Vivo Energy plc

(LSE: VVO & JSE: VVO)
4 March 2020

2019 Full Year Results

Vivo Energy plc, the pan-African retailer and distributor of Shell and Engen-branded fuels and lubricants with a growing non-fuel offering, today announces its consolidated financial results for the twelve-months ended 31 December 2019.

Christian Chammas, CEO of Vivo Energy plc, commented:
"We have delivered another strong set of results in 2019, with adjusted EBITDA rising 8% to $431 million, as we built the platform for future growth. In line with our objectives, volumes rose 11%, driven by the smooth integration of the new Engen-branded markets, which together with gross cash unit margins of $71 per thousand litres led to record gross cash profit of $743 million. These results demonstrate the strength and resilience of our business model and our disciplined approach as we delivered strong adjusted free cash flow in the year, and have recommended a final dividend of 2.7 cents per share. We have built momentum into 2020 and are excited about the 12 months ahead, as we look forward to delivering another year of strong growth."

KEY PERFORMANCE INDICATORS

($ in millions), if not otherwise indicated	Twelve-month period ended 31 Dec 2019	Twelve-month period ended 31 Dec 2018	Change
Volumes (million litres)	10,417	9,351	+11%
Revenues	8,302	7,549	+10%
Gross Profit	675	625	+8%
Gross Cash Unit Margin ($/'000 litres)	71	73	-3%
Gross Cash Profit	743	680	+9%
EBITDA	416	366	+14%
Adjusted EBITDA	431	400	+8%
Net Income	150	146	+3%
Diluted EPS (US cents)	11	11	-
Adjusted Net Income	162	178	-9%
Adjusted Diluted EPS (US cents)	12	14	-14%

Financial Highlights

- Sales volume increased 11%, mainly due to the contribution of the Engen-branded markets; with Shell-branded volumes increasing by 1%
- Gross profit increased 8% to $675 million
- Gross cash unit margin of $71/'000 litres (Shell-branded: $71), ahead of expectations but lower than 2018
- Adjusted EBITDA up 8% to $431 million, with EBITDA up 14% at $416 million
- Adjusted diluted EPS of 12 cents was impacted by higher net finance expenses and increased effective tax rate
- Diluted headline EPS of 11 cents, in line with 2018
- Recommended final dividend of 2.7 cents per share (2018: 1.3 cents), bringing the full year dividend to 3.8 cents, 15% higher than pro-forma full year 2018

Strategic and Operational Highlights

- Good HSSE performance, with Total Recordable Case Frequency of zero in our Shell-branded markets and 0.04 across the Group
- Further expanded our Retail network by opening a net total of 96 new retail service stations
- Opened 123 new non-fuel retail offerings and expanded our joint ventures with KFC franchisees to five countries
- Completed implementation of SAP S/4HANA across all of the Shell-branded markets which provides a platform for increased efficiencies and digital opportunities
- Successful integration of the Engen acquisition, with the 8 new markets delivering strong performance

Engen

Vivo Energy completed the transaction with Engen Holdings (Pty) Limited on 1 March 2019. The integration has gone smoothly and the new businesses are performing well under the Vivo Energy operational model and performance driven culture.

We believe there is an opportunity to significantly increase the retail network across the new markets. This growth, together with the upgrading of the existing network and the expansion of the non-fuel retail offering is expected to lead to significant growth in volumes and market share. During 2019, we launched our Shining Sites project with the aim of making the service stations more welcoming for our customers, with 83 sites refurbished by the end of the year. A net total of 15 new Engen-branded service stations were also opened during the year in the Engen-branded markets, excluding the 14 Engen-branded sites in Kenya that were re-branded to Shell in line with our plans.

We also believe there is a major opportunity to drive Commercial volumes in the markets through the expansion of value adding offerings to mining customers and a more strategic approach to large industrial customers. We have already won a significant supply contract in the Commercial sector, which has driven growth and will generate further benefits over the next six months.

The good progress we have made is demonstrated by the ten-months of contribution to the Group's full-year results from the new Engen-branded markets, with volumes for the period of 987 million litres, gross cash profit of $75 million, adjusted EBITDA of $42 million and net income of $12 million.

Morocco Conseil de la Concurrence

In 2019, Vivo Energy announced that the Moroccan Conseil de la Concurrence were undertaking a review of the competitive dynamics of the fuel industry in Morocco. This review remains ongoing, and we will provide further updates as appropriate.

Outlook

The Group has entered 2020 with good momentum and we look forward to another year of strong performance. We expect to deliver mid-single digit gross cash profit percentage growth in 2020, driven by improved volume growth in the Shell-branded markets, organic growth in the Engen-branded markets and two months of additional Engen contribution in the first quarter due to the timing of the Engen transaction in 2019, together with broadly stable gross cash unit margins. Capital expenditure is expected to be slightly ahead of 2019 levels, at between $150-160 million as we invest in growing and upgrading the retail network across all 23 countries, with 80-100 net new sites targeted for the year. Following the successful integration of Engen, Vivo Energy has a stronger platform for growth and we are excited by the prospects ahead of us in 2020.

End

Results presentation
Vivo Energy plc will host a presentation for analysts and investors today, 4 March 2020 at 09.00 GMT, which can be accessed at: https://webcasting.brrmedia.co.uk/broadcast/5e383d55b9710760e29258ff

Participants may also dial in to the event by conference call:

Dial-in: +44 330 336 9125 / +27 11 844 6054
Participant access code: 3909998

The replay of the webcast will be available after the event at https://investors.vivoenergy.com

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Notes to editors:
Vivo Energy operates and markets its products in countries across North, West, East and Southern Africa. The Group has a network of over 2,200 service stations in 23 countries operating under the Shell and Engen brands and exports lubricants to a number of other African countries. Its retail offering includes fuels, lubricants, card services, shops, restaurants and other non-fuel services. It provides fuels, lubricants and liquefied petroleum gas (LPG) to business customers across a range of sectors including marine, mining, construction, power, transport, wholesalers and manufacturing. The Company employs around 2,600 people and has access to over 1,000,000 cubic metres of fuel storage capacity and has a joint venture, Shell and Vivo Lubricants B.V., that sources, blends, packages and supplies Shell-branded lubricants.

For more information about Vivo Energy please visit www.vivoenergy.com

Forward looking-statements
This report includes forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Company's control and all of which are based on the Directors' current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believe", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "continues", "assumes", "positioned", "anticipates" or "targets" or the negative thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this report and include statements regarding the intentions, beliefs or current expectations of the Directors or the Group concerning, among other things, the future results of operations, financial condition, prospects, growth, strategies of the Group and the industry in which it operates. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Group. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed, or implied in such forward-looking statements. Such forward-looking statements contained in this report speak only as of the date of this report. The Company and the Directors expressly disclaim any obligation or undertaking to update these forward-looking statements contained in the document to reflect any change in their expectations or any change in events, conditions, or circumstances on which such statements are based unless required to do so by applicable law.

CHIEF EXECUTIVE OFFICER'S STATEMENT

2019 was another year of firsts for the Vivo Energy Group. We completed our first full year as a public company, hosted our first Annual General Meeting, and issued our first Annual Report.

We also completed our first large-scale acquisition. This brought eight new countries and a second international brand – Engen – into Vivo Energy. Additionally, we became the first company in Africa to complete the integration of a state-of-the-art SAP S/4HANA enterprise resource planning (ERP) system across our Shell-branded operations, which will provide many benefits over the coming years.

It's hard to believe that this business was created just eight short years ago. In that time we've almost doubled our footprint to 2,226 retail sites across 23 African countries, expanded our Commercial business significantly and increased sales to over 10 billion litres of fuel and lubricants per year, while developing a major non-fuel retail business at the same time. This would not have been possible without the fantastic teams we have within the business and the creation of a vibrant culture that relentlessly presses us forward. We're now well placed to continue to be entrepreneurial and nimble as we adapt, in order to capitalise on the opportunities and mitigate the threats that will arise in the coming years.

Vivo Energy is an integral part of day-to-day life on the African continent. The economies of the countries where we operate are amongst the fastest-growing in the world, with young populations who are increasingly affluent and mobile – and this drives demand for the many products that we sell across our retail sites. We're also seeing continued growth in infrastructure investment, which encourages both near-term demand as well as future prosperity. Our operations enable consumers to get to work, help professional drivers to earn a living, and support the development of thousands of local and international businesses that rely on our fuels and lubricants to drive their operations, and the growth of a continent, forward.

PERFORMANCE HIGHLIGHTS

Still in the early years of our life as a public company, we recognise that building a track record is critical to future success. We're delighted to report that we again delivered against our guidance, meeting our volume expectations and exceeding our margin expectations. Our volumes grew by 11%, to 10,417 million litres, supported by the contribution from the new Engen-branded markets and the opening of a net total of 96 new service stations, with 15 of those under the Engen-brand. Volume growth in our Shell-branded markets amounted to 1%, with Retail growth of 2% (3% in H2 19). Shell-branded volume growth has been impacted by a deliberate focus on maximising our gross cash profit in Ghana and Uganda, which are deregulated markets, slower demand growth in large markets such as Tunisia, Côte d'Ivoire and Mali, and increased competitor site openings. Our Shell-branded Commercial volumes were slightly down year-on-year as we made a tactical decision to move away from the wholesale business in several markets due to the low returns on offer. This decision helped drive strong Commercial margins, which together with the focus on gross cash profit as well as increased non-fuel retail and premium fuel contribution, led to group gross cash unit margin of $71 per thousand litres for 2019. This was lower than 2018 ($73), due to the change in market conditions experienced since H2 2018 in Morocco.

Together, these factors increased gross cash profit by 9% to $743 million for the year, which led to continued year-on-year adjusted EBITDA growth. Group adjusted EBITDA of $431 million was 8% higher than 2018, with strong adjusted free cash flow. Net income of $150 million was slightly ahead of the previous year, but due to lower special items, higher net finance expenses and a higher effective tax rate, adjusted diluted earnings per share fell from 14 cents to 12 cents for the year.

The strong cash flow enabled us to continue to reduce our leverage, with net debt to adjusted EBITDA falling to 0.48x. As a result of the increased balance sheet flexibility and the desire to provide attractive returns to shareholders, the Board has recommended an increase in the final dividend to 2.7 cents per share, bringing the full year dividend to 3.8 cents per share, up from 1.9 cents in 2018. This is in line with our progressive dividend policy and represents 35% of attributable net income. If approved at our Annual General Meeting, the final dividend will be paid to shareholders on 8 June 2020.

As announced in January 2020, the Company's subsidiary in Morocco has received a report from the investigators in charge of the Conseil de la Concurrence's (the CdC) ongoing review of the competitive dynamics of the Moroccan fuel retailing industry. Vivo Energy Morocco will have the opportunity to provide submissions in response to the report in accordance with the procedures set out in the applicable laws of Morocco. These submissions along with the report will then be considered by the board of the CdC prior to any ruling being made, which if unfavourable may be appealed in accordance with the laws of Morocco. We believe that Vivo Energy Morocco has at all times conducted its operations in accordance with applicable competition laws, rules and regulations.

We are a highly diverse and resilient business. Although the Moroccan retail fuels business remains our largest business, its adjusted EBITDA contribution fell from 18% in 2018 to 13% in 2019, due to the change in market conditions in Morocco, increased contribution from the Engen transaction and strong growth in other countries and segments. Notwithstanding its lower contribution, there continued to be focus on the Moroccan Retail market during the year. It remains an attractive market for us and we continued to develop our fuel and non-fuel network in the country. We continued to invest into the business and completed an exciting investment to expand in the south of the country in the fourth quarter.

MAJOR PROJECTS

The year was marked by the successful completion of two major projects: the integration of Engen and the deployment of our new ERP system.

We welcomed around 300 new employees and added over 200 Engen-branded service stations to our network across eight new countries through the Engen transaction and I've been very impressed at how quickly the new teams have become fully integrated into our operational culture. I've visited many of the new countries and am delighted to see the pace of change as we upgrade and expand the networks, with 83 sites refurbished and 15 new sites opening in the first 10 months of our ownership. There is huge potential for growth in these markets, using the established Vivo Energy business model.

Having developed and deployed our new ERP system in Kenya and Uganda in 2018, it was an impressive feat to complete the roll-out to the remaining 13 Shell-branded countries by August 2019. The new system lays the foundation for simpler business processes, greater efficiency and a platform that will enable our business to transform and grow. Our focus has now shifted to deploying the system in our Engen-branded countries and deriving the full benefits for the business.

OUR STAKEHOLDERS

As one of the leading African companies operating on the continent, it's vitally important that we run our business in a responsible manner for all of our stakeholders. As we progress towards our vision of becoming the most respected energy business in Africa, our Board of Directors has this year adopted our Purpose Statement: "To safely provide innovative and responsible energy solutions to Africa, which enable growth and development of the continent and its people."

We've already taken significant steps to minimise our impact on the environment through efficiency measures and solar initiatives, recognising the potential impact that climate change could have on our operating countries. We continue to invest into our communities to drive access to education, road safety and environmental initiatives, and most importantly, we've continued to demonstrate a very strong Health, Safety and Security record. Given we transport and sell volatile products across the continent, management of health and safety to keep our employees, customers and communities safe is critical to our success and is an area where we will never lose focus.

The development of our people is also core to our success. We operate a decentralised business, where local teams are empowered, but held accountable for performance and governance. We place great emphasis on providing careers and not just jobs for our people. We believe that we're developing the next generation of business leaders by giving them opportunities across our business to experience different roles, leadership and cultures, to the ultimate benefit of our employees, our businesses and our communities alike.

LOOKING AHEAD

The coming year will be exciting as we continue to adapt in order to grow our business. We will look to capture the opportunity in our Engen-branded markets and to harness the potential from the new ERP system and the digital eco-system that it enables, as well as returning to the basics of our retail model.

Ensuring that ever more customers are attracted to and return to our sites – by providing the best possible customer experience through our product offering, loyalty programmes and customer service excellence – remains at the heart of our business.

We have entered 2020 with good momentum and look forward to another year of strong performance. We expect to deliver mid-single digit gross cash profit percentage growth in 2020. This will be driven by: improved volume growth in the Shell-branded markets; organic growth in the Engen-branded markets; two months of additional Engen contribution in the first quarter due to the timing of the Engen transaction in 2019; and broadly stable gross cash unit margins. Capital expenditure is expected to be slightly ahead of 2019 levels at between

$150-160 million as we invest in growing and upgrading the retail network across all 23 countries, with 80-100 net new sites targeted for the year.

While there have only been a limited number of confirmed cases of the Coronavirus on the African continent to date, we are closely monitoring this evolving situation and any potential impact it may have on our business.

It has been another intense year of effort for the team at Vivo Energy and I would like to extend my thanks to everyone for their remarkable contribution and determination to succeed during the past 12 months.

I believe 2020 will be a year rich with potential. Fuelled by the skills of our teams, we have the energy to grow and are well-positioned to capitalise on the opportunities ahead.

CHRISTIAN CHAMMAS
CHIEF EXECUTIVE OFFICER

OPERATING REVIEW

OVERVIEW OF OPERATIONS BY SEGMENT

US$ million, unless otherwise indicated	2019	2018	Change
Volumes (million litres)			
Retail	5,900	5,354	+10%
Commercial	4,380	3,863	+13%
Lubricants	137	134	+2%
Total	**10,417**	**9,351**	**+11%**
Gross profit			
Retail (including Non-fuel retail)	411	393	+5%
Commercial	192	163	+18%
Lubricants	72	69	+4%
Total	**675**	**625**	**+8%**
Gross cash unit margin ($/'000 litres)			
Retail fuel (excluding Non-fuel retail)	71	75	-5%
Commercial	49	47	+4%
Lubricants	547	525	+4%
Total	**71**	**73**	**-3%**
Gross cash profit			
Retail (including Non-fuel retail)	454	428	+6%
Commercial	214	181	+18%
Lubricants	75	71	+6%
Total	**743**	**680**	**+9%**
Adjusted EBITDA			
Retail	242	227	+7%
Commercial	135	122	+11%
Lubricants	54	51	+6%
Total	**431**	**400**	**+8%**

RETAIL

US$ million, unless otherwise indicated	2019	2018	Change
Volumes (million litres)	**5,900**	5,354	+10%
Gross profit (including Non-fuel retail)	**411**	393	+5%
Gross cash unit margin (excluding Non-fuel retail) ($/'000 litres)	**71**	75	-5%
Retail fuel gross cash profit	**421**	403	+4%
Non-fuel retail gross cash profit	**33**	25	+32%
Adjusted EBITDA	**242**	227	+7%

OVERVIEW

Retail is at the heart of our business and is leading our growth across 23 countries in Africa. With a network of 2,226 service stations, we are empowered by the trusted Shell and Engen brands to deliver high-quality products to our Retail customers and set new benchmarks for innovation, convenience, service and reliability.

2019 REVIEW

Our Retail business delivered strong growth with gross cash profit increasing by 6% year-on-year to $454 million and adjusted EBITDA increasing to $242 million, 7% ahead of the prior year. This reflects the strong contribution from Engen-branded markets and an excellent performance in Non-fuel retail as the business continues to focus on increasing its penetration of value-added products and services at our retail outlets.

RETAIL FUEL

In 2019, volumes sold of 5,900 million litres were 10% higher year-on-year, with volume growth resulting from 10 months of contribution from Engen-branded markets, which brought over 200 new sites and growth in the existing Shell-branded markets of 2%.

Since the completion of the Engen acquisition, we've focused on furthering the 'Engen' brand awareness and improving its brand preference amongst customers. We launched a project called 'Shining Sites' to enhance the network and ensure compliance with proven Vivo Energy standards. This has generated more traffic to our Engen-branded service stations, resulting in volume growth in three consecutive quarters. By the end of 2019, 83 sites had been renovated ('shined') and a total of 15 new Engen-branded service stations were opened during the year.

