ASX/NZX Release

AMPOL

22 August 2022

RECORD FIRST HALF EARNINGS ON STRONG REGIONAL REFINER MARGINS

Key points

- First half Group RCOP EBIT of $734.1 million, including $693.1million from Continuing Operations (which excludes Gull contribution)[1]
- Statutory NPAT (Attributable to Parent) of $695.9 million, an increase of 114 per cent compared to 1H 2021
- Group results include two months of Z Energy trading[2]and full six months of Gull earnings
- Total sales volumes increased to 11.5 billion litres
- Interim dividend of 120 cents per share, representing a 61% payout ratio

	Half year ending 30 June^		
Financial Results	**2022 ($M)**	**2022 ($M) Continuing**	**Restated 2021 ($M)**
Group Replacement Cost Operating Profit (RCOP) EBITDA	**927.3**	**876.8**	**501.3**
Depreciation and Amortisation	(193.2)	(183.7)	(186.1)
Lytton EBIT	*443.9*	*443.9*	*49.3*
Fuels and Infrastructure (excluding Lytton) EBIT[1]	*172.9*	*131.8*	*134.3*
Fuels and Infrastructure EBIT	616.8	575.8	183.6
Convenience Retail EBIT	127.3	127.3	149.4
Z Energy EBIT	13.7	13.7	N/A
Corporate EBIT	(23.7)	(23.7)	(17.8)
Group RCOP EBIT (excluding significant items)	**734.1**	**693.1**	**315.2**
Interest	*(62.0)*	*(57.8)*	(48.9)
Non-controlling interest	(23.4)	(23.4)	(18.9)
Tax	(177.7)	(167.2)	(60.1)
RCOP NPAT (Attributable to Parent) – Excluding significant items	**471.0**	**444.7**	**187.3**
Inventory Gain/(Loss) after tax (incl. externalities realised FX)	289.6	287.2	156.4
Significant Items Gain/(Loss) after tax	(64.7)	(55.7)	(18.2)
Statutory NPAT (Attributable to Parent) – Historical Cost Operating Profit (HCOP)	**695.9**	**676.2**	**325.5**

Notes: ^ Adjusted for rounding. The 1H 2021 RCOP results under the new methodology exclude externalities foreign exchange gain of $24.6 million (before tax) and $17.2 million (after tax) compared with a loss of $9.0 million (before tax) and $6.3 million (after tax). The applicable AUD/USD exchange rate for 1H 2022 was 0.7199 and for 1H 2021 was 0.7711.

Ampol Limited (ASX/NZX:ALD) today announces its financial results for the six months ending 30 June 2022.

CEO Comments

Matt Halliday, Managing Director and CEO, said: "Against the backdrop of increased market volatility due to the global energy shock, COVID-19 outbreaks and extreme weather, Ampol has delivered the strongest half year Replacement Cost Operating Profit in its history. This result demonstrates the benefits of Ampol's integrated supply chain.

"Ampol team members have supported their communities and customers during some of the most challenging weather conditions we have experienced, keeping critical supply chains open. This commitment to delivering for our customers reflects the strength of the culture we are building at Ampol.

"We also completed the acquisition of Z Energy, strengthening our presence in New Zealand and we welcome the Z Energy team into the Ampol Group."

Fuels and Infrastructure (F&I)

Fuels and Infrastructure RCOP EBIT for the Continuing Operations grew to $575.8 million as refiner margins reached unprecedented highs in the second quarter. Lytton RCOP EBIT was $443.9 million compared to $49.3 million in the previous corresponding half and was the major contributor to the improved F&I result. Lytton benefited from rising prices for refined products, net of increased landed crude premiums and increases in product freight costs. These factors, combined with the Lytton production mix, delivered a Lytton Refiner Margin of US$22.35/bbl for the half, including US$32.96/bbl in 2Q 2022. Total production for the half was 2,977 ML compared with 2,992 ML for the same time last year, despite the impact of weather events and the closure of the Brisbane River during the first quarter.

The conditions driving refiner margins caused headwinds in other parts of the supply chain, including quality premiums (the cash price paid to secure product over and above MOPS[3] daily pricing), which rose to record levels as global markets rebalanced in response to Russian sanctions and lower refined product exports from China. Ampol's margins were exposed to these rising quality premiums on uncontracted supply volumes.

Conversely, the volatility created opportunities for the Trading and Shipping team to source, store and blend physical products, and manage price risks using derivatives. The strong Trading and Shipping performance offset the impact of quality premiums in the period.

Total Australian sales volume rose 2.1 per cent compared with the same time last year, as the growth in sales to commercial customers, particularly in aviation, offset the decline in retail volumes which felt the impacts of COVID-19, flooding and high prices.

