the full year results are released in February 2019.

Table 1: Sensitivity analysis on pro forma forecast Underlying EBITDA (RC) and NPAT (RC) on Refining business

Variable	Assumption for Nov/Dec 2018	Increase/Decrease	Pro forma EBITDA impact (RC) A\$m	Pro forma NPAT impact (RC) A\$m
GRM	US\$8.0 per barrel	+/- US\$1.0 per barrel	9.9 / (9.9)	6.9 / (6.9)
USD/AUD Exchange rate	0.73	Appreciation of AUD against USD by 3 cents	(3.1)	(2.2)
USD/AUD Exchange rate	0.73	Depreciation of AUD against USD by 3 cents	3.4	2.4

Conference Call

Viva Energy will today host a conference call to discuss this update.

Date: Monday, 19 November 2018
Time: 10:30 am (AEDT)

Dial-in Details			
Conference ID:	5691839		
Participant Numbers			
Participants can dial either of the numbers below to join the call. You will need to quote the conference ID provided above. To ask questions, you will need to dial *1 on the telephone keypad.			
Participant toll:	+612 8038 5221		
Participant toll free:	1800 123 296		
International Dial-in Details			
These numbers are toll-free dial-in numbers for each country listed below. For countries not listed below, the Australian Participant Toll number listed above can be dialled. To ask a question, you will need to dial *1 on the telephone keypad.			
Hong Kong	800 908 865	Singapore	800 616 2288
Japan	0120 994 669	United Kingdom	0808 234 0757
New Zealand	0800 452 782	United States	1855 293 1544

Notes:

- (1) 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\$bbbl), where:

IPP: a notional internal sales price which is referable 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, with other segments including the Retail, Fuels and Marketing business and Supply, Corporate and Overheads.

In its financial reporting, Viva Energy converts GRM into Australian dollars using the prevailing month average exchange rate.

- (2) Please refer to the Prospectus dated 20 June 2018 and released to the ASX on 13 July 2018. Capitalized terms used and not defined in this release, have the meaning given to them in the Prospectus.
- (3) Viva Energy reports segment information on a “replacement cost” (**RC**) basis. See section 4.3.1 of the Prospectus for a description of the difference between “historical cost” and “replacement cost” accounting. See further the description of the accounting policy for “Inventories” in Appendix C of the Prospectus.
- (4) The Prospectus forecasts for Underlying EBITDA (RC) for FY2018 for each segment were as follows: Retail: \$617.6 million, Commercial: \$318.3 million and Supply, Corporate and Overheads \$(547.5) million. See Section 4.8.3 of the Prospectus.
- (5) With regard to the assessment received from the Victorian State Revenue Office, and disclosed to the market on 25 September 2018, and based on the current information, it is not expected that this matter will impact FY2018 statutory results. As noted in that disclosure, the assessment is disputed by Viva Energy and the matter remains outstanding (no payment has been made).
- (6) See section 4.4 of the Prospectus for statutory forecasts of results for FY2018. As above, please see section 4.3.1 and Appendix C of the Prospectus for a discussion of the difference between “historical cost” and “replacement cost” accounting.

Further enquiries:

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About Viva Energy

Viva Energy (ASX: VEA) is one of Australia's leading energy companies and supplies approximately a quarter of the country's liquid fuel requirements. It is the exclusive supplier of high quality Shell fuels and lubricants in Australia through an extensive network of more than 1,100 Shell branded service stations across the country.

Viva Energy owns and operates the strategically located Geelong Refinery in Victoria, and operates bulk fuels, aviation, bitumen, marine, chemicals and lubricants businesses supported by more than 20 terminals and 50 airports and airfields across the country.

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