Shell-branded Retail fuel volumes grew 2%, fuelled primarily by the expansion of our retail network, retailer working capital initiatives, and premium fuels. A number of our markets recorded strong volume growth such as Uganda and Senegal. In particular, we focused on growing the penetration of our premium fuel products by expanding our premium fuel network and introducing new products in 2019, resulting in premium fuel volume growth of 30%. However, volume growth was hindered in part by economic slowdown and strikes in Tunisia, our decision to prioritise margins in some markets and the transfer of certain sites to the Commercial segment in Guinea.

Gross cash unit margin was $71 per thousand litres ($75 per thousand litres in 2018). Margins improved through the year, as a result of improving margins in a number of Shell-branded markets, including accretive premium fuel margins, but were lower than 2018 due to the change in market conditions experienced since H2 2018 in Morocco. The new Engen-branded markets were 3% accretive to the Retail fuel unit margins during the year.

NON-FUEL RETAIL

Our Non-fuel retail business continues to register excellent performance, with gross cash profit increasing by 32% year-on-year to $33 million. Excluding Engen, Non-fuel retail gross cash profit rose 16%, driven by our continued efforts to increase outlet footprint in our network.

In 2019, we continued to invest in the quality and scope of our outlet offerings, including opening 70 convenience retail shops and 53 new quick service restaurants. This was further highlighted by the announcement of our third joint venture with a franchisee of KFC, which will bring our partnership with KFC to Kenya, Uganda and Rwanda once the deal is completed in early 2020. In 2019 we opened 11 new KFC locations across our network of service stations, including our first opening at an Engen-branded service station in Gabon.

COMMERCIAL

US$ million, unless otherwise indicated	2019	2018	Change
Volumes (million litres)	**4,380**	3,863	+13%
Gross profit	**192**	163	+18%
Gross cash unit margin ($/'000 litres)	**49**	47	+4%
Gross cash profit	**214**	181	+18%
Adjusted EBITDA	**135**	122	+11%

OVERVIEW

We offer a comprehensive range of fuels, lubricants, and LPG products to our Commercial customers. We meet the needs of our business partners, adding real and measurable value, whether in aviation, construction, marine, mining, power, road transport, and other industries.

2019 REVIEW

Our Commercial segment reported a 13% year-on-year volume growth, driven by the contribution from our Engen-branded markets, with Shell-branded volumes slightly lower year-on-year. Gross cash profit rose by 18% to $214 million driven by the higher volumes and gross cash unit margin increasing to $49 per thousand litres, an increase of 4% over the previous year. Engen-branded margins were broadly in line with the Shell-branded margins during the period.

CORE COMMERCIAL

Activities of our Core Commercial segment include the supply of bulk fuels to construction, transport, power and industrial companies, the mining sector, wholesalers and the provision of packed LPG. Core Commercial volumes were 75% of total Commercial volumes (2018: 73%) and 82% of total Commercial gross cash profit (2018: 83%).

Core Commercial sales volumes rose by 16% year-on-year to 3,280 million litres, driven primarily by the Engen-branded markets contribution. The Shell-branded volumes were slightly down year-on-year, impacted by a decision to reduce exposure to the low margin reseller segment in East and Southern Africa, following volatility in the segment. This was partially offset by continued growth in sales of LPG in Morocco and the transfer of certain sites in Guinea from Retail fuel to the Commercial segment.

Gross cash unit margin increased by 2% year-on-year to $54 per thousand litres. Excluding the Engen-branded markets, Shell-branded gross cash unit margin increased by 4% as a result of maintaining our pricing power, and an improved mix of activities.

Gross cash profit climbed by 17% to $176 million, largely attributable to the Engen-branded markets contribution and a 2% year-on-year increase from Shell-branded markets.

AVIATION AND MARINE

Aviation and Marine had a strong year, accounting for 25% of total Commercial volumes (2018: 27%) and 18% of total Commercial gross cash profit (2018: 17%). Volumes increased by 6% year-on-year, while gross cash profit soared 23% to $38 million in 2019.

Excluding the Engen-branded markets, Aviation volumes rose by 3%, driven primarily by renewal of contracts and new tenders won in Morocco and Côte d'Ivoire. Profitable spot sales to ad-hoc and charter flights contributed to higher unit margins from the Shell-branded markets.

Marine volumes in Shell-branded markets decreased by 7%, impacted by industry supply shortages in Mauritius. Despite these challenges, we grew the unit margin by 21%, securing profitable spot sales in a number of our markets.

LUBRICANTS

US$ million, unless otherwise indicated	2019	2018	Change
Volumes (million litres)	**137**	134	+2%
Gross profit	**72**	69	+4%
Revenues	**375**	364	+3%
Gross cash unit margin ($/'000 litres)	**547**	525	+4%
Gross cash profit	**75**	71	+6%
Adjusted EBITDA	**54**	51	+6%

OVERVIEW

We blend, distribute and sell high-quality lubricants across the continent. Lubricants are sold on the forecourt, through distributors and we provide essential value to many of our Commercial customers by offering a wide range of specialist products. In addition to our distribution business, we have a 50:50 joint venture with Shell to blend lubricants.

2019 REVIEW

Volumes increased by 2% driven by the contribution from the Engen-branded markets which largely compensated for lower volumes in the Shell-branded lubricants segment. The unit margin of $547 per thousand litres was 4% higher year-on-year, despite the dilutive impact of lower margins from Engen-branded markets. Shell-branded unit margin increased by 6% year-on-year driven by strong performance in both the Retail and Commercial lubricants businesses.

Gross cash profit rose by 6% to $75 million, driven by increased volumes and higher gross cash unit margins attributable to lower base oil prices during the year. Adjusted EBITDA grew 6% to $54 million, as the increase in gross cash profit offset the lower share of profit from the SVL joint venture.

RETAIL LUBRICANTS

Our Retail lubricants business comprises forecourt sales to retail customers and to consumers through distributors. In 2019, Retail lubricants accounted for 61% of total Lubricants volumes (2018: 62%) and 60% of total Lubricants gross cash profit (2018: 60%).

Retail lubricants volumes remained flat year-on-year. Excluding the Engen-branded markets, volumes decreased by 2% as a result of negative volume growth from our B2C business in one of our markets, partially offset by Retail lubricant volume growth generated through effective marketing campaigns.

Unit margins increased 6% year-on-year to $542 from $513 per thousand litres in 2018 led by the performance of Shell-branded markets. Excluding the Engen-branded markets, unit margins grew 4% year-on-year, primarily due to the impact of strategic pricing as well as favourable base oil prices.

Gross cash profit was $45 million, up 6% year-on-year, mainly due to higher unit margins partially offset by a decrease in gross cash profit due to lower Shell-branded volumes sales.

COMMERCIAL LUBRICANTS

Commercial lubricants are sold across the Group's operating countries and key export markets. Commercial lubricants accounted for 39% of total Lubricants volumes (2018: 38%) and 40% of total Lubricants gross cash profit (2018: 40%).

Volumes were 54 million litres in 2019, up 5% year-on-year. Excluding the Engen-branded markets, volumes were lower by 7% mainly reflecting the impact of weaker demand in the power and construction sectors due to government budget constraints in some of our markets, as well as lower demand from our export markets.

Unit margins increased 2% to $556 from $544 per thousand litres. Excluding the Engen-branded markets, unit margins were up 11% to $604 per thousand litres mainly due to higher demand of more profitable premium products and lower base oil prices.

FINANCIAL REVIEW

CONSOLIDATED RESULTS OF OPERATIONS

SUMMARY INCOME STATEMENT

US$ million	2019	2018	Change
Revenues	8,302	7,549	+10%
Cost of sales	(7,627)	(6,924)	+10%
Gross profit	**675**	**625**	**+8%**
Selling and marketing cost	(224)	(197)	+14%
General and administrative cost	(165)	(183)	-10%
Share of profit of joint ventures and associates	22	28	-21%
Other income/(expense)	2	3	-33%
EBIT	**310**	**276**	**+12%**
Finance expense – net	(64)	(47)	+36%
EBT	**246**	**229**	**+7%**
Income taxes	(96)	(83)	+16%
Net income	**150**	**146**	**+3%**

Earnings per share (US$)	2019	2018	Change
Basic	**0.11**	0.11	0%
Diluted	**0.11**	0.11	0%

NON-GAAP MEASURES

US$ million, unless otherwise indicated	2019	2018	Change
Volumes (million litres)	**10,417**	9,351	+11%
Gross cash profit	**743**	680	+9%
EBITDA	**416**	366	+14%
Adjusted EBITDA	**431**	400	+8%
ETR (%)	**39%**	36%	n/a
Adjusted net income	**162**	178	-9%
Adjusted diluted EPS (US$)	**0.12**	0.14	-14%

ANALYSIS OF CONSOLIDATED RESULTS OF OPERATIONS

VOLUMES

We sold a company record of 10,417 million litres of fuel, LPG and Lubricants in 2019. In line with full-year guidance, volumes increased by 11% year-on-year, led primarily by the 10-month contribution from Engen-branded markets and resilient volume growth of 1% from the Shell-branded markets.

REVENUE

Revenue increased by $753 million, or 10% to $8,302 million in 2019, mainly due to the 10-month contribution from the Engen-branded markets. Excluding the Engen-branded markets, revenue decreased by 1%, primarily driven by lower average crude oil prices in 2019 and depreciating local currencies during the period, partially offset by volume growth.

COST OF SALES

Cost of sales increased by $703 million, or 10%, to $7,627 million in 2019. The Engen-branded markets contribution was the main driver of the increase as well as slightly higher sales volumes from Shell-branded markets. This is partially offset by lower average crude oil prices and depreciating local currencies.

GROSS PROFIT

As a result of higher volumes and the Engen-branded markets contribution, gross profit was $675 million (8% year-on-year). This was partially offset by lower Retail fuel unit margins in Morocco which were expected given the change in market conditions since H2 2018.

GROSS CASH PROFIT

Gross cash profit was 9% higher year-on-year, amounting to $743 million. Excluding the Engen-branded markets, gross cash profit decreased by $12 million (2% year-on-year), hindered by lower retail unit margins in Morocco, partially offset by higher sales volumes.

SELLING AND MARKETING COST

Selling and marketing cost was $224 million, 14% higher than 2018 mainly as a result of additional costs due to the new Engen-branded markets.

GENERAL AND ADMINISTRATIVE COST

General and administrative cost, including special items, decreased by $18 million to $165 million. This was due to lower non-recurring items compared to 2018 and cost reduction initiatives to improve efficiencies and reduce operating expenditure, partially offset by the additional cost contribution from our Engen-branded markets as well as Engen related acquisition and integration costs.

SHARE OF PROFIT FROM JOINT VENTURES AND ASSOCIATES

Share of profit from joint ventures and associates decreased by 21% to $22 million. This was primarily attributable to a lower share of profit from our SVL lubricants joint venture and a joint venture in Madagascar.

OTHER INCOME

Other income of $2 million (2018: $3 million) mainly related to gains on disposal of PP&E and unrealised gains on financial instruments.

ADJUSTED EBITDA

Adjusted EBITDA was $431 million, 8% higher year-on-year. Excluding the Engen-branded markets, adjusted EBITDA decreased by 3% largely due to expected lower margins from our Retail business in Morocco and lower share of profit from joint ventures and associates. This was partially offset by increased sales volumes and lower general and administrative cost.

NET FINANCE EXPENSE

Net finance expense increased by $17 million year-on-year to $64 million, largely driven by a mark-to-market loss on the interest rate swap on the long-term borrowings of -$5 million (2018: +$3 million). The increase in net finance expense is further explained by a $5 million loss resulting from the application of IAS 29 'Financial Reporting in Hyperinflationary Economies' relating to our operations in Zimbabwe and additional finance cost contribution from the Engen-branded markets.

INCOME TAXES

ETR increased to 39% from 36% compared to the comparative period of 2018. This was primarily due to an additional 2.5% tax levy in Morocco and an increase in other expenses.

NET INCOME

Net income, including the impact of special items was $150 million, up 3% from $146 million in 2018.

EARNINGS PER SHARE

Basic earnings per share amounted to 11 cents per share (2018: 11 cents per share).

Adjusted diluted earnings per share, excluding the impact of special items, were 12 cents per share (2018: 14 cents per share).

CONSOLIDATED FINANCIAL POSITION

ASSETS

PP&E increased by $201 million from $622 million in 2018 to $823 million in 2019, largely due to assets acquired through the Group's business acquisitions and capital expenditure. Right-of-use assets increased by $28 million from $148 million in 2018 to $176 million in 2019. Leases from the Engen-branded countries and new leases related to retail sites drove the increase in right-of-use assets. These increases in PP&E and right-of-use assets were partially offset by the depreciation for the year.

Intangible assets increased by $92 million from $134 million in 2018 to $226 million in 2019, mainly attributable to goodwill related to Engen of $65 million and other intangible assets of $25 million recognised at acquisition. Additional costs capitalised in relation to SAP S/4HANA, the Group's new ERP system, further contributed to the increase. These balances were partially offset by the amortisation during the year.

Trade receivables increased by $7 million from $444 million in 2018 to $451 million in 2019. The increase was largely due to additional trade receivables from Engen, partially offset by the Group's improved cash collection. Average monthly DSO[1] for the period was 17 days (2018: 16 days).

The new Engen-branded entities contributed significantly to the $76 million increase in inventories, from $441 million in 2018 to $517 million in 2019. The remaining increase related to higher business activities through existing and new customers. Average monthly inventory days for the period were 24 days (2018: 24 days).

EQUITY

Total equity increased by $223 million, from $581 million in 2018 to $804 million in 2019. The increase was primarily due to the issuance of new shares as part of the consideration for the acquisition of Engen International Holdings (Mauritius) Limited and the total comprehensive income for the year of $112 million. This was partially offset by dividend payments of $40 million.

LIABILITIES

Trade payables increased by $195 million from $1,062 million in 2018 to $1,257 million in 2019. The increase was driven by trade payables from new Engen-branded entities and the timing of purchases and shipments. Average monthly DPO[1] for the period was 55 days (2018: 56 days).

The increases for 2019 in relation to deferred tax liabilities of $15 million, income tax payable of $23 million and provisions of $26 million are principally due to the acquired Engen-branded entities.

Other liabilities increased by $30 million from $308 million in 2018 to $338 million in 2019. This was mainly attributable to other liabilities in the Engen-branded entities, partially offset by a decrease in employee liabilities for the year.

DIVIDENDS

The Board has adopted a progressive dividend policy while maintaining an appropriate level of dividend cover and sufficient financial flexibility in the Group. The dividend policy has a minimum payout ratio of 30% of attributable net income. The Group declares and publishes its dividends in US dollars.

During the year an interim dividend per share of 1.1 cents was paid to shareholders.

The Board is recommending a final dividend per share of 2.7 cents amounting to $34 million. If approved, the full year dividend of 3.8 cents per share, amounting to circa $48 million, will reflect a Group payout ratio of 35% of attributable net income.

1 Days sales outstanding (DSO) and days purchases outstanding (DPO) are based on monthly averages and on trade elements only.

LIQUIDITY AND CAPITAL RESOURCES

ADJUSTED FREE CASH FLOW

US$ million	2019	2018[1]
Net income	150	146
Adjustment for non-cash items and other	202	166
Current income tax paid	(83)	(103)
Net change in operating assets and liabilities and other adjustments	176	42
Cash flow from operating activities	**445**	**251**
Net additions of PP&E and intangible assets[2]	(147)	(144)
Free cash flow	**298**	**107**
Special items[3]	27	47
Adjusted free cash flow	**325**	**154**

1 Prior year comparatives were reclassified to provide a consistent presentation to 2019. Refer to note 2 in the consolidated financial statements.

2 Excluding cash flow from acquisition of businesses and other investing activities.

3 Cash impact of special items. Special items are explained and reconciled in the Non-GAAP financial measures.

Adjusted free cash flow increased by $171 million, from $154 million in 2018 to $325 million in 2019. The increase was driven by higher cash inflows from operating activities, which were positively impacted by changes in net change in operating assets and liabilities and other adjustments of $176 million. These cash inflows are mainly attributable to the strong business performance, successful cash collection of trade receivables and payments received in relation to other government benefits receivable. Changes in net change in operating assets and liabilities and other adjustments benefited from the timing of prepayments received in relation to the fuel importation contracts in Kenya and the timing of payments to suppliers, amounting to approximately $111 million. As a result of the additions in PP&E and intangible assets as well as the Engen acquisition, depreciation and amortisation for the period was higher, which was the main driver for the increase in adjustments of non-cash items. Income tax paid amounted to $83 million for the year ended 31 December 2019 (2018: $103 million). Cash flow from operating activities fully funded capital expenditure of $149 million in 2019 (2018: $147 million).

CAPITAL EXPENDITURES

US$ million	2019	2018
Maintenance	46	51
Growth	88	72
Special projects	15	24
Total	**149**	**147**

US$ million	2019	2018
Retail	78	66
Commercial	27	20
Lubricants	2	2
Other (technology, supply and distribution and general corporate costs)	42	59
Total	**149**	**147**
Of which growth capital expenditure was:	**88**	**72**
Retail	61	50
Commercial	21	15
Lubricants	2	2
Other (technology, supply and distribution and general corporate costs)	4	5

Most of our capital expenditure related to Retail projects which included the expansion of our current retail network and Non-fuel retail offerings. The Group also constructed 15 new retail sites in the Engen-branded markets and refurbished 83 of the acquired sites.