Future Energy operating expense increased to $13.2 million, compared with $1.6 million in the first half of 2021. Ampol launched its EV charging brand AMPCharge in April 2022 and commenced the rollout of the first phase of its electric vehicle charging network, with the first sites operational in July. Ampol also received an energy retailer authorisation from the Australian Energy Regulator during the half and will pilot a retail electricity offer during the second half, initially for a small group of employees. This trial is part of a broader assessment of opportunities for Ampol to develop an at-home charging offer for its customers.

Gull New Zealand was held for sale at 30 June 2022 and is shown as a Discontinued Operation for the half. The divestment completed on 27 July 2022 with the gain on sale to be reported in the second half.

Convenience Retail (CR)

The Convenience Retail RCOP EBIT declined compared to the same time last year to $127.3 million as the combined impacts of Omicron, floods and high retail fuel prices reduced demand and compressed margins. Fuel volumes were down 7.5 per cent, 5.8 per cent on a like for like basis. Average margins came under pressure, particularly in May and June, due to the rapid rise in the cost of petrol and diesel and the lag in passing these higher costs through to retail prices.

Despite the difficult conditions affecting fuel sales, shop performance remained strong. Total shop income was up 8.1 per cent on the prior comparable period due to improved product mix, promotional activity, labour efficiency and reduced waste and shrink with an improvement in gross margin (post waste and shrink) of 2.3 percentage points. Average basket size also grew. These results demonstrate the benefits of consistency in merchandising and store operations of the company owned and operated model.

CR continued to rationalise its network during the half, closing 17 stores and adding one new to industry site (NTI), taking the company retail network to 668 sites. The rebrand of the Ampol owned network is essentially complete with 1,285 sites rebranded at 30 June 2022, with remaining work focussed on EG sites which will be rebranded by the end of the year.

Z Energy

The acquisition of Z Energy in New Zealand completed on 10 May 2022, with earnings and total fuel sales included in the Group's results for the months of May and June. Z Energy has now transitioned to a full import model and despite some one-off costs associated with the initial transition, operations were not affected. Like Australia, high fuel prices and Omicron outbreaks have impacted New Zealand demand creating challenging trading conditions in May and June. July, however, saw improved mobility and margins.

Integration plans are well progressed, including preparations to integrate the Z Energy supply chain into Ampol's Trading and Shipping operations in Singapore. Ampol is confident it can deliver the anticipated benefits (estimated to be NZ$60-80 million per annum), the majority of which will arise as a result of the transition to import model, compared to losses and other costs associated with New Zealand domestic refining at the time of the decision to close, and changes to Z Energy's existing third-party supply arrangements.

Balance sheet

Net borrowings at 30 June 2022 were $2,976 million, compared with $724 million at 31 December 2021, with the increase primarily related to the acquisition of Z Energy in May 2022 and an increase in working capital largely due to higher crude and product prices as well as timing of additional inventory purchases to support Trading and Shipping opportunities that carried over the balance date. Net borrowings will be reduced by the cash proceeds of NZ$524 million from the divestment of Gull, which completed in July 2022.

Our liquidity position remains strong, with committed undrawn facilities of $5.9 billion. Leverage at 30 June 2022 was 2.6 times Adj. Net debt / EBITDA reflecting the timing of both New Zealand transactions. Proforma leverage was 2.2 times[4].

We experienced some delay in receiving planning approvals for the Pheasants Nest and M4 Motorway projects and consequently approximately $50 million of spend will be deferred into FY 2023. Capital expenditure for the full year is expected to remain at approximately $400 million adjusting for the timing of these projects and allowing for incremental expenditure by Z Energy net of Gull leaving the Group.

Interim dividend

The Board has declared a fully franked interim dividend of 120 cents per share, which represents a 61% payout ratio of 1H 2022 RCOP NPAT (excluding significant items). This represents a more than doubling of the prior year's interim dividend and represents a 29 per cent increase to the total dividend for FY 2021.

The record and payment dates for the interim dividend are 5 September 2022 and 28 September 2022 respectively.

In the short term, Board and Management are focused on sustainably returning the Group's leverage to the target range of 2.0-2.5 times. More generally, Board and Management maintain their commitment to the Capital Allocation Framework including balancing investment in the energy transition with capital management initiatives over time.

Current trading conditions

Since the end of the half, global crude and product markets have continued to experience significant levels of volatility, falling in mid-July. The Lytton Refiner Margin eased to US$16.46/bbl for July, driven largely by weak gasoline product cracks, but remains above historical averages. Irrespective, supply/demand fundamentals are largely unchanged with Russian sanctions and variable levels of Chinese refined product exports constraining supply. On the demand side, global inventory levels are low ahead of the traditional inventory build for the northern hemisphere winter.