Special projects relate to investments in SAP S/4HANA, the Group's new ERP system and projects to utilise its full potential for the business. In the prior year, the SAP S/4HANA project was in the development phase, which resulted in higher expenditure in comparison to the current year. During 2019, the Group successfully implemented SAP S/4HANA, with 15 countries now fully operating on the new ERP system.

ROACE for the year was 21% as a result of the Group's disciplined capital allocation throughout the year (2018: 23%).

NET DEBT AND AVAILABLE LIQUIDITY

US$ million	31 December 2019	31 December 2018
Long-term debt	371	392
Lease liabilities	125	111
Total debt excluding short-term bank borrowings	**496**	**503**
Short-term bank borrowings[1]	229	208
Less cash and cash equivalents	(517)	(393)
Net debt	**208**	**318**

1 Short-term bank borrowings exclude the current portion of the long-term debt.

US$ million	31 December 2019	31 December 2018
Net debt	208	318
Adjusted EBITDA	431	400
Leverage ratio[1]	**0.48x**	**0.79x**

1 For the description and reconciliation of non-GAAP measures refer to the Non-GAAP financial measures below.

US$ million	31 December 2019	31 December 2018
Cash and cash equivalents	517	393
Available undrawn credit facilities	1,410	1,281
Available short-term capital resources	**1,927**	**1,674**

Total borrowings include the term-loan, the revolving credit facility and short-term bank borrowings. Short-term bank borrowings include the individual operating entities' uncommitted unsecured short-term bank facilities. Such facilities are provided by various banks and comprised of overdraft facilities, spot loans and trade finance arrangements. The facilities carry interest rates between 1.8% and 18.0% per annum.

Net debt at 31 December 2019 was $208 million decreasing by $110 million from 31 December 2018 ($318 million). The decrease in net debt was mainly due to an increase in cash and cash equivalents. This was partially offset by an increase in short-term borrowings and lease liabilities. The increase in the short-term bank borrowings is to a large extent due to additional short-term facilities from the new Engen-branded entities.

The Group maintained a healthy balance sheet with the leverage ratio decreasing to 0.48x (31 December 2018: 0.79x). The decrease resulted from a lower net debt and a higher adjusted EBITDA in the current year. The available undrawn credit facilities of $1,410 million are comprised of the remaining balance of $236 million of the undrawn committed multi-currency revolving credit facility and $1,174 million of undrawn unsecured short-term bank facilities extended to our operating entities for working capital purposes. The short-term bank facilities included a large number of uncommitted facilities (ranging from $1 million to $250 million). These facilities are extended by multiple local banks to operating units and are typically for a period of 12 months, automatically renewable.

Available short-term capital resources amounted to $1,927 million compared to $1,674 million at 31 December 2018.

The table below sets the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows:

US$ million						31 December 2019
	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Borrowings[1]	225	81	85	211	–	**602**
Trade payables	1,161	89	7	–	–	**1,257**
Lease liabilities	6	17	20	44	90	**177**
Other liabilities	49	24	18	4	130	**225**
Total	**1,441**	**211**	**130**	**259**	**220**	**2,261**

1 Borrowings exclude, as of 31 December 2019, the undrawn multi-currency revolving credit facility of $236 million.

The Group has purchase obligations, under various agreements, made in the normal course of business. The purchase obligations are as follows, as at:

US$ million	31 December 2019	31 December 2018
Purchase obligations	13	13
Total	**13**	**13**

NON-GAAP FINANCIAL MEASURES

Non-GAAP measures are not defined by International Financial Reporting Standards (IFRS) and, therefore, may not be directly comparable with other companies' non-GAAP measures, including those in our industry. Non-GAAP measures should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

The exclusion of certain items from non-GAAP performance measures does not imply that these items are necessarily non-recurring. From time to time, we may exclude additional items if we believe doing so would result in a more transparent and comparable disclosure.

The Directors believe that reporting non-GAAP financial measures in addition to IFRS measures provides users with an enhanced understanding of results and related trends and increases the transparency and clarity of the core results of our operations. Non-GAAP measures are used by the Directors and management for performance analysis, planning, reporting and key management performance measures.

Term	Description	Term	Description
Gross cash profit	This is a measure of gross profit after direct operating expenses and before non-cash depreciation and amortisation recognised in cost of sales. Reference to 'cash' in this measure refers to non-cash depreciation and amortisation as opposed to the elimination of working capital movements. Gross cash profit is a key management performance measure.	**Gross cash unit margin**	Gross cash profit per unit. Unit is defined as 1,000 litres of sales volume. This is a useful measure as it indicates the incremental profit for each additional unit sold.
EBITDA	Earnings before finance expense, finance income, income tax, depreciation and amortisation. This measure provides the Group's operating profitability and results before non-cash charges and is a key management performance measure.	**Adjusted EBITDA**	EBITDA adjusted for the impact of special items. This is a useful measure as it provides the Group's operating profitability and results, before non-cash charges and is an indicator of the core operations, exclusive of special items.
Adjusted net income	Net income adjusted for the impact of special items.	**Adjusted diluted EPS**	Diluted EPS adjusted for the impact of special items.
Special items	Income or charges that are not considered to represent the underlying operational performance and, based on their significance in size or nature, are presented separately to provide further understanding of the financial and operational performance.	**Adjusted free cash flow**	Cash flow from operating activities less net additions to PP&E and intangible assets and excluding the impact of special items. This is a key operational liquidity measure, as it indicates the cash available to pay dividends, repay debt or make further investments in the Group.
Net debt	Total borrowings and lease liabilities less cash and cash equivalents.	**Leverage ratio**	Net debt, including lease liability, divided by adjusted EBITDA.
Adjusted EBIT	Earnings before finance expense, finance income and income taxes adjusted for special items. The Group views adjusted EBIT as a useful measure because it shows the Group's profitability and the ability to generate profits by excluding the impact of tax and the capital structure, as well as excluding income or charges that are not considered to represent the underlying operational performance.	**Return on average capital employed (ROACE)**	Adjusted EBIT after income tax divided by the average capital employed. Average capital employed is the average of opening and closing net assets plus borrowings and lease liabilities, less cash and cash equivalents. ROACE is a useful measure because it shows the profitability of the Group considering the average amount of capital used.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

US$ million	2019	2018
Gross profit	**675**	**625**
Add back: depreciation and amortisation in cost of sales	68	55
Gross cash profit	**743**	**680**
Volume (million litres)	10,417	9,351
Gross cash unit margin ($/'000 litres)	**71**	**73**

US$ million	2019	2018
EBT	**246**	**229**
Finance expense – net	64	47
EBIT	**310**	**276**
Depreciation, amortisation and impairment	106	90
EBITDA	**416**	**366**
Adjustments to EBITDA related to special items:		
IPO[1] and Engen acquisition related expenses[2]	11	29
Write-off of non-current asset[3]	3	–
Restructuring[4]	3	17
Management Equity Plan[5]	(2)	(12)
Adjusted EBITDA	**431**	**400**

US$ million	2019	2018
Net income	**150**	**146**
Adjustments to net income related to special items:		
IPO[1] and Engen acquisition related expenses[2]	11	29
Write-off of non-current asset[3]	3	–
Restructuring[4]	3	17
Management Equity Plan[5]	(2)	(12)
Tax on special items	(3)	(2)
Adjusted net income	**162**	**178**

US$	2019	2018
Diluted earnings per share	0.11	0.11
Impact of special items	0.01	0.03
Adjusted diluted earnings per share	**0.12**	**0.14**

1 IPO costs were incurred to list the Company on the London Stock Exchange Main Market and the Main Board of the JSE Limited by way of secondary inward listing. The decision to float and list the Company does not form part of the normal core operations of the business and is, therefore, treated as a special item.

2 On 1 March 2019 Vivo Energy Investments B.V., a subsidiary of the Group, acquired 100% of the issued shares in Vivo Energy Overseas Holdings Limited (VEOHL) (formerly known as Engen International Holdings (Mauritius) Limited). The cost of the acquisition and the related integration project expenses are treated as special items.

3 The Group has recognised a write-off related to a government benefits receivable as a result of a retrospective price structure change by the government to finance their outstanding debt. Such retrospective changes of existing price structures are considered non-recurring and are not representative of the core operational business activities and performance and are, therefore, treated as special items.

4 In 2019 the Group acquired VEOHL, restructuring costs incurred were as a result of the integration of VEOHL into our business model. Restructuring cost in 2018 related to a specific cost optimisation programme that was significant in that year. The impact from these activities do not form part of the core operational business activities and performance and should, therefore, be treated as a special item in 2018 and 2019.

5 The Management Equity Plan vested at IPO in May 2018 and is exercisable on the first anniversary of admission for a period of 12 months, refer to note 31. This is therefore a re-occurring special item in 2018 and 2019. Changes in the fair value of the cash-settled share-based plan does not form part of the core operational business activities and performance and should, therefore, be treated as a special item. The costs of share-based payment schemes introduced after the IPO are not treated as special items.

US$ million, unless otherwise indicated	2019	2018
EBIT	**310**	**276**
Adjustments to EBIT related to special items:		
IPO[1] and Engen acquisition related expenses[2]	11	29
Write-off of non-current asset[3]	3	–
Restructuring[4]	3	17
Management Equity Plan[5]	(2)	(12)
Adjusted EBIT	**325**	**310**
Effective tax rate	39%	36%
Adjusted EBIT after tax	198	197
Average capital employed	956	857
ROACE	**21%**	**23%**

1 IPO costs were incurred to list the Company on the London Stock Exchange Main Market and the Main Board of the JSE Limited by way of secondary inward listing. The decision to float and list the Company does not form part of the normal core operations of the business and is, therefore, treated as a special item.

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PRINCIPAL RISKS AND UNCERTAINTIES

Our activities are exposed to various risks and uncertainties. These are risks that we assess as relevant and significant to our business at this time, however other risks could emerge in the future.

Overall, our risk management programme focuses on the unpredictability of the global market and seeks to minimise potential adverse effects on financial performance. In addition to the risks and uncertainties presented below, the management of the fuel cards platform and our ability to simultaneously manage the multiple growth generating projects are closely monitored by all relevant control functions.

BRAND & REPUTATIONAL

OUR RISK	RISK IMPACT	OUR MITIGATION
1. PARTNER REPUTATION AND RELATIONSHIPS		
Our business depends on a small number of key contractual brand relationships with our brand partners, Shell and Engen. We also rely on our own business reputation and brand in order to successfully grow our business and develop new relationships with other brand partners. Our ability to grow and maintain our business in our markets and beyond depends on the reputation of our business partners and relationships (including our brand partners).	The termination of any key brand licence could have a material impact on our ability to grow or maintain our business and could have a material cost impact on current operations. The deterioration of our brand name, or of any of our business relationships, including with our existing brand partners, may prevent collaboration opportunities with existing or new partners, thus hindering growth plans of the Group. A negative trend or development in the brand or reputation of one of our key business partners could adversely impact our current business and future growth plans if it were to adversely impact consumer sentiment towards the brands under which we operate.	Our brand licence agreements contain customary termination provisions which provide that they can only be terminated in very specific circumstances rather than for mere convenience. Such termination provisions relate, inter alia, to events of material breach, insolvency etc. We have developed appropriate processes and procedures to monitor and ensure our compliance with the terms of our brand agreements thus preserving both the relationships with our brand partners and the sanctity of our key contractual relationships. The Group's corporate reputation risk is one of the key risk categories subject to an ongoing assessment and mitigation in our risk management approach. It is continuously monitored and reported as part of the risk register and internal audit reporting. We endeavour to only enter into brand relationships with well-established and reputable partners who are less likely to suffer significant loss of reputation or brand value. In all our key contracts and relationships we ensure our partners adhere to ethical, HSSE and other operational standards that meet or exceed our own standards. Stringent Know Your Counterparty ('KYC') procedures are performed prior to entering any contract over a value of $50,000 per year (and regardless of any value when the counterparty is related to a defined list of sanctioned countries). We promote and develop the communities in which we operate to help build the Vivo Energy brand as the most respected energy business in Africa.
2. CRIMINAL ACTIVITY, FRAUD, BRIBERY AND COMPLIANCE RISK		
As a result of business in Africa our countries are exposed to high levels of risk relating to criminal activity, fraud, bribery, theft and corruption. There are a number of regulatory requirements applicable to the Group. The related risk of non-compliance with these regulations has increased following the listing and the Engen transaction.	Violations of anti-bribery, anti-corruption laws, and other regulatory requirements may result in significant criminal or civil sanctions, which could disrupt our business, damage its reputation and result in a material adverse effect on the business, results of operations and financial condition.	We provide compliance training programmes to employees at all levels. Our Code of Conduct and KYC procedures, along with various other policies and safeguards, have been designed to prevent the occurrence of fraud, bribery, theft and corruption within the Group. We have a confidential whistle-blowing helpline for employees, contractors, customers and other third parties to raise ethical concerns or questions. We regularly maintain and update our information technology and control systems within the Group. The Head of Ethics and Compliance and the Head of Forensics are involved in mitigating fraudulent activities in the Group. We strive to ensure our anti-bribery management systems will continue to be certified compliant under the ISO 37001 standard.

PRICING

OUR RISK	RISK IMPACT	OUR MITIGATION
3. OIL PRICE FLUCTUATIONS		
The price of oil and oil products may fluctuate, preventing us from realising our targeted margins, specifically in the deregulated markets in which we operate.	Higher supply costs in deregulated markets result in higher prices for our products and could reduce our ability to achieve targeted unit margins. Price fluctuations could negatively impact the value of stocks, resulting in stock losses.	Exposure to commodity price risk is mitigated through careful inventory and supply chain management as well as dynamic pricing.
4. CURRENCY EXCHANGE RISK		
We are exposed to foreign exchange risk, currency exchange controls, currency shortage and other currency-related risks. Our risk includes hyperinflation, particularly in Zimbabwe where we have expanded our activities through the Engen International Holdings (Mauritius) Limited acquisition.	Depreciation of foreign currency exchange rates could result in severe financial losses.	Our treasury policy requires each country to manage its foreign exchange risks. The Central Treasury team approves all hedging plans before they are actioned to ensure they are aligned with our strategic focus. We mitigate currency exchange risks through margin and pricing strategies.

HEALTH, SAFETY, SECURITY & ENVIRONMENT

OUR RISK	RISK IMPACT	OUR MITIGATION
5. HEALTH AND SAFETY		
We are exposed to accidents or incidents relating to health, safety and the environment and from such accidents relating to employees. We are further subject to HSSE laws and regulations and industry standards related to each of the countries in which we operate.	We may incur potential liabilities arising from HSSE accidents/incidents. Brand reputation can be severely impacted, along with employee confidence. Regulators and authorities may impose fines, disrupt our operations and disallow permits for future ventures.	We ensure all safety measures for our retail service stations, storage sites, and employees are maintained at international standards. We invest significantly in training and technology to improve road transport safety. The highest emphasis is placed on process safety, and minimising security risks to our people, our facilities and the communities in which we operate. We require all our contractors and partners to manage their HSSE policies and practices in line with ours. On an ongoing basis, safety and security drills, campaigns and programmes are conducted to ensure wide-spread knowledge of the Group's HSSE principles and procedures. In addition to our ongoing, daily attention to HSSE, we hold an annual Safety Day, which creates an opportunity for all employees to refocus on the importance of HSSE of our Group. The day is used to reinforce safety measures as well as raise awareness of key issues.

LEGAL, REGULATORY AND POLITICAL INSTABILITY

OUR RISK	RISK IMPACT	OUR MITIGATION
6. ECONOMIC AND GOVERNMENTAL INSTABILITY		
Several countries and regions in which we operate have experienced economic and political instability that could adversely affect the economy of our markets.	An economic slowdown which adversely affects, for example, disposable income, vehicle distance driven, or infrastructure development, in one or more of these regions could negatively impact our sales and have a material adverse effect on the business, financial conditions and operational results.	We closely monitor evolving issues in markets. We ensure appropriate responses and business continuity plans are developed to minimise disruptions. All local regulatory environments and changes are closely monitored.

OPERATIONAL

OUR RISK	RISK IMPACT	OUR MITIGATION
7. PRODUCT AVAILABILITY AND SUPPLY		
We are dependent upon the supply of fuels, lubricants, and additives from various suppliers. When raw materials are needed urgently, asymmetric negotiations occur. The bargaining power shifts to the supplier who in turn can charge a higher price. Furthermore, we are restricted by limited storage capacity within some country facilities.	The increased procurement costs could lower our margins. Limited supply of products and storage facilities may result in stock outs. This could further result in breach of contract and disruptions to our operations, leaving us susceptible to fines or penalties.	We ensure optimal inventory management through close monitoring of inventory days, sales and other factors which may require additional inventory levels. We monitor our suppliers' political and social environments and realign our purchasing strategies as necessary. We have increased storage capacity at strategic locations within Africa, following the Engen acquisition.
8. BUSINESS CONCENTRATION RISK		
A large part of the Group's operations (and margins) are derived from Morocco when compared to other countries.	Any unfavourable changes in market dynamics, such as the re-imposition of pricing regulations for fuel, or downturns in the performance of the operations overall, may lead to a decline in the Group's performance.	Overall diversification is the key strategy and control measure. The completion of the Engen transaction has increased the geographic diversification and reduced the relative weighting of the Shell-branded operating units, including Morocco, in the Group's operations and volumes.
9. NEW ERP IMPLEMENTATION		
Our organisation is currently migrating to a new ERP, a critical project that will redesign some of our operations, functions and controls.	Inadequate processes and segregation of duties may impact the quality of the operations and controls, making fraud detection difficult. Data quality and management issues may have financial, operational or compliance consequences leading to increased (financial and operating) costs and missed opportunities.	The new platform is now operational in the 15 Shell-branded countries. Segregation of duties and data quality have been assessed through both internal and external audits. A new programme to complete enhancements and fixes has been designed to ensure the Group can take full benefit of the programme. The deployment for the Engen-branded countries (most of them already operating with a solution from the same vendor) is being scheduled.

STRATEGIC

OUR RISK	RISK IMPACT	OUR MITIGATION
10. ACQUISITION INTEGRATION		
We may be unable to identify or accurately evaluate suitable acquisition candidates or to complete or integrate past or prospective acquisitions successfully and/or in a timely manner, which could materially adversely affect growth.	We may incur write-downs, impairment charges or unforeseen liabilities, placing strain on financial resources. Occurrences of indebtedness could result in increased obligations and include covenants or other restrictions that limit operational flexibility.	All acquisition decisions are intensively reviewed at several stages with ultimate approval by the Board. This ensures risks at all levels are being assessed and mitigated throughout the process. We ensure there are detailed integration plans with realistic time lines as well as designated teams to execute the plans. Tailored on-boarding and training is delivered post-acquisition to ensure a smooth and efficient transition. In the new Engen-branded operating units, we have deployed an integration programme to align all key functions and activities to the Group standards. Progress is measured through key performance indicators.

FINANCIAL

OUR RISK	RISK IMPACT	OUR MITIGATION
11. CREDIT MANAGEMENT		
We face risks arising from credit exposure to commercial and retail customers as well as governments, including outstanding receivables and committed transactions.	This may result in financial loss as a result of bad debts and lost revenue. Exceeding payment terms will result in lower working capital, potentially creating liquidity challenges for the business.	We maintain Credit Policy Manuals which are country specific. These Manuals ensure a harmonised, (cost) effective and value-adding credit process in all classes of business. Continuous monitoring of outstanding credit balances are performed to ensure our overall risk remains within our tolerance. We impose strict guidelines and procedures should customers exceed the credit limits set. Credit limits are set on an individual basis after having assessed the customer through KYC procedures. We use debtor factorisation when considered cost effective.

HUMAN RESOURCES AND TALENT MANAGEMENT

OUR RISK	RISK IMPACT	OUR MITIGATION
12. HUMAN RESOURCES & TALENT MANAGEMENT		
Our ability to attract, train and grow people as well as retain talent is key to ensure the continuous success of the Group.	Increased costs caused by staff inefficiency. Interruptions to operations and delay in new projects. Key people leaving the Group, with some joining competitors. Disputes, strikes and sub-standard performance.	We benchmark compensation packages and employees policies with market practice. We invest in employee training and career development. Employee on-boarding workshops are used to ensure that new employees are familiar with our business, our culture and their roles when joining the Group. We maintain constructive dialogue with unions and worker representatives. The Group has detailed succession plans and talent management programmes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

US$ million	Notes	2019	2018
Revenues	5	8,302	7,549
Cost of sales		(7,627)	(6,924)
Gross profit	5	**675**	**625**
Selling and marketing cost		(224)	(197)
General and administrative cost	7	(165)	(183)
Share of profit of joint ventures and associates	14	22	28
Other income/(expense)	8	2	3
Earnings before interest and tax (EBIT)	6	**310**	**276**
Finance income		7	6
Finance expense		(71)	(53)
Finance expense – net	9	**(64)**	**(47)**
Earnings before tax (EBT)		**246**	**229**
Income taxes	10	(96)	(83)
Net income	6	**150**	**146**

Net income attributable to:			
Equity holders of Vivo Energy plc		136	135
Non-controlling interest (NCI)		14	11
		150	**146**
Other comprehensive income (OCI)			
Items that may be reclassified to profit or loss			
Currency translation differences		(42)	(20)
Net investment hedge gain		3	7
Items that will not be reclassified to profit or loss			
Re-measurement of retirement benefits		–	3
Income tax relating to retirement benefits		–	(1)
Change in fair value of financial instruments through OCI	15	1	1
Other comprehensive income, net of tax		**(38)**	**(10)**
Total comprehensive income		**112**	**136**

Total comprehensive income attributable to:			
Equity holders of Vivo Energy plc		113	126
Non-controlling interest (NCI)		(1)	10
		112	**136**
Earnings per share (US$)	22		
Basic		**0.11**	0.11
Diluted		**0.11**	0.11

The notes are an integral part of these consolidated financial statements.

NON-GAAP MEASURES

US$ million, unless otherwise indicated	2019	2018
EBITDA	**416**	366
Adjusted EBITDA	**431**	400
Adjusted net income	**162**	178
Adjusted diluted EPS (US$)	**0.12**	0.14

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US$ million	Notes	31 December 2019	31 December 2018
Assets			
Non-current assets			
Property, plant and equipment	12	823	622
Right-of-use assets	28	176	148
Intangible assets	13	226	134
Investments in joint ventures and associates	14	227	223
Deferred income taxes	10	34	36
Financial assets at fair value through other comprehensive income	15	9	8
Other assets	17	110	101
		1,605	**1,272**
Current assets			
Inventories	18	517	441
Trade receivables	19	451	444
Other assets	17	257	255
Income tax receivables		9	19
Other financial assets	16	–	3
Cash and cash equivalents	20	517	393
		1,751	**1,555**
Total assets		**3,356**	**2,827**
Equity and liabilities			
Total equity			
Attributable to equity holders of Vivo Energy plc		751	533
Non-controlling interest		53	48
	21	**804**	**581**
Liabilities			
Non-current liabilities			
Lease liabilities	28	104	98
Borrowings	24	294	314
Provisions	25, 26	102	75
Deferred income taxes	10	66	51
Other liabilities	27	160	143
		726	**681**
Current liabilities			
Lease liabilities	28	21	13
Trade payables		1,257	1,062
Borrowings	24	306	286
Provisions	25, 26	14	15
Other financial liabilities	16	3	–
Other liabilities	27	178	165
Income tax payables		47	24
		1,826	**1,565**
Total liabilities		**2,552**	**2,246**
Total equity and liabilities		**3,356**	**2,827**

The notes are an integral part of these consolidated financial statements.

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 3 March 2020 and were signed on its behalf by:

CHRISTIAN CHAMMAS
CHIEF EXECUTIVE OFFICER

JOHAN DEPRAETERE
CHIEF FINANCIAL OFFICER

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of Vivo Energy plc											
						Other reserves							
US$ million	Notes	Share capital	Share premium	Retained earnings	Reserves[1]	Retirement benefits	Currency translation difference	Fair value reserves	Equity-settled incentive schemes[2]	NCI reserves	Total	NCI	Total equity
Balance at 1 January 2019		**601**	**3**	**72**	**(136)**	**2**	**(19)**	**1**	**9**	**–**	**533**	**48**	**581**
Net income		–	–	136	–	–	–	–	–	–	**136**	14	**150**
Other comprehensive income		–	–	–	–	–	(24)	1	–	–	**(23)**	(15)	**(38)**
Total comprehensive income		**–**	**–**	**136**	**–**	**–**	**(24)**	**1**	**–**	**–**	**113**	**(1)**	**112**
Share-based expense	31	–	–	–	–	–	–	–	1	–	**1**	–	**1**
Share issuance related to acquisition[1]	11	31	–	–	82	–	–	–	–	–	**113**	12	**125**
Share issuance related to share awards	31	1	1	–	–	–	–	–	(2)	–	**–**	–	**–**
Transactions with NCI		–	–	2	–	–	–	–	–	–	**2**	4	**6**
Net impact of IAS 29[3]		–	–	19	–	–	–	–	–	–	**19**	–	**19**
Dividends paid[4]	23	–	–	(30)	–	–	–	–	–	–	**(30)**	(10)	**(40)**
Balance at 31 December 2019		**633**	**4**	**199**	**(54)**	**2**	**(43)**	**2**	**8**	**–**	**751**	**53**	**804**

		Attributable to equity holders of Vivo Energy plc											
						Other reserves							
US$ million	Notes	Share capital	Share premium	Retained earnings	Reserves	Retirement benefits	Currency translation difference	Fair value reserves	Equity-settled incentive schemes[2]	NCI reserves	Total	NCI	Total equity
Balance at 1 January 2018		**–**	**245**	**309**	**–**	**(2)**	**(160)**	**2**	**2**	**6**	**402**	**46**	**448**
Net income		–	–	135	–	–	–	–	–	–	**135**	11	**146**
Other comprehensive income		–	–	–	–	2	(12)	1	–	–	**(9)**	(1)	**(10)**
Total comprehensive income		**–**	**–**	**135**	**–**	**2**	**(12)**	**1**	**–**	**–**	**126**	**10**	**136**
IPO-related reorganisation impact[5]		–	(245)	(364)	–	2	153	(2)	(2)	(6)	**(464)**	–	**(464)**
Capital contribution	21	1,800	–	–	(1,336)	–	–	–	–	–	**464**	–	**464**
Directors' subscriptions	21	3	1	–	–	–	–	–	–	–	**4**	–	**4**
Capital reduction	21	(1,202)	2	–	1,200	–	–	–	–	–	**–**	–	**–**
Share-based expense	31	–	–	–	–	–	–	–	9	–	**9**	–	**9**
Dividends paid[4]	23	–	–	(8)	–	–	–	–	–	–	**(8)**	(8)	**(16)**
Balance at 31 December 2018		**601**	**3**	**72**	**(136)**	**2**	**(19)**	**1**	**9**	**–**	**533**	**48**	**581**

The notes are an integral part of these consolidated financial statements.

1 Included in reserves is a merger reserve ($82m) relating to the premium on shares issued as part of the consideration of the acquisition of Vivo Energy Overseas Holdings Limited (VEOHL), formerly known as Engen International Holdings (Mauritius) Limited in March 2019.

2 Equity-settled incentive schemes include the Long-Term Incentive Plan ('LTIP') and the IPO Share Award Plan.

3 The net impact on retained earnings as a result of the index-based adjustments in Zimbabwe under IAS 29 'Financial Reporting in Hyperinflationary Economies'.

4 The dividends paid to the equity holders of Vivo Energy plc were paid out of distributable reserves.

5 Refer to the general information (note 1).

CONSOLIDATED STATEMENT OF CASH FLOWS

US$ million	Notes	2019	2018[1]
Operating activities			
Net income		150	146
Adjustment for:			
Income taxes	10	96	83
Amortisation, depreciation and impairment	12, 13, 28	106	90
Net gain on disposals of PP&E and intangible assets	8	–	(2)
Share of profit of joint ventures and associates	14	(22)	(28)
Dividends received from joint ventures and associates	14	22	23
Current income tax paid		(83)	(103)
Net change in operating assets and liabilities and other adjustments	29	176	42
Cash flows from operating activities		**445**	**251**
Investing activities			
Acquisition of businesses, net of cash acquired		(16)	–
Purchases of PP&E and intangible assets	12, 13	(149)	(147)
Proceeds from disposals of PP&E and intangible assets	8, 12, 13	2	3
Other investing activities		3	–
Cash flows from investing activities		**(160)**	**(144)**
Financing activities			
Proceeds from issuance of shares		–	1
Proceeds from long-term debt	24	62	–
Repayment of long-term debt	24	(82)	(84)
Net (repayments)/proceeds (of)/from bank and other borrowings	24	1	40
Repayment of lease liabilities	28	(27)	(25)
Dividends paid		(40)	(16)
Interest paid		(51)	(44)
Cash flows from financing activities		**(137)**	**(128)**
Effect of exchange rate changes on cash and cash equivalents		(24)	(9)
Net increase/(decrease) in cash and cash equivalents		**124**	**(30)**
Cash and cash equivalents at beginning of the year		**393**	**423**
Cash and cash equivalents at end of the year	20	**517**	**393**

The notes are an integral part of these consolidated financial statements.

1 Prior year comparatives were reclassified to provide a consistent presentation to 2019 (see note 2).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Vivo Energy plc (the Company), a public limited company, was incorporated on 12 March 2018 in the United Kingdom under the Companies Act 2006 (Registration number 11250655). The Company is registered in England and Wales and limited by shares. The address of the registered office is 5th Floor, The Peak, 5 Wilton Road, London, SW1V 1AN, United Kingdom. The Company was inserted as the parent company of the Group in a pre-IPO reorganisation that is further explained in note 21. On 10 May 2018, the Company listed on the London Stock Exchange Main Market for listed securities and the Main Board of the securities exchange operated by the Johannesburg Stock Exchange by way of secondary inward listing. References to 'Vivo Energy' or the 'Group' mean the Company and its subsidiaries and subsidiary undertakings.

On 1 March 2019, Vivo Energy Investments B.V. acquired a 100% shareholding in Vivo Energy Overseas Holding Limited (VEOHL) formerly known as Engen International Holdings (Mauritius) Limited. Upon completion of the transaction, Vivo Energy extended operations in eight new markets and added over 200 Engen-branded service stations to the existing network.

Vivo Energy distributes and sells fuel and lubricants to retail and commercial consumers in Africa and trades under brands owned by the Shell and Engen group of companies and, for aviation fuels only, under the Vitol Aviation brand. Furthermore, Vivo Energy generates revenue from non-fuel retail activities including convenience retail and quick service restaurants by leveraging on its retail network.

2. BASIS OF PREPARATION

The financial information does not constitute the Company's statutory accounts for the years ended 31 December 2019 or 31 December 2018, but is derived from those accounts. Statutory accounts for 2019 will be delivered to the Registrar of Companies in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their reports and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The audit of the statutory accounts for the year ended 31 December 2019 is now complete. Whilst the financial information included in this announcement has been computed in accordance with International Financial Reporting Standards ("IFRS") this announcement does not itself contain sufficient information to comply with IFRS.

This announcement was approved by the Board of Directors on 3 March 2020.

Management continually seeks to provide the reader with more understandable and useful information and has therefore reclassified comparatives to provide a consistent presentation to 2019. In 2019 improvements were made in the consolidated statement of cash flows. Interest received was reclassified from financing activities to operating activities (2018: $6m). This reclassification had no impact on the net increase/decrease in cash and cash equivalents.

Apart from the below, the Group's principal accounting policies are unchanged from those set out in the 2018 Annual Report and Accounts, which is available on the Company's website.

Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets and liabilities transferred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets and liabilities acquired and contingent liabilities assumed in a business combination are measured initially at their fair values at acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition by acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 'Financial Instruments' either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration

is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Accounting for hyperinflation

The results of the Group's operations within entities based in Zimbabwe have been prepared in accordance with IAS 29 as if the economy had been hyperinflationary from date of acquisition.

Hyperinflationary accounting requires transactions and balances to be stated in terms of the measuring unit, current at the end of the reporting period in order to account for the effect of loss of purchasing power during the period. The Group has elected to use the Zimbabwe Consumer Price Index (CPI), as published by the Zimbabwe Reserve Bank, as the general price index to restate amounts, since CPI provides an official observable indication of the change in the price of goods and services.

The carrying amounts of non-monetary assets and liabilities carried at historical cost have been adjusted to reflect the impact of the CPI. Amortisation, depreciation and impairments shall be recalculated based on the carrying amounts of property, plant and equipment, right-of-use assets and intangible assets restated to reflect the change in the general price index. All other items recognised in the statement of comprehensive income are restated by applying the change in the general price index from the dates when the items of income and expenses were originally recorded. The restatement of income and expenses are carried out on a monthly basis by applying the respective conversion factor. The net impact of these gains or losses, have been recognised in the statement of comprehensive income.

All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period. Following the application of IAS 29, the financial statements of Zimbabwean subsidiaries are translated at the closing exchange rate applicable for the period.

The impact of applying IAS 29 in the current period resulted in an increase in property, plant and equipment of $19m, an increase in intangible asset of $7m, an increase in net finance expense of $5m and a decrease in net income of $3m. An impairment test on fixed assets was carried out on 31 December 2019, which indicated there was no impairment to be recognised.

Functional currency Zimbabwe

At acquisition of VEOHL on 1 March 2019, the functional currency of the Zimbabwean subsidiaries were assessed in accordance with IAS 21 'The Effects of Changes in Foreign Exchange Rates'. From the date of acquisition, the functional currency is considered to be the RTGS dollar, labour and other expenditure are priced and settled in RTGS dollars and the primary economic environment that the entity generates cash flow from operations is Zimbabwe. Furthermore, secondary factors such as the currency in which funds from financing activities are generated and the currency in which receipts from operating activities are retained supports the RTGS dollar as the functional currency.

The Reserve Bank of Zimbabwe (RBZ) introduced an exchange control registration process for certain foreign denominated liabilities (legacy debts) that were outstanding as at 22 February 2019.
The purpose of the registration was to provide the RBZ with sufficient information that will allow it to determine a roadmap for orderly settlement of these legacy debts. Liabilities registered in accordance with the Exchange Directive Rule 102/2019 approximated $63m and were settled by the Group using an exchange rate of 1:1 USD/RTGS$ in July 2019.

Computer software

Computer software comprises software purchased from third parties as well as the cost of internally developed software.

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Costs that are directly associated with the production of identifiable and unique software products that are controlled by the Group, and where it is probable of producing future economic benefits, are recognised as intangible assets. Direct costs of software development include employee costs and directly attributable overheads. Costs associated with maintaining software programs are recognised as an expense when they are incurred. Amortisation is charged on a straight-line basis over their estimated useful lives of three to 10 years.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial instruments by category

The table below sets out the Group's classification of each class of financial assets and financial liabilities and their fair values for the current year and the comparative year:

	31 December 2019			
US$ million	Measured at amortised cost	Measured at FVTOCI	Total carrying value	Fair value
Financial assets				
Trade receivables[1]	451	–	451	451
Cash and cash equivalents	517	–	517	517
Financial assets at FVTOCI	–	9	9	9
Other assets[2]	115	–	115	115
Total	**1,083**	**9**	**1,092**	**1,092**

1 Trade receivables include credit secured receivables of $206m.

2 Other assets (note 17) exclude the following elements that do not qualify as financial instruments: prepayments, VAT and duties receivable and other government benefits receivable.