During July, both Convenience Retail and Z Energy experienced a strong recovery in retail fuel margins as refined product costs eased. As a result, Convenience Retail exited July with EBIT in line with the prior year, on a year to date basis.

The recent easing in refined product costs is also expected to release working capital and improve operating cashflow in the second half.

Webcast and conference call

Ampol is hosting an investor call to discuss its 1H 2022 results at 10.00am (AEST) on 22 August 2022.

To participate in the call, pre-registration is available via https://s1.c-conf.com/diamondpass/10022835-zm0ngd.html or investors can listen in via the webcast on our website: https://www.ampol.com.au/about-ampol/investor-centre.

Authorised for release by: the Board of Ampol Limited.

Notes:

1. *For reconciliation of continuing and discontinuing results refer to Appendix.*
2. *For accounting purposes, Z Energy results were included in the consolidated Group from 1 May 2022. The results of Z Energy for the period 1 May to the acquisition date of 10 May were not material to the Group's current period result.*
3. *Mean of Platts Singapore or MOPS is the relevant quoted market price for refined products in the Asia Pacific region set via the Platts pricing methodology in the Singapore Straits area.*
4. *Proforma leverage adjusts the Group's reported leverage for the proceeds of the sale of Gull (and derecognition of the Gull lease liabilities) and last twelve months earnings from Z Energy (excluding ETS gains) and removing earnings from Gull. All earnings are based on the revised RCOP methodology which removes externalities realised foreign exchange gains and losses.*

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Appendix

	Half year ending 30 June 2022^			Half year ending 30 June 2021^				
							Previous RCOP Method	
Financial Results	**2022 ($M)**	**2022 ($M) Cont**	**2022 ($M) Gull (Discont.)**	**Restated 2021 ($M)**	**2021 ($M) Cont**	**2021($M) Gull (Discont.)**	**Less Extern, FX**	**Reported 2021 ($M)**
Group RCOP EBITDA	**927.3**	**876.8**	**50.5**	**501.3**	**455.5**	**45.8**	**24.6**	**525.9**
Depreciation and Amortisation	(193.2)	(183.7)	(9.5)	(186.1)	(177.0)	(9.1)	-	(186.1)
Lytton EBIT	*443.9*	*443.9*	-	*49.3*	*49.3*	-	-	*49.3*
Fuels and Infrastructure (excluding Lytton) EBIT[1]	*172.9*	*131.8*	41.0	*134.3*	*97.7*	*36.7*	-	*134.3*
Externalities realised FX gains/(losses)	N/A	N/A	-	-	-	-	24.6	24.6
Fuels and Infrastructure EBIT	616.8	575.8	41.0	183.6	146.9	36.7	24.6	208.2
Convenience Retail EBIT	127.3	127.3	-	149.4	149.4	-	-	149.4
Z Energy EBIT	13.7	13.7	-	N/A	N/A	-	-	N/A
Corporate EBIT	(23.7)	(23.7)	-	(17.8)	(17.8)	-	-	(17.8)
Group RCOP EBIT (excluding significant items)	**734.1**	**693.1**	**41.0**	**315.2**	**278.5**	**36.7**	**24.6**	**339.8**
Interest	*(62.0)*	*(57.8)*	(4.2)	(48.9)	(45.2)	(3.7)	-	(48.9)
Non-controlling interest	(23.4)	(23.4)	-	(18.9)	(18.9)	-	-	(18.9)
Tax	(177.7)	(167.2)	(10.5)	(60.1)	(48.6)	(11.5)	(7.4)	(67.5)
RCOP NPAT (Attributable to Parent) – Excluding significant items	**471.0**	**444.7**	**26.3**	**187.3**	**165.8**	**21.5**	**17.2**	**204.5**
Inventory Gain/(Loss) after tax (incl. externalities FX)	289.6	287.2	2.4	156.4	157.9	(1.5)	(17.2)	139.2
Significant Items Gain/(Loss) after tax	(64.7)	(55.7)	(9.0)	(18.2)	(18.2)	-	-	(18.2)
Statutory NPAT (Attributable to Parent) – (HCOP)	**695.9**	**676.2**	**19.7**	**325.5**	**305.5**	**20.0**	**-**	**325.5**

Notes: ^ Adjusted for rounding. The 1H 2021 RCOP results under the new methodology exclude externalities foreign exchange gain of $24.6 million (before tax) and $17.2 million (after tax) compared with a loss of $9.0 million (before tax) and $6.3 million (after tax). The applicable AUD/USD exchange rate for 1H 2022 was 0.7199 and for 1H 2021 was 0.7711.