	31 December 2019			
US$ million	Measured at FVTPL	Measured at amortised cost	Total carrying value	Fair value
Financial liabilities				
Trade payables	–	1,257	1,257	1,257
Borrowings	–	600	600	600
Other liabilities[1]	–	225	225	225
Lease liabilities	–	125	125	125
Other financial liabilities	3	–	3	3
Total	**3**	**2,207**	**2,210**	**2,210**

1 Other liabilities (note 27) exclude elements that do not qualify as financial instruments.

	31 December 2018				
US$ million	Measured at amortised cost	Measured at FVTPL	Measured at FVTOCI	Total carrying value	Fair value
Financial assets					
Trade receivables[1]	444	–	–	444	444
Cash and cash equivalents	393	–	–	393	393
Financial assets at FVTOCI	–	–	8	8	8
Other assets[2]	93	–	–	93	93
Other financial assets	–	3	–	3	3
Total	**930**	**3**	**8**	**941**	**941**

1 Trade receivables include credit secured receivables of $197m.

2 Other assets (note 17) exclude the following elements that do not qualify as financial instruments: prepayments, VAT and duties receivable and other government benefits receivable.

US$ million	Measured at amortised cost	Total carrying value	Fair value
	31 December 2018		
Financial liabilities			
Trade payables	1,062	1,062	1,062
Borrowings	600	600	600
Other liabilities[1]	219	219	219
Lease liabilities	111	111	111
Total	**1,992**	**1,992**	**1,992**

1 Other liabilities (note 27) exclude elements that do not qualify as financial instruments.

The Group has classified equity investments as financial instruments at FVTOCI (without recycling). These investments are measured using inputs for the asset or liability that are in absence of observable market data, based on net asset value of the related investments (level 3 in the IFRS 13 'Fair Value Measurement' hierarchy). Because the value is based on the net asset value of the related investments, no sensitivity analysis is presented.

The following table presents the changes in level 3 items for the periods ended 31 December:

US$ million	Financial assets measured at FVTOCI
Opening balance 1 January 2018	**6**
Fair value adjustment	1
Foreign exchange differences	1
Closing balance 31 December 2018	**8**
Fair value adjustment	1
Foreign exchange differences	–
Closing balance 31 December 2019	**9**

The fair value through other comprehensive income are the only level 3 financial assets within the Group. There were no changes made during the year to valuation methods or the processes to determine classification and no transfers were made between the levels in the fair value hierarchy.

3.2 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

Management has set up a policy to require Group companies to manage their foreign exchange risk. Group treasury is required to approve all hedging plans before execution. The Group has a number of natural hedges in place, where the timing of foreign currency payments is matched with the receipts in a similar currency. Forward contracts are used to manage the foreign exchange risk arising from future obligations.

Foreign currency exposure on the consolidated net monetary position is $378m (2018: $274m). Other monetary balances in other currencies are not material. If the non-US dollar held currency had weakened/strengthened by 10% against the US dollar with all other variables held constant, pre-tax profit for the year would have been $38m (2018: $27m) lower/higher, mainly as a result of foreign exchange gains/losses on translation of non-US dollar denominated receivables and payables.

Price risk

The Group generally seeks to manage its exposure to commodity price risk through careful inventory management and as at 31 December 2019 the Group was not significantly exposed to commodity price risk. In regulated markets, the Group has no price exposure as long as the sale of the inventory is matching the timing of the price structures updates, however in unregulated markets, such as Marine and Aviation, the Group may be exposed to price changes in the short-term if inventory is not carefully managed.

In Botswana, Guinea, Madagascar, Senegal and Morocco (for Butane only) the Group is financially compensated by the local government for the effect of these price restrictions. For further information see note 3.2 Credit risk. For some countries (such as Senegal) the transport costs are subsidised.

The Group does not hold equity securities for trading and is, therefore, not exposed to price risk.

Cash flow interest rate risk and fair value interest rate risk

The Group's interest rate risk arises from borrowings. It is Group policy to have short-term loan facilities at floating rate and medium to long-term facilities at floating or fixed rate. Swap from floating to fixed is possible when there is a clear economic benefit, subject to Group Treasury's approval. The Group has long-term borrowing facilities which carry variable interest rates and therefore the Group is exposed to a cash flow interest rate risk as at 31 December 2019. The Group also has some short-term overdraft facilities which carry a fixed interest rate exposing the Group to fair value interest rate risk. But given that the rate is fixed for a short period of time, and that these facilities terms are subject to renegotiation should interest rate move, the exposure is minimal. At 31 December 2019, if interest rates on US dollar-denominated and Euro-denominated borrowings had been one hundred basis points higher/lower with all other variables held constant, the calculated post-tax profit for the year would have been $4m (2018: $5m) higher/lower, mainly as a result of higher/lower finance expense on floating rate borrowings.

Credit risk

Credit risk is managed on a Group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. At reporting date, the Group noted no significant concentrations of credit risk to individual customers or counterparties. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables.

All external customers must have their identity checked and credit worthiness assessed and approved prior to the signing of a binding agreement or contract. Credit worthiness is assessed for all customers based on commercial data, but also considers financial data when a credit limit exceeds $15,000 for Retail and $100,000 for Commercial. The utilisation of credit limits is regularly monitored and checks performed on outstanding debt at regular intervals. Where the environment allows, security (bank guarantees) will be taken to secure the Group's exposure. For banks and financial institutions, management of the operating entity are responsible for making the short-term placements with the banks after approval from Group Treasury.

The investment policy is based in order of importance on security, liquidity and yield. Management will assess the counterparty risks of the third party based on financial strength, quality of management, ownership structure, regulatory environment and overall diversification. Group Treasury is required to approve all investment decisions to ensure they are made in line with the Group's credit policies. The Group has provided secured loans to individual employees (note 17).

As at 31 December 2019, the Group is exposed to credit risk in relation to other government benefits receivables mainly in Botswana, Morocco, Madagascar, Senegal and Guinea. The Morocco receivable of $22m (2018: $27m) relate to compensation provided by the government for setting the price of butane on sales to retail customers. These other government benefits receivable are partially provided for, the total provision amounted to $18m at 31 December 2019 (2018: $15m). Based on management's review on the recoverability of these receivables it believes the credit risk in relation to these balances (note 17) is relatively low.

In Morocco customer receivables to the amount of $19m (2018: $24m) were assigned to a factoring subsidiary of a commercial bank, the assigned amount was received in cash and the corresponding receivable was derecognised and with regard to the late payment risk, the Group capped the exposure to six months' maximum of interest. This resulted in a continuous involvement accounting treatment where a substantial portion of the risk has been transferred. A continuous involvement liability of $0.4m (2018: $0.5m) was recognised. In addition,

other government benefits receivable to the amount of $9m (2018: $45m) were assigned to a local commercial bank, the assigned amount was received in cash and the corresponding receivable was derecognised. With regard to the late payment risk, the Group capped the exposure to 5.5 months' maximum of interest. A continuous involvement liability of $0.2m was recognised. The Group considers that the held to collect business model remains appropriate for these receivables and hence continues measuring them at amortised cost. The Group has arrived to this conclusion because the factoring of the Group's B2B receivables before maturing is done on an infrequent basis. Furthermore, the Group continues to guarantee the late payment risk up to 180 days. The business model is, therefore, not impacted because the risks and rewards as existing prior to the factoring remain after the factoring.

The table below shows the balances of the major counterparties at the reporting dates:

	31 December 2019		31 December 2018	
	Credit rating	**US$ million**	**Credit rating**	**US$ million**
Banks				
Bank 1	AAAmmf	56	A+	58
Bank 2	A+	49	Af	46
Bank 3	Ba1-	42	BB+	45
Other government benefits receivable				
Senegal government	B+	38	B+	30
Morocco government	BBB-	22	BBB-	27
Madagascar government	None available	10	None available	10
Guinea government	None available	7	None available	11
Botswana government	A-	3	A-	33

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the cyclical nature of the underlying businesses, the directors aim to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow. This is generally carried out at local level in the operating companies of the Group in accordance with practice and limits set by Group policies. Where short-term liquidity is needed, the operating entities organise short-term facilities to cover the deficit which have to be authorised by Group Treasury.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

						31 December 2019
US$ million	**Less than 3 months**	**Between 3 months and 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Borrowings[1]	225	81	85	211	–	**602**
Trade payables	1,161	89	7	–	–	**1,257**
Lease liabilities	6	17	20	44	90	**177**
Other liabilities[2]	49	24	18	4	130	**225**
Total	**1,441**	**211**	**130**	**259**	**220**	**2,261**

1 Borrowings exclude, as of 31 December 2019 the undrawn multi-currency revolving credit facility of $236m (note 24).

2 Other liabilities (note 27) exclude the elements that do not qualify as financial instruments.

US$ million	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
						31 December 2018
Borrowings[1]	203	84	84	232	–	**603**
Trade payables	1,003	51	6	2	–	**1,062**
Lease liabilities	5	15	20	51	42	**133**
Other liabilities[2]	43	20	22	5	129	**219**
Total	**1,254**	**170**	**132**	**290**	**171**	**2,017**

1 Borrowings exclude, as of 31 December 2018 the undrawn multi-currency revolving credit facility of $300m (note 24).

2 Other liabilities (note 27) exclude the elements that do not qualify as financial instruments.

Net investment hedge

Foreign currency exposure arises from the Group's net investment in its several subsidiaries that have the Cape Verde Escudo ('CVE') and the CFA Franc BCEAO ('XOF'), the CFA Franc BEAC ('XAF') as functional currencies that are 100% pegged to the Euro ('EUR') and the Moroccan Dirham ('MAD') and the Tunisian Dinar ('TND') which are pegged to a basket of EUR and USD. Therefore the risk arises from fluctuation in spot exchange rates between these currencies (or the EUR) and the US dollar, which causes the amount of the net investment to vary.

The hedged risk in the net investment hedge is the risk of a weakening of the CVE, XAF and the XOF currencies (or the EUR) against the US dollar which will result in a reduction in the carrying amount of the Group's net investment in these foreign operations.

Part of the Group's net investment in those subsidiaries is hedged by a EUR denominated secured bank loan (carrying amount: $150m) (2018: $124m), which mitigates the foreign currency risk arising from the revaluation of the subsidiaries' net assets. The loan is designated as a hedging instrument for the changes in the value of the net investment that is attributable to changes in the spot rate.

To assess hedge effectiveness, the Group determines the economic relationship between the hedging instrument and the hedged item by comparing changes in the carrying amount of the debt that is attributable to a change in the spot rate with changes in the investment in the foreign operation due to movements in the spot rate (the offset method). The Group's policy is to hedge the net investment only to the extent of the debt principal.

The amounts related to items designated as hedging instruments in the statement of financial position and the statement of comprehensive income were as follows:

				31 December 2019
		Carrying amount		
US$ million	**Nominal amount**	**Assets**	**Liabilities**	**Line item in the statement of financial position where the hedging instrument is included**
Foreign exchange denominated debt	239	–	150	Borrowings

	Change in value used for calculating hedge for 2019	Change in value of hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness
Foreign exchange denominated debt	(3)	(3)	–	Not applicable

VIVO ENERGY

US$ million	Nominal amount	Carrying amount		Line item in the statement of financial position where the hedging instrument is included
		Assets	Liabilities	31 December 2018
Foreign exchange denominated debt	175	–	124	Borrowings

	Change in value used for calculating hedge for 2018	Change in value of hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness
Foreign exchange denominated debt	(7)	(7)	–	Not applicable

3.3 Capital management

The Group capital management objective is to maintain a commercially sound consolidated statements of financial position with the aim of maximising the net cash return to the shareholders, whilst maintaining a level of capitalisation that is commercially defensible and which leads to an effective and optimised working capital structure.

Liquidity and capital resources are monitored through a review of the Group's net debt position, leverage ratio and available short-term capital resources. Net debt is calculated as total borrowings and lease liabilities (including current and non-current borrowings and lease liabilities as shown in the consolidated statements of financial position) less cash and cash equivalents. The leverage ratio is calculated as net debt divided by adjusted EBITDA. For details related to key covenants refer to note 24.

US$ million	31 December 2019	31 December 2018
Long-term debt (note 24)	371	392
Lease liabilities (note 28)	125	111
Total debt excluding short-term bank borrowings	**496**	**503**
Short-term bank borrowings[1]	229	208
Less: cash and cash equivalents (note 20)	(517)	(393)
Net debt	**208**	**318**

1 Short-term bank borrowings exclude the current portion of long-term debt.

US$ million	31 December 2019	31 December 2018
Net debt	208	318
Adjusted EBITDA[1]	431	400
Leverage ratio	**0.48x**	**0.79x**

1 For the description and reconciliation of non-GAAP measures refer to Non-GAAP financial measures.

US$ million	31 December 2019	31 December 2018
Cash and cash equivalents	517	393
Available undrawn credit facilities	1,410	1,281
Available short-term capital resources	**1,927**	**1,674**

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions in order to ensure sound capital management.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Accounting for leases under IFRS 16

In establishing the lease term for each lease contract that has an option to extend, judgement has been applied to determine the extension period. When it is concluded that it is reasonably certain that the extension option will be utilised, the lease term is extended to include the reasonably certain period of five years. The lease agreements have the option to extend the leases and the option to terminate the leases. The extension options in different contracts vary between five years to unlimited period. The Group uses significant assumptions that all of the existing leases, that are expiring within the following five years, that have an extension option, will be extended for an additional five-years period, when determining the lease term.

In addition, IFRS 16 requires lease payments to be discounted using the interest rate implicit in the lease. In case the interest rate implicit in the lease cannot be readily determined, the incremental borrowing rate should be used. That is the rate of interest that a lessee would have to pay to borrow over a similar value to the right-of-use asset in a similar economic environment. Accordingly, the Group elected to use the local borrowing rates for each operating unit at the commencement date. That is the rate at which local operating units would need to borrow to acquire the asset. For additional details relating to leases refer to note 28.

Deferred tax position

Recognition of deferred tax assets requires assessment of when those assets are likely to reverse and judgement on the availability of sufficient taxable profits upon reversal. Deferred tax assets are recognised only to the extent it is considered probable that those assets will be recoverable. The deferred tax assets as at 31 December 2019 are $34m (2018: $36m) as presented in note 10. Deferred tax assets recorded are re-assessed at each period.

4.2 Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below.

Goodwill impairment assessment

The Group annually tests whether goodwill has suffered any impairment. On 1 March 2019, the Group acquired 100% of Vivo Energy Overseas Holding Limited. The transaction added operations in eight new countries and over 200 Engen-branded service stations, expanding the Group's presence across 23 countries in Africa. As a result of the transaction, the Group recognised and allocated goodwill to the Engen Retail and Engen Commercial segments which represent the lowest level within the entity at which goodwill is monitored in the current year.

The recoverable amount of each cash generating unit (CGU) was determined based on a Fair Value Less Cost of Disposal calculation which was based upon cash flow projections from the five-year business plan prepared for each CGU. The terminal value was estimated based upon a perpetuity growth rate of 1.8%, reflecting an inflationary level of growth beyond the five-year plan. Post-tax discount rate of 15.9% was used to discount the projected cash flows.

Based upon the goodwill impairment test, goodwill is not impaired. No impairment would occur, if the post-tax discount rate applied to the cash flow projection of each CGU had been 1% higher than management estimates and all other assumptions remain unchanged. The Engen Retail and Engen Commercial segments would only result in an indication of impairment if the post-tax discount rates increased to 17.4% and 22.0%, respectively.

Government related assets and liabilities

The Company has various assets from and liabilities to governments and authorities with respect to government benefits receivable as well as for taxes and duties. The Group constantly assesses underlying inherent risks and assumptions and as a consequence related accounting estimates are determined and adjustments are made to the carrying amounts of those assets and liabilities, where necessary. A key element in the assessment of uncertainty of recoverability of government benefit receivables is the credit risk associated with these governments, this is considered in note 3.2.

Tax positions

The Group operates across many tax jurisdictions and the interpretation and application of tax law can be complex and requires judgement to assess the risk and estimate the potential outcomes. These outcomes can vary significantly from what has been provided. The Group recognises many individually immaterial provisions with a cumulative amount totalling $27m related to income tax and $33m related to indirect and other tax matters. These are recorded for the amount that is expected to be settled where this can be reasonably estimated. This reflects management's assessment of the expected value of such risks based on a multiple scenario outcome and likelihood. Factors considered include the status of recent current tax audits and enquiries; the results of previous claims; the transfer pricing policies of the Group and any changes to the relevant tax environments. The provision has increased this year as a result of a completed acquisition in 2019. The timing of the resolution of the risks is uncertain and may take many years, however is expected to be within the next five years.

5. SEGMENT REPORTING

The Group operates under three reportable segments: Retail, Commercial and Lubricants.

Retail segment – Retail fuel is aggregated with Non-fuel retail. Both the operating segments derive revenue from retail customers who visit our retail sites. Retail fuel and Non-fuel revenues are aggregated as the segments are managed as one unit and have similar customers. The economic indicators that have been addressed in determining that the aggregated segments have similar economic characteristics are that they have similar expected future financial performance and similar operating and competitive risks.

Commercial segment – Commercial fuel, LPG, Aviation and Marine are aggregated in the Commercial segment as the operating segments derive revenues from commercial customers. The segments have similar economic characteristics. The economic indicators that have been addressed are the long-term growth and average long-term gross margin percentage.

Lubricants segment – Retail, B2C, B2B and Export Lubricants are the remaining operating segments. Since these operating segments meet the majority of aggregation criteria, they are aggregated in the Lubricants segment.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The Directors monitor the operating results of its business units separately for the purpose of making decisions about resource allocation, segment performance assessment and interacting with segment managers.

The following tables present revenues and profit information regarding the Group's operating segments:

				2019
US$ million	**Retail**	**Commercial**	**Lubricants**	**Consolidated**
Revenue from external customers	5,249	2,678	375	**8,302**
Gross profit	411	192	72	**675**
Add back: depreciation and amortisation	43	22	3	**68**
Gross cash profit	454	214	75	**743**
Adjusted EBITDA	242	135	54	**431**

				2018
US$ million	**Retail**	**Commercial**	**Lubricants**	**Consolidated**
Revenue from external customers	4,860	2,325	364	**7,549**
Gross profit	393	163	69	**625**
Add back: depreciation and amortisation	35	18	2	**55**
Gross cash profit	428	181	71	**680**
Adjusted EBITDA	227	122	51	**400**

US$ million	2019	2018
Share of profit of joint ventures and associates included in segment EBITDA		
Lubricants	12	13
Retail	5	8
Commercial	5	7
Total	**22**	**28**

The amount of revenues from external customers by location of the customers is shown in the table below.

US$ million	2019	2018
Revenue from external customers by principle country		
Morocco	1,476	1,561
Kenya	1,256	1,270
Ghana	571	603
Other	4,999	4,115
Total	**8,302**	**7,549**

US$ million	31 December 2019	31 December 2018
Non-current assets by principle country (excluding deferred tax)		
The Netherlands	232	206
Morocco	208	187
Kenya	143	125
Other	988	718
Total	**1,571**	**1,236**

6. RECONCILIATION OF NON-GAAP MEASURES

Non-GAAP measures are not defined by International Financial Reporting Standards (IFRS) and, therefore, may not be directly comparable with other companies' non-GAAP measures, including those in the Group's industry. Non-GAAP measures should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements. The exclusion of certain items (special items) from non-GAAP performance measures does not imply that these items are necessarily non-recurring. From time to time, we may exclude additional items if we believe doing so would result in a more transparent and comparable disclosure.

The Directors believe that reporting non-GAAP financial measures in addition to IFRS measures, as well as the exclusion of special items, provides users with enhanced understanding of results and related trends and increases the transparency and clarity of the core results of operations. Non-GAAP measures are used by the Directors and management for performance analysis, planning, reporting and are used in determining senior management remuneration.

US$ million	2019	2018
EBT	**246**	**229**
Finance expense – net	64	47
EBIT	**310**	**276**
Depreciation, amortisation and impairment	106	90
EBITDA	**416**	**366**
Adjustments to EBITDA related to special items:		
IPO[1] and Engen acquisition related expenses[2]	11	29
Write-off of non-current asset[3]	3	–
Restructuring[4]	3	17
Management Equity Plan[5]	(2)	(12)
Adjusted EBITDA	**431**	**400**

US$ million	2019	2018
Net income	**150**	**146**
Adjustments to net income related to special items:		
IPO[1] and Engen acquisition related expenses[2]	11	29
Write-off of non-current asset[3]	3	–
Restructuring[4]	3	17
Management Equity Plan[5]	(2)	(12)
Tax on special items	(3)	(2)
Adjusted net income	**162**	**178**

US$	2019	2018
Diluted EPS	0.11	0.11
Impact of special items	0.01	0.03
Adjusted diluted EPS	**0.12**	**0.14**

1 IPO costs were incurred to list the Company on the London Stock Exchange Main Market and the Main Board of the JSE Limited by way of secondary inward listing. The decision to float and list the Company does not form part of the normal core operations of the business and is, therefore, treated as a special item.

2 On 1 March 2019 Vivo Energy Investments B.V., a subsidiary of the Group, acquired 100% of the issued shares in Vivo Energy Overseas Holdings Limited (VEOHL) (formerly known as Engen International Holdings (Mauritius) Limited). The cost of the acquisition and the related integration project expenses are treated as special items.

3 The Group has recognised a write-off related to a government benefits receivable as a result of a retrospective price structure change by the government to finance their outstanding debt. Such retrospective changes of existing price structures are considered non-recurring and are not representative of the core operational business activities and performance for the period and are therefore, treated as special items.

4 In 2019 the Group acquired VEOHL, restructuring costs incurred were as a result of the integration of VEOHL into our business model. Restructuring cost in 2018 related to a specific cost optimisation programme that was significant in that year. The impact from these activities do not form part of the core operational business activities and performance and should, therefore, be treated as a special item in 2018 and 2019.

5 The Management Equity Plan vested at IPO in May 2018 and is exercisable on the first anniversary of admission for a period of 12 months, refer to note 31. This is therefore a re-occurring special item in 2018 and 2019. Changes in the fair value of the cash-settled share-based plan does not form part of the core operational business activities and performance and should, therefore, be treated as a special item. The costs of share-based payment schemes introduced after the IPO are not treated as special items.

The Group defines Headline earnings as earnings based on net income attributable to owners of the Group, before items of a capital nature, net of income tax as required for companies listed on the Johannesburg Stock Exchange.

US$ million, unless otherwise indicated	2019	2018
Headline earnings per share		
Net income attributable to owners	136	135
Re-measurements:		
Net gain on disposal of PP&E and intangible assets	–	(2)
Write-off of non-current asset[1]	3	–
Income tax on re-measurements	(1)	1
Headline earnings	**138**	**134**
Weighted average number of ordinary shares (million)	1,255	1,202
Headline EPS (US$)	0.11	0.11
Diluted number of shares (million)	1,255	1,202
Diluted headline EPS (US$)	0.11	0.11
Effective tax rate	**39%**	**36%**

1 The Group has recognised a write-off related to a government benefits receivable as a result of a retrospective price structure change by the government to finance their outstanding debt. Such retrospective changes of existing price structures resulted in the re-measurement of an asset and is therefore excluded.

7. GENERAL AND ADMINISTRATIVE COST

Employee benefits

US$ million	2019	2018
Wages, salaries and other employee benefits	159	158
Restructuring, severance and other involuntary termination costs[1]	3	14
Retirement benefits	7	7
Share-based payment expense	(1)	(3)
	168	**176**

1 Total restructuring costs amount to $3m (2018: $17m) of which some elements are reflected in other employee benefits categories.

Included in the employee benefit expense for the year ended 31 December 2019, was social security expense of $1m (2018: $2m) and other pension costs relating to employees employed in the UK. Refer to note 3 in the Company financial statements.

Employee benefits have been charged in:

US$ million	2019	2018
General and administrative cost	96	102
Selling and marketing cost	39	42
Cost of sales	33	32
	168	**176**

The monthly average number of full-time equivalent employees were as follows:

	2019	2018
Sales and distribution	1,845	1,702
Administration and support	755	657
	2,600	**2,359**

Depreciation and amortisation

Depreciation of property, plant and equipment, right-of-use assets and amortisation of intangible assets are separately disclosed in note 12, 13 and 28 respectively.

Audit fees

US $'000	2019	2018
Parent company and consolidated financial statements	1,656	1,036
Subsidiaries[1]	1,383	705
Audit fees[2]	**3,039**	**1,741**
Audit-related fees[3]	692	1,119
Tax advisory fees	5	17
Tax compliance fees	–	28
Other assurance services[4]	193	1,925
Other non-audit services	11	–
Other fees total	**901**	**3,089**
Total fees	**3,940**	**4,830**

1 Audit fees for foreign entities are expressed at the average exchange rate for the year.

2 Audit fees in 2019 comprise fees for the business combination in relation to the VEOHL acquisition and the SAP S/4HANA implementation.

3 Audit-related fees relate to interim financial statements reviews.

4 Other assurance services relate mainly to comfort letter procedures and volume certificates to support brand royalty expenses.

8. OTHER INCOME/(EXPENSE)

US$ million	2019	2018
Net gain on disposals of PP&E and intangible assets	–	2
Gain/(loss) on financial instruments	1	(1)
Other income	1	2
	2	**3**

9. FINANCE INCOME AND EXPENSE

US$ million	2019	2018
Finance expense		
Interest on bank and other borrowings and on lease liabilities[1]	(35)	(27)
Interest on long-term debt including amortisation of set-up fees	(24)	(19)
Net impact of hyperinflation[2]	(5)	–
Accretion expense net defined benefit liability	(2)	(2)
Foreign exchange loss	(1)	(2)
Other	(4)	(3)
	(71)	**(53)**
Finance income		
Interest from cash and cash equivalents	7	6
	7	**6**
Finance expense – net	**(64)**	**(47)**

1 Includes an amount of $11m (2018: $10m) finance expense for leases in respect to IFRS 16 'Leases'.

2 Represents the net non-monetary loss impact from the application of IAS 29 'Financial Reporting in Hyperinflationary Economies'.

10. INCOME TAXES

Current income taxes

Analysis of income tax expense:

US$ million	2019	2018
Current tax		
Current income tax	(95)	(77)
Current income tax prior years	(2)	(2)
	(97)	**(79)**
Deferred tax		
Deferred income tax	1	(3)
Deferred income tax prior years	–	(1)
	1	**(4)**
Income tax expense	**(96)**	**(83)**

The reconciliation of income taxes, computed at the statutory tax rate, to income tax expense was as follows:

US$ million	2019	2018[1]
EBT	246	229
Statutory tax rate	19%	19%
Income tax expense at statutory tax rate	(47)	(44)
Increase/(decrease) resulting from:		
Impact of tax rates in foreign jurisdictions	(23)	(21)
Income not subject to tax	7	10
Expenses not tax deductible	(11)	(10)
Non-recognition of tax benefits in relation to current period tax losses or temporary differences	(5)	(3)
Recognition and utilisation of previously unrecognised tax losses or temporary differences[2]	6	–
Withholding tax	(19)	(21)
Other[3]	(4)	6
Income tax expense	**(96)**	**(83)**
Effective tax rate	**39%**	**36%**

1 Prior year comparatives were reclassified to provide a consistent presentation to 2019.

2 $1m is recognised after the business acquisition and is supported by developments in the acquired markets.

3 Amongst others includes movements related to uncertain tax positions.

Deferred income taxes

The significant components of the Company's recognised deferred income tax assets and liabilities were as follows:

	31 December 2019		31 December 2018	
US$ million	**Asset**	**Liability**	**Asset**	**Liability**
Property, plant and equipment	1	(31)	1	(17)
Intangible assets	–	(23)	–	(21)
Retirement benefits	9	(1)	9	(1)
Provisions	17	(2)	27	–
Withholding taxes	–	(15)	–	(16)
Tax losses carried forward[1]	12	–	1	–
Other	17	(16)	13	(11)
	56	**(88)**	**51**	**(66)**
Offsetting of balances	(22)	22	(15)	15
Total	**34**	**(66)**	**36**	**(51)**

1 The recognised deferred tax asset relates to $8m tax losses which is supported by expected future taxable profits (2018: Nil).

The changes in the net deferred income tax assets and liabilities were as follows:

US$ million	2019	2018
Balance at the beginning of year, net	(15)	(9)
In profit	1	(4)
In other comprehensive income	(1)	(1)
Business acquisition	(19)	–
Other	1	(2)
Foreign exchange differences	1	1
	(32)	**(15)**

Unrecognised deferred tax assets relate to carry forward losses of $93m (2018: $86m) and tax credit carry forwards of $4m (2018: Nil). Of the unrecognised carry forward losses $11m will expire at the end of 2021, $15m at the end of 2022, $21m at the end of 2023 and $46m at the end of 2024 or later.

The unrecognised taxable temporary differences associated with undistributed retained earnings of investments in subsidiaries, joint ventures and associates amounts to $20m (2018: $7m).

11. BUSINESS COMBINATION

On 1 March 2019 Vivo Energy Investments B.V., a subsidiary of the Group, acquired 100% of the shares in Vivo Energy Overseas Holding Limited (VEOHL), a retailer and marketer of Engen-branded fuels and lubricants in Africa. VEOHL markets its products to retail customers through a large network of Engen-branded service stations, including convenience retail offerings, as well as directly to commercial customers. In the comparative period in the 2018 year, there were no business combination transactions.

The transaction with VEOHL added operations in eight new countries and over 200 Engen-branded services stations expanding the Group's presence across 23 countries in Africa. The new markets for the Group are Gabon, Malawi, Mozambique, Reunion, Rwanda, Tanzania, Zambia and Zimbabwe. VEOHL's Kenya operations, a market in which the Group currently operates, is the ninth country included in the transaction. The acquisition is considered to have increased the Group's market share, making it the largest pan-African independent network, and will reduce costs through economies of scale.

VEOHL was acquired for a purchase consideration of $177m. The consideration was paid by a share issuance of 63 million ordinary shares measured at the market price of the company's shares as listed on the London Stock Exchange on 1 March 2019, amounting to $113m and a $64m cash settlement. This has resulted in Engen Holdings (Pty) Limited holding a circa 5% shareholding in the Group.

US$ million	**1 March 2019**
Cash	64
Ordinary shares issued	113
Total purchase consideration	**177**

Acquisition-related costs of $9m not directly attributable to the issuance of shares are included in general and administrative expenses in profit or loss and in operating cash flows in the statement of cash flows.

In accordance with the requirements of IFRS 3 (revised) 'Business combinations', the initial accounting for the VEOHL business combination is incomplete, as additional information necessary to identify and measure assets and liabilities is being received. Accordingly, the amounts recognised in the financial statements are provisional as at 31 December 2019.

The following table summarises the preliminary values of identifiable assets acquired and liabilities assumed with the acquisition of VEOHL, as at the acquisition date:

US$ million	**1 March 2019**
Property, plant and equipment	149
Right-of-use assets	16
Intangible assets	25
Investments in joint ventures and associates	2
Other assets[1]	35
Deferred tax asset	1
Inventories	64
Trade receivables	71
Cash and cash equivalents	52
Lease liabilities	(16)
Trade payables	(146)
Borrowings	(27)
Provisions	(33)
Other liabilities	(29)
Income tax payables	(20)
Deferred tax liabilities	(20)
Net identifiable assets	**124**
Less: Non-controlling interest (NCI)[2]	(12)
Add: Goodwill	65
Net assets acquired	**177**

1 Included in other assets is an indemnification asset of $6m.

2 The non-controlling interest has been measured at its proportionate share of the net identifiable assets in VEOHL.

US$ million	**Goodwill**
Opening balance 1 March 2019	**64**
Changes to provisional assets and liabilities[1]	1
Foreign exchange differences[2]	(3)
Closing balance 31 December 2019	**62**

1 Update of opening balance assessment of assets and liabilities during the measurement period.

2 Foreign exchange differences include a positive $6m impact from application of IAS 29 'Financial Reporting in Hyperinflationary Economies'.

Goodwill can be attributed to future synergies to be derived through the acquisition and the business knowledge and technical skills of the acquired workforces. Future synergies are expected through increased market penetration and expansion as well as improved profitability from operating under the Vivo Energy business model.

Acquisition contribution to the business

VEOHL contributed revenues of $860m and a net income of $12m to the Group for the period 1 March 2019 to 31 December 2019. Had the acquisition occurred at 1 January 2019 revenue for the year 2019 would be $1,032m and net income would be circa $15m.

At acquisition contingent liabilities of $8m were recognised at fair value. These contingencies relate to ongoing legal claims of VEOHL and its subsidiaries. The Group has identified contingent assets to the value of $1m in relation to legal action ongoing at acquisition date.

The fair value of trade receivables at acquisition was $71m. The gross contractual amount was $81m, of which $10m is expected to be uncollectible.

12. PROPERTY, PLANT AND EQUIPMENT

					2019
US$ million	**Land**	**Buildings**	**Machinery and other equipment**	**Construction in progress**	**Total**
Cost at 1 January 2019	**33**	**229**	**453**	**68**	**783**
Additions	–	6	25	93	**124**
Business acquisition[1]	22	71	61	9	**163**
Disposals	–	(4)	(29)	–	**(33)**
Transfers	1	24	53	(78)	**–**
Foreign exchange differences[2]	(1)	(7)	(11)	–	**(19)**
Cost at 31 December 2019	**55**	**319**	**552**	**92**	**1,018**
Accumulated depreciation at 1 January 2019	**–**	**(43)**	**(118)**	**–**	**(161)**
Depreciation	–	(16)	(56)	–	**(72)**
Disposals	–	3	28	–	**31**
Foreign exchange differences[2]	–	2	5	–	**7**
Accumulated depreciation at 31 December 2019	**–**	**(54)**	**(141)**	**–**	**(195)**
Net carrying value at 31 December 2019	**55**	**265**	**411**	**92**	**823**

1 Includes PP&E recognised on acquisition of VEOHL of $149m.

2 Foreign exchange differences include the impact from the application of IAS 29 'Financial Reporting in Hyperinflationary Economies'.

					2018
US$ million	**Land**	**Buildings**	**Machinery and other equipment**	**Construction in progress**	**Total**
Cost at 1 January 2018	**32**	**201**	**428**	**77**	**738**
Additions	–	8	16	96	**120**
Disposals	–	(5)	(38)	–	**(43)**
Transfers to right-of-use asset	–	–	(12)	–	**(12)**
Transfers	2	30	71	(103)	**–**
Foreign exchange differences	(1)	(5)	(12)	(2)	**(20)**
Cost at 31 December 2018	**33**	**229**	**453**	**68**	**783**
Accumulated depreciation at 1 January 2018	**–**	**(36)**	**(116)**	**–**	**(152)**
Depreciation	–	(13)	(47)	–	**(60)**
Disposals	–	5	38	–	**43**
Transfers to right-of-use asset	–	–	4	–	**4**
Foreign exchange differences	–	1	3	–	**4**
Accumulated depreciation at 31 December 2018	**–**	**(43)**	**(118)**	**–**	**(161)**
Net carrying value at 31 December 2018	**33**	**186**	**335**	**68**	**622**

No assets have been pledged as security. Depreciation charge of $72m (2018: $60m) is included in cost of sales for $64m (2018: $52m), in selling and marketing cost for $1m (2018: $1m) and in general and administrative cost for $7m (2018: $7m).

13. INTANGIBLE ASSETS

US$ million	Shell licence agreement	Goodwill	Computer software	Other	Total
					2019
Cost at 1 January 2019	**143**	**21**	**51**	**32**	**247**
Additions	–	–	25	–	**25**
Business acquisition	–	65	–	25	**90**
Foreign exchange differences[1]	(4)	(5)	(1)	–	**(10)**
Cost at 31 December 2019	**139**	**81**	**75**	**57**	**352**
Accumulated amortisation at 1 January 2019	**(77)**	**–**	**(16)**	**(20)**	**(113)**
Amortisation	(5)	–	(3)	(5)	**(13)**
Accumulated amortisation at 31 December 2019	**(82)**	**–**	**(19)**	**(25)**	**(126)**
Net carrying value at 31 December 2019	**57**	**81**	**56**	**32**	**226**

1 Foreign exchange differences include the impact from the application of IAS 29 'Financial Reporting in Hyperinflationary Economies'.

US$ million	Shell licence agreement	Goodwill	Computer software	Other	Total
					2018
Cost at 1 January 2018	**145**	**21**	**25**	**33**	**224**
Additions	–	–	27	–	**27**
Disposals	–	–	(1)	–	**(1)**
Foreign exchange differences	(2)	–	–	(1)	**(3)**
Cost at 31 December 2018	**143**	**21**	**51**	**32**	**247**
Accumulated amortisation at 1 January 2018	**(72)**	**–**	**(14)**	**(18)**	**(104)**
Amortisation	(5)	–	(3)	(3)	**(11)**
Foreign exchange differences	–	–	1	1	**2**
Accumulated amortisation at 31 December 2018	**(77)**	**–**	**(16)**	**(20)**	**(113)**
Net carrying value at 31 December 2018	**66**	**21**	**35**	**12**	**134**

Amortisation charge of $13m (2018: $11m) is included in cost of sales for $1m (2018: Nil), selling and marketing cost for $9m (2018: $9m) and general and administrative cost for $3m (2018: $2m).

Impairment test for goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of the CGUs was determined based on Fair Value Less Cost of Disposal and Value-in-Use calculations which require the use of assumptions. The calculations use cash flow projections based on an approved business plan covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated long-term growth rate shown below. The terminal value was calculated using the Gordon Growth formula.

In the year of acquisition the goodwill generated from the Engen acquisition is monitored by management at the level of Engen Retail ($39m) and Engen Commercial ($23m). These are subunits of the operating segments identified in note 5 and represent the units that are expected to benefit from the synergies of the combination. The remaining goodwill consists of amounts not significant in comparison to the total carrying amount.

In future years goodwill will be monitored at the operating segment level as defined in note 5 on a non-aggregated basis, as the monitoring of the Engen business is incorporated into the overall monitoring of the Vivo Energy segments.

The following tables sets out the key assumptions for those CGUs that have a significant goodwill allocated to them:

	2019[1]	
	Engen Retail	**Engen Commercial**
Revenue growth compounded annual growth rate	10.4%	8.7%
Gross margin compounded annual growth rate	13.4%	6.9%
Post-tax discount rate	15.9%	15.9%
Long-term growth rate	1.8%	1.8%

1 Assumptions presented relate to the goodwill test for the recognised goodwill in connection with the 2019 Engen acquisition, therefore, no comparative information is presented.

The methodology applied to each of the key assumptions used is as follows:

Assumptions	**Approach used to determine values**
Revenue growth	Average volumes over the five-year forecast period; based on past performance and management expectations of market developments.
Budgeted average gross margin	Based on past performance and management expectations of the future.
Post-tax discount rate	Based on specific risks relating to the industry and country. Factors considered for the industry include regulatory environment, market competition, and barriers to entry.
Long-term growth rate	Management assumes the US dollar long-term inflation of 1.8%. The rate is consistent with forecasts included in economic reports.

The Group considers the post-tax discount rate to be the most sensitive assumption. No impairment would occur, if the post-tax discount rate applied to the cash flow projection of each CGU had been 1% higher than management estimates and all other assumptions in the table above are unchanged. Goodwill in relation to the Retail and Commercial segments would only result in an indication of impairment if the post-tax discount rates increased to 17.4% and 22.0%, respectively.

14. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

The Group also has interests in a number of associates and joint ventures that are accounted for using the equity method.

US$ million	**2019**	**2018**
At 1 January	**223**	**219**
Acquisition of businesses	5	1
Share of profit	22	28
Dividend received	(22)	(23)
Foreign exchange differences	(1)	(2)
At 31 December	**227**	**223**

In December 2017, the Group acquired a 50% interest in Shell and Vivo Lubricants B.V. (SVL) that is considered a material investment to the Group. SVL is the principal supplier of manufacturing, sales and distribution for lubricants products in Africa. The investment is a joint venture investment and measured using the equity method. SVL is jointly owned by Vivo Energy Investments B.V. (50%) and Shell Overseas Investments B.V. (50%).

The table below provides summarised financial information for the carrying amount of the investment in SVL.

US$ million	**2019**	**2018**
At 1 January	**163**	**160**
Share of profit	12	13
Dividend received	(11)	(10)
At 31 December	**164**	**163**

The total assets of SVL as per 31 December 2019 are $241m (2018: $234m), of which $156m (2018: $153m) relate to current (including cash and cash equivalents of $28m (2018: $23m)) and $85m (2018: $81m) to non-current assets. The current liabilities are $89m (2018: $79m) (including borrowings of $21m (2018: $21m)) and non-current liabilities of $6m (2018: $6m). The revenue for the year ending 31 December 2019 was $281m (2018: $287m), and profit after income tax was $21m (2018: $22m). Other comprehensive loss, net of tax, for the year amounted to $1m (2018: $1m). The 2019 profit includes amortisation and depreciation of $8m (2018: $8m), net finance expense of $1m (2018: $2m) and income tax expense of $9m (2018: $7m).

The carrying value of SVL includes a notional goodwill of $96m calculated as the difference between the cost of the investment and the investor's share of the fair values of the investee's identifiable assets and liabilities acquired. Since the notional goodwill is not shown as a separate asset, it is not required to be separately tested for impairment, nor does it trigger an annual impairment test.

There are no contingent liabilities relating to the Group's investments in joint ventures and associates.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

US$ million	**2019**	**2018**
At 1 January	**8**	**6**
Fair value adjustment	1	1
Foreign exchange differences	–	1
At 31 December	**9**	**8**

Financial assets at fair value through other comprehensive income relate to the Group's investment in Société de Gestion des Stocks Pétroliers de Côte d'Ivoire S.A. (GESTOCI) in which it holds an interest of circa 17%. The Group does not have significant influence or joint control in the investee. The investment is not held for trading and not a contingent consideration recognised by an acquirer in a business combination, therefore, at initial recognition the Group has elected to account for the investment at fair value through other comprehensive income.

No dividends were received from GESTOCI in 2018 and 2019. Financial assets at fair value through other comprehensive income are categorised as level 3 of the fair value hierarchy and are the only level 3 financial assets within the Group. There have been no transfers between any levels during the year.

16. OTHER FINANCIAL ASSETS AND LIABILITIES

Other financial assets and liabilities are derivative instruments comprising forward foreign exchange contracts and interest hedge contracts with a fair value of $(3)m (2018: $3m). The net loss of $6m on the changes in the fair value of these financial assets and financial liabilities have been recognised in profit and loss (2018: net gain of $4m). Other financial assets and liabilities at fair value through other comprehensive income are categorised as level 2 of the fair value hierarchy. There have been no transfers between any levels during the year.

The specific valuation techniques used to value financial instruments that are carried at fair value using level 2 techniques are:

- The fair value of interest hedge contracts is calculated as the present value of the estimated future cash flows based on current market data provided by third party banks; and
- The fair value of forward foreign exchange contracts is calculated by comparison with current forward prices of contracts for comparable remaining terms.

17. OTHER ASSETS

US$ million	31 December 2019	31 December 2018[1]
Prepayments	99	109
Other government benefits receivable[2]	92	123
VAT and duties receivable	61	31
Amounts due from dealers and joint ventures	33	27
Indemnification asset on legal and tax claims	13	10
Deposits	13	11
Employee loans	7	8
Other[3]	49	37
	367	**356**
Current	257	255
Non-current	110	101
	367	**356**

1 Prior year comparatives were reclassified to provide a consistent presentation to 2019.

2 Refer to note 3.2.

3 The amount mainly comprises of other non-current receivables.

Other government benefits receivable

US$ million	31 December 2019	31 December 2018
Senegal	38	30
Morocco	22	27
Madagascar	10	10
Guinea	7	11
Botswana	3	33
Other	12	12
	92	**123**

Other government benefits receivable are presented net of provisions for impairment of $18m (2018: $15m). For the year $133m (2018: $220m) of other government benefits was recognised in cost of sales for compensation of costs incurred.

18. INVENTORIES

US$ million	31 December 2019	31 December 2018
Fuel	436	364
Lubricants	79	70
Other	2	7
	517	**441**

Cost of sales as disclosed on the face of the consolidated statements of comprehensive income include the total expense for inventory during the year for $7,379m (2018: $6,719m). The carrying value of inventory represents the net realisable value.

Provisions for write-downs of inventories to the net realisable value amounted to $7m (2018: $5m).

19. TRADE RECEIVABLES

Trade receivables were as follows, as at:

US$ million	31 December 2019	31 December 2018
Trade receivables	506	485
Less: provision for impairment of trade receivables	(55)	(41)
Trade receivables – net	**451**	**444**

The fair values of trade receivables approximate their carrying value as they are deemed short-term in nature and recoverable within 12 months.

Movements in provision for impairment of trade receivables are as follows:

US$ million	2019	2018
At 1 January	**41**	**40**
Additions[1]	22	6
Reversals	(4)	(4)
Utilisation	(2)	–
Foreign exchange differences	(2)	(1)
At 31 December	**55**	**41**

1 Additions in 2019 include an amount of $10m related to acquired assets of VEOHL.

As at 31 December 2019 trade receivables of $33m (2018: $29m) were past due but not impaired. The aging of these trade receivables is as follows:

US$ million	31 December 2019	31 December 2018
Up to 3 months past due	23	21
3 to 6 months past due	6	2
More than 6 months past due	4	6
	33	**29**

20. CASH AND CASH EQUIVALENTS

US$ million	31 December 2019	31 December 2018
Cash	348	173
Cash equivalents:		
Short-term placements	23	214
Money market funds and other cash equivalents	146	6
	517	**393**

21. SHARE CAPITAL AND RESERVES

Share capital consists of 1,266,073,050 ordinary shares at the nominal value of $0.50 each. All shares have been issued and fully paid and entitle the holder to participate in dividends. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Shareholders will, under general law, be entitled to participate in any surplus assets in a winding up of the Company in proportion to their shareholding.

In May 2018, a pre-IPO reorganisation resulted in Vivo Energy plc being inserted as the parent company of the Group. Pursuant to a share exchange agreement, the shareholders of Vivo Energy Holding B.V. (the former parent company of the Group) transferred all the shares in Vivo Energy Holding B.V. to Vivo Energy plc in exchange for the issue and allotment of new ordinary shares in Vivo Energy plc. Vivo Energy plc issued 1,200m ordinary shares at a nominal value of $1.50 and for a total consideration of $1,800m. Following the share exchange, the shareholders of Vivo Energy plc were the same as the shareholders of Vivo Energy Holding B.V. prior to the exchange. The investment in Vivo Energy Holding B.V. was recognised at cost for an amount of $464m in the Company financial statements of Vivo Energy plc. The difference between the consideration of

$1,800m and the Vivo Energy Holding B.V. investment value of $464m is recognised as negative merger reserve ($1,336m).

Effective 13 June 2018, the Company completed a court-approved reduction of capital. The purpose of the reduction of capital was to provide distributable reserves which will allow the Company to make future dividend payments. Following the reduction of capital, the number of issued shares and the rights attached to those shares remained unchanged. The nominal value of the ordinary shares in the capital of the Company was reduced by $1.00 from $1.50 to $0.50.

Other reserves are disclosed in the consolidated statements of changes in equity.

	2019		2018	
Ordinary shares	**Number of shares**	**US$ million**	**Number of shares**	**US$ million**
At 1 January	1,201,798,866	601	2,250,000	–
Reorganisation	–	–	(2,250,000)	–
Capital contribution/shares issued	63,203,653	31	1,200,000,000	1,800
Share issuance related to share awards/directors' subscriptions	1,070,531	1	1,798,866	3
Capital reduction	–	–	–	(1,202)
At 31 December	**1,266,073,050**	**633**	**1,201,798,866**	**601**

22. EARNINGS PER SHARE

Basic and diluted EPS were computed as follows:

US$ million, unless otherwise indicated	2019	2018
Basic earnings per share		
Net income	150	146
Attributable to owners	136	135
Weighted average number of ordinary shares (million)	1,255	1,202
Basic earnings per share (US$)	**0.11**	**0.11**

US$ million, unless otherwise indicated	2019	2018
Diluted earnings per share		
Earnings attributable to owners	136	135
Diluted number of shares (million)	1,255	1,202
Diluted earnings per share (US$)	**0.11**	**0.11**

US$	2019	2018
Adjusted diluted earnings per share		
Diluted earnings per share	0.11	0.11
Impact of special items	0.01	0.03
Adjusted diluted earnings per share	**0.12**	**0.14**

23. DIVIDENDS

The Board approved an interim dividend of circa 1.1 cents per share. This dividend was paid on 23 September 2019 to shareholders of record at close of business on 23 August 2019. The dividend was paid out of distributable reserves as at 30 June 2019.

The Board has recommended a final dividend of circa 2.7 cents per share, amounting to $34m. Payment of this dividend is expected on 8 June 2020 to shareholders of record at close of business on 15 May 2020. The dividend will be paid out of distributable reserves as at 31 December 2019.

US$ million	2019	2018
Interim dividend	14	8
Final dividend	34	16
Total	**48**	**24**

24. BORROWINGS

US$ million	Drawn on	Interest rate	Maturity	31 December 2019	31 December 2018
VEI BV Term Loan[1]	09/06/2017	Libor +2.50%/3.00%	09/06/2022	308	392
VEI BV Revolving Credit Facility[2]	27/02/2019	Euribor +1.50%/1.85%		63	–
Bank borrowings				229	208
				600	**600**
Current				306	286
Non-current				294	314
				600	**600**

1 The amounts are net of financing costs. Loan amount is $310m (2018: $395m); financing costs are $2m (2018: $3m).

2 The amount includes financing costs of circa $1m.

Current borrowings consist of bank borrowings which carry interest rates between 1.8% and 18.0% per annum. Included in bank borrowings is an amount of $17m (2018: $32m) relating to trade financing.

The carrying amounts of the Group's non-current and current borrowings approximate the fair value.

The VEI BV Term Loan facility was entered into on 9 June 2017. The facility matures on 9 June 2022 and has semi-annual repayments. Interest is paid quarterly at a rate of Libor +2.5% per annum. Incremental facility was drawn down on 18 December 2017 and carries an interest of Libor +2.5% for the amortised portion and Libor +3.0% for the bullet portion.

In May 2018, the Company established a new multi-currency revolving credit facility of $300m. At the end of February 2019, an amount of $64m was drawn to pay for VEOHL acquisition.

The tables below provides an analysis of cash and non-cash movements in borrowings for the period:

US$ million			2019
	Long-term debt	Bank borrowings	Total
1 January	**392**	**208**	**600**
Proceeds from long-term debt	62	–	**62**
Repayment of long-term debt	(82)	–	**(82)**
Proceeds/repayment of bank borrowings	–	1	**1**
Borrowings acquired in acquisition of business[1]	–	27	**27**
Foreign exchange movements	(3)	(7)	**(10)**
Other[2]	2	–	**2**
31 December	**371**	**229**	**600**

1 Represents the borrowings acquired through the acquisition of VEOHL as at 1 March 2019.

2 Other changes include financing costs.

US$ million			2018
	Long-term debt	Bank borrowings	Total
1 January	**480**	**175**	**655**
Repayment of long-term debt	(84)	–	**(84)**
Proceeds/repayment of bank borrowings	–	40	**40**
Foreign exchange movements	(7)	(6)	**(13)**
Other[1]	3	(1)	**2**
31 December	**392**	**208**	**600**

1 Other changes include financing costs.

Key covenants:

- The Company needs to supply to the lender within 150 calendar days after year-end its audited annual consolidated financial statements, unaudited annual non-consolidated financial statements and the unaudited annual Group accounts of each operating unit. Within 90 days after each half of each financial year, the Company should provide its unaudited non-consolidated financial statements, unaudited consolidated financial statements and unaudited Group accounts for each operating unit for the financial half-year.
- With each set of financial statements, a financial covenants compliance certificate has to be provided showing the debt cover and interest cover. The loan carries some customary negative pledges such as on asset sale, securities over assets, mergers and guarantees subject in each case to some exemptions and permitted baskets. It also has a Change of Control clause triggering repayment if a shareholder, other than permitted ones, takes control of the Company.

No key covenants were breached in the last applicable period.

25. PROVISIONS

Provisions include the following:

US$ million	31 December 2019	31 December 2018
Provisions	85	61
Retirement benefit obligations (note 26)	31	29
	116	**90**
Current	14	15
Non-current	102	75
	116	**90**

				2019
US$ million	Compulsory stock obligation	Legal provision	Other	Total
At 1 January	**22**	**4**	**35**	**61**
Provision recognised on business acquisition[1]	–	8	23	**31**
Additions	–	–	10	**10**
Utilisation	–	–	(6)	**(6)**
Releases	(1)	–	(6)	**(7)**
Foreign exchange differences	–	–	(4)	**(4)**
At 31 December	**21**	**12**	**52**	**85**
Current	–	12	2	**14**
Non-current	21	–	50	**71**
	21	**12**	**52**	**85**

1 Provisions recognised on business acquisition of VEOHL was $33m (refer to note 11) of which $2m related to retirement benefit obligations (refer to note 26).

Compulsory stock obligation provision

The oil market regulator in Morocco introduced an industry mechanism to enable oil market operators to maintain the necessary compulsory stock volume requirement. This resulted in an oil fund liability, which is an amount payable to the Moroccan oil fund regulator in relation to the compulsory stock reserve requirement introduced in 1994. The oil fund liability is recorded under other liabilities. Since 1 December 2015 Morocco operates in a deregulated fuel environment therefore the compulsory stock provision represents the difference between the purchase price of the compulsory oil stocks in 1994 and current market values up to November 2015, as well as the difference between the purchase price and current market values of LPG. As at 31 December 2019, the Moroccan government has not indicated a repayment date for the compulsory stock obligation.

Legal provision

This amount represents a provision of certain legal claims brought against the Group. The timing of any payout is uncertain as these claims are being disputed by the Group. The Group believes that the outcome of these claims will not give rise to a significant loss beyond the amounts provided against as at 31 December 2019.

Other

Other provisions include a number of costs to be paid out by the Group that have uncertainty in timing of cash values and total monetary value. Other provisions relate mainly to employee related provisions of $8m (2018: $15m) and provisions for uncertain tax positions of $29m (2018: $9m).

26. RETIREMENT BENEFITS

The Group operates defined benefit plans in multiple African countries, which include Cape Verde, Ghana, Guinea, Côte d'Ivoire, Mauritius, Morocco, Namibia, Senegal and Tunisia. The plans operated in Cape Verde, Mauritius, Morocco, Tunisia and Senegal combined present approximately 80% of the total liability for the Company. The valuations are carried out in line with the regulatory requirements in each country considering the requirements under IAS 19 'Employee Benefits'. The plans offered in these countries differ in nature and consist of medical plans, pension plans, retirement indemnities, jubilees and long service award plans. These plan benefits are linked to final salary and benefit payments are met as they fall due. The exception to this is one of the plans in Mauritius, which operates as a funded plan, with a funding level of approximately 91% at 31 December 2019. Plan assets are held in vehicles with standard investment risk, following a balanced investment strategy, split between equities, government bonds and asset-backed securities. The plan has been closed to future accrual from 31 December 2014 onwards. However, the link to final salaries is being maintained for in-service employees.

US$ million	**2019**	**2018**
Current service cost	1	1
Accretion expense	2	2
	3	**3**

US$ million	**2019**	**2018**
Defined benefit plans	3	3
Defined contribution plans	6	6
Total retirement benefit costs	**9**	**9**

US$ million	**31 December 2019**	**31 December 2018**
Consolidated statements of financial position obligations for:		
Pension benefits	26	25
Other post-employment benefits	5	4
Total liability	**31**	**29**

The amounts recognised in the consolidated statements of financial position are determined as follows:

US$ million	31 December 2019	31 December 2018
Present value of funded obligations	(13)	(13)
Fair value of plan assets	11	12
Funded status of funded benefit obligations (net liability)	**(2)**	**(1)**
Present value of unfunded obligation	(24)	(24)
Unfunded status end of year (net liability)	**(26)**	**(25)**
Net defined benefit obligation	**(26)**	**(25)**

The movements in the defined benefit obligation for funded and unfunded post-employment defined benefits over the year are as follows:

			2019			2018
US$ million	**Pension benefits**	**Other**	**Total**	**Pension benefits**	**Other**	**Total**
At 1 January	**37**	**4**	**41**	**41**	**4**	**45**
Current service costs	1	–	**1**	1	–	**1**
Benefits paid	(3)	–	**(3)**	(3)	–	**(3)**
Interest costs	2	–	**2**	2	–	**2**
(Gains)/losses from change in financial assumptions	1	–	**1**	–	–	**–**
Actuarial (gains)/losses	–	–	**–**	(2)	–	**(2)**
Retirement benefit obligations recognised on acquisition	–	2	**2**	–	–	**–**
Foreign exchange differences	(1)	(1)	**(2)**	(2)	–	**(2)**
At 31 December	**37**	**5**	**42**	**37**	**4**	**41**

The plan assets shown above are invested in equities \$5m (2018: \$8m), government bonds \$3m (2018: \$3m), corporate bonds \$3m (2018: \$0.5m) and cash and cash equivalent \$0.1m (2018: \$0.1m).

The movements in the fair value of plan assets over the year are as follows:

		2019		2018
US$ million	**Pension benefits**	**Total**	**Pension benefits**	**Total**
At 1 January	**12**	**12**	**11**	**11**
Interest income	1	1	1	1
Employer contributions	2	2	3	3
Benefits paid	(3)	(3)	(3)	(3)
Foreign exchange differences	(1)	(1)	–	–
At 31 December	**11**	**11**	**12**	**12**

The sensitivity of the defined benefit obligation to changes in weighted principal assumptions is:

	Assumptions used		Effect of using alternative assumptions	
	31 December 2019	**31 December 2018**	**Range of assumptions**	**Increase/(decrease)**
Rate of increase in pensionable remuneration	4.34%	4.43%	0.50% – (0.50%)	2.49% – (2.33%)
Rate of increase in pensions in payment	2.26%	2.27%	0.50% – (0.50%)	1.48% – (1.37%)
Rate of increase in healthcare costs	9.72%	9.88%	0.50% – (0.50%)	4.08% – (3.76%)
Discount rate for pension plans	5.84%	5.98%	0.50% – (0.50%)	(4.89%) – 5.33%
Discount rate for healthcare plans	13.81%	13.71%	0.50% – (0.50%)	(5.53%) – 6.15%
Expected age at death for persons aged 60:				
Men	79.74	79.73		
Women	83.65	83.56		

The principal actuarial assumptions were as follows:

									2019
	Tunisia	**Senegal**	**Cape Verde**	**Mauritius**	**Morocco**	**Côte d'Ivoire**	**Guinea**	**Namibia**	**Ghana**
Discount rate	9.25%	10.00%	4.00%	5.25%	3.25%	6.00%	13.50%	11.30%	15.00%
Inflation rate	4.50%	1.50%	2.00%	2.80%	n/a	n/a	n/a	7.40%	10.00%
Future salary increases	6.00%	3.00%	2.00%	2.80%	6.00%	3.00%	10.00%	n/a	n/a
Future pension increases	n/a	n/a	1.00%	3.00%	n/a	n/a	n/a	n/a	n/a

									2018
	Tunisia	**Senegal**	**Cape Verde**	**Mauritius**	**Morocco**	**Côte d'Ivoire**	**Guinea**	**Namibia**	**Ghana**
Discount rate	8.50%	8.25%	4.25%	6.00%	3.50%	6.00%	13.50%	11.40%	15.00%
Inflation rate	4.70%	n/a	2.00%	3.50%	n/a	n/a	n/a	8.00%	10.00%
Future salary increases	6.00%	3.00%	2.00%	3.50%	6.00%	3.00%	10.00%	n/a	n/a
Future pension increases	n/a	n/a	1.00%	3.00%	n/a	n/a	n/a	n/a	n/a

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

The weighted average duration of the defined benefit obligation is 10.8 years.

Expected contributions to post-employment benefit plans for the year ending 31 December 2020 are $3m.

27. OTHER LIABILITIES

US$ million	31 December 2019	31 December 2018
Oil fund liabilities (note 25)	96	87
Other tax payable[1]	91	80
Deposits owed to customers	63	60
Employee liabilities[2]	51	62
Deferred income	11	9
Other	26	10
	338	**308**
Current	178	165
Non-current	160	143
	338	**308**

1 Other tax payable mainly relates to VAT, withholding taxes and employee taxes.

2 Employee liabilities mainly relate to employee bonuses and the cash-settled legacy Management Equity Plan.

28. LEASES

The Group has leases for motor vehicles, corporate offices, land, buildings and equipment. Leases have remaining lease terms of one year to 99 years, some of which may include options to extend the leases for at least five years and some of which may include options to terminate the leases within one year.

The consolidated statement of financial position shows the following amounts relating to leases:

US$ million	Land and buildings	Motor vehicles	Total
Right-of-use assets, 1 January 2018	**129**	**19**	**148**
Depreciation of right-of-use assets	(16)	(3)	**(19)**
Leases effective in 2018[1]	17	2	**19**
Right-of-use assets, 31 December 2018	**130**	**18**	**148**
Depreciation of right-of-use assets	(17)	(4)	**(21)**
Leases effective in 2019	47	2	**49**
Right-of-use assets, 31 December 2019	**160**	**16**	**176**

1 Included in leases effective 2018 is an amount of $8m for the transfer of leases from PPE to right-of-use assets.

US$ million	31 December 2019	31 December 2018
Current lease liabilities	21	13
Non-current lease liabilities	104	98
	125	**111**

The consolidated statement of comprehensive income shows the following amounts relating to leases:

US$ million	2019	2018
Interest expense (included in finance cost)	(11)	(10)
Depreciation of right-of-use assets	(21)	(19)
Expenses relating to short-term leases, low-value leases and variable leases not included in the lease liabilities	(6)	(5)

Depreciation charge of $21m (2018: $19m) is included in cost of sales for $3m (2018: $3m), in selling and marketing costs for $16m (2018: $14m) and in general and administrative costs $2m (2018: $2m).

The consolidated statement of cash flows shows the following amounts relating to leases:

US$ million	2019	2018
Cash flows from financing activities		
Principal elements of lease payments	(27)	(25)
Interest paid	(9)	(10)
	(36)	**(35)**

Other information related to leases was as follows:

	2019	2018
Weighted average remaining lease term (years)	11	15
Weighted average discount rate	12%	10%

The Group recognised rental income of $43m (2018: $35m).

29. NET CHANGE IN OPERATING ASSETS AND LIABILITIES AND OTHER ADJUSTMENTS

US$ million	2019	2018
Trade payables	105	222
Trade receivables	50	(47)
Inventories	(25)	(99)
Other liabilities	6	(16)
Other assets	6	(69)
Provisions	(5)	(17)
Other	39	68
	176	**42**

30. COMMITMENTS AND CONTINGENCIES

Commitments

The Group also has purchase obligations, under various agreements, made in the normal course of business. The purchase obligations are as follows, as at:

US$ million	31 December 2019	31 December 2018
Purchase obligations	13	13

Contingent liabilities and legal proceedings

The Group may from time to time be involved in a number of legal proceedings. The Directors prepare a best estimate of its contingent liabilities that should be recognised or disclosed in respect of legal claims in the course of ordinary business. Furthermore, in many markets there is a high degree of complexity involved in the local tax and other regulatory regimes. The Group is required to exercise judgement in the assessment of any potential exposures in these areas.

As announced by Vivo Energy plc on 16th January 2020, the Company's subsidiary in Morocco has received a report from the investigators in charge of the Conseil de la Concurrence's (the CdC) ongoing review of the competitive dynamics of the Moroccan fuel retailing industry. Vivo Energy Morocco will have the opportunity to provide submissions in response to the report in accordance with the procedures set out in the applicable laws of Morocco. These submissions along with the report will then be considered by the board of the CdC prior to any ruling being made, which if unfavourable may be appealed in accordance with the laws of Morocco. Management believes that Vivo Energy Morocco has at all times conducted its operations in accordance with applicable competition laws, rules and regulations.

In the ordinary course of business, the Group is subject to a number of contingencies arising from litigation and claims brought by governmental, including tax authorities, and private parties. The operations and earnings of the Group continues, from time to time, to be affected to varying degrees by political, legislative, fiscal and

regulatory developments, including those relating to the protection of the environment and indigenous groups in the countries in which they operate. The industries in which the Group is engaged are also subject to physical risks of various types. There remains a high degree of uncertainty around these contingencies, as well as their potential effect on future operations, earnings, cash flows and the Group's financial condition.

The Group does not believe and is not currently aware of any other litigations, claims, legal proceedings or other contingent liabilities that should be disclosed.

31. SHARE-BASED PAYMENTS

The Group operates share-based payment plans for certain Executive Directors, Senior Managers and other senior employees.

Management Equity Plan

In 2013, Vivo Energy Holding B.V. awarded to eligible employees either (1) Management equity plan (MEP) phantom options which entitled option holders to a cash payment based on the value of Vivo Energy Holding shares upon exercise of their MEP phantom options or (2) the opportunity to acquire restricted shares in combination with a linked option right to acquire ordinary shares in Vivo Energy.

Under the terms of the MEP phantom options, all outstanding phantom options would become fully exercisable upon admission in May 2018. The option holders agreed to amend the terms of their outstanding phantom options such that 30% of the outstanding MEP phantom options were deemed to be exercised at admission and 70% has become exercisable on the first anniversary of admission for a period of 12 months. Under the amended terms, the option holders' entitlement to the cash payment is based on the market value of the shares of Vivo Energy plc at the time of exercise net of a nominal exercise price per share.

The MEP related liability as at 31 December 2019 amounted to $15m (2018: $20m).

IPO Share Award Plan

In May 2018, Vivo Energy plc granted certain Executive Directors and Senior Managers one-off share awards ('IPO Share Awards') under the 2018 IPO Share Award Plan. The IPO Share Awards will vest, subject to continued service and performance conditions relating to consolidated gross cash profit growth and adjusted net income growth being met, in three equal tranches on the first, second and third anniversary of admission.

Long-Term Incentive Plan

In May 2018, Vivo Energy plc adopted the Vivo Energy 2018 Long-Term Incentive Plan (the 'LTIP 2018'). In March 2019, Vivo Energy plc adopted the Vivo Energy 2019 Long-Term Incentive Plan (the 'LTIP 2019'). The LTIP 2018 and LTIP 2019 provide for grants of awards over the shares of the Company in the form of share awards subject to continued employment and the performance conditions relating to earnings per share, return on average capital employed and total shareholder returns over a three-year period. Executive Directors and Senior Management of the Group are eligible for grants under the LTIP 2018 and LTIP 2019.

The table below shows the share-based payment expense/(income) recognised in the statements of comprehensive income:

US$ million	**2019**	**2018**
Cash-settled share-based payments		
Management Equity Plan	(2)	(18)
SVL Management Equity Plan	–	6
Equity-settled share-based payments		
IPO Share Award Plan	–	6
Long-Term Incentive Plans 2018 & 2019	1	3
	(1)	**(3)**

Movements in the number of shares and share options outstanding, and their related weighted average exercise prices, are as follows:

	LTIP		IPO		MEP
In million	**LTIP 2018**	**LTIP 2019**	**IPO Share Awards**	**Average exercise price per phantom option US$**	**Phantom Options**
Outstanding at 1 January 2019	**4**	**–**	**4**	**0.05**	**11**
Granted/Converted	(1)	5	(1)	–	–
Vested/Exercised	–	–	(1)	–	(4)
Outstanding at 31 December 2019	**3**	**5**	**2**	**0.05**	**7**
Exercisable at 31 December 2019	**–**	**–**	**–**	**n/a**	**7**
Outstanding at 1 January 2018	**–**	**–**	**–**	**–**	**–**
Granted/Converted	4	–	4	0.05	16
Vested/Exercised	–	–	–	0.05	(5)
Outstanding at 31 December 2018	**4**	**–**	**4**	**0.05**	**11**
Exercisable at 31 December 2018	**–**	**–**	**–**	**n/a**	**–**

The inputs of the valuation model for options granted during the year are as follows:

				2019			2018
US$	**LTIP 2018**	**LTIP 2019**	**IPO Share Awards**	**MEP phantom options**	**LTIP 2018**	**IPO Share Awards**	**MEP phantom options**
Share price at grant date	2.24	1.65	2.33	–	2.24	2.33	–
Share price at valuation date	–	–	–	1.67	–	–	1.84
Option exercise price	–	–	–	0.05	–	–	0.05
Expected dividends as a dividend yield (%)	0%	0%	0%	0%	0%	0%	0%

32. RELATED PARTIES

Sales and purchases

US$ million	**Joint ventures and associates**	**Shareholders**	**Total**
2019			
Sales of products and services and other income	15	130	**145**
Purchase of products and services and other expenses	284	1,312	**1,596**
2018			
Sales of products and services and other income	15	134	**149**
Purchase of products and services and other expenses	321	1,279	**1,600**

The following table presents the Company's outstanding balances with related parties:

US$ million	Joint ventures and associates	Shareholders	Total
31 December 2019			
Receivables from related parties	11	8	**19**
Payables to related parties	(58)	(339)	**(397)**
	(47)	**(331)**	**(378)**
31 December 2018			
Receivables from related parties	4	13	**17**
Payables to related parties	(56)	(236)	**(292)**
	(52)	**(223)**	**(275)**

The receivables from related parties arise from sale transactions, which are due two months after the date of sales. The receivables are unsecured in nature and bear no interest. No provisions are held against receivables from related parties.

The payables to related parties arise mainly from purchase transactions and are typically due two months after the date of purchase. These payables bear no interest.

33. EVENTS AFTER BALANCE SHEET PERIOD

There have been no material subsequent events after the reporting period, up to and including the date that the financial statements were authorised for issue, that would have required disclosure or adjustment of the Consolidated financial statements.