22 February 2021

FINANCIAL RESULTS FOR FULL YEAR ENDED 31 DECEMBER 2020

Ampol Limited (ASX:ALD) today announces its financial results for the 12 months ending 31 December 2020.

2020 Result	**Full year ending 31 December**	
	2020 ($M)	**2019 ($M)**
Fuels & Infrastructure (excluding Lytton) EBIT*	299	380
Lytton EBIT	(145)	70
Fuels & Infrastructure (F&I) EBIT	**154**	**450**
Convenience Retail (CR) EBIT	**287**	**201**
Corporate	**(41)**	**(44)**
Group RCOP EBIT	**401**	**607**
RCOP NPAT	**212**	**344**
Inventory Gain/(Loss) post tax	(360)	(14)
Significant Items Gain/(Loss) post tax	(337)	53
HCOP NPAT	**(485)**	**383**

** 2020 includes FX gain of $30 million, 2019 includes FX loss of $4 million*

Key points

- Group RCOP EBIT result of $401 million impacted by economic weakness and significant disruptions to global hydrocarbon markets. CR RCOP EBIT up 43% and F&I ex-Lytton RCOP EBIT down 21% on pcp.
- Group HCOP NPAT of $485 million loss impacted by $360 million inventory loss and $337 million Significant Items loss.
- Continued disciplined execution of strategy despite disruptions during the period. Ampol executed the Convenience Retail property trust transaction in August, announced a $300 million Off-market Buy-back in November (completed January 2021) and completed a $500 million subordinated notes (hybrid) issuance in December.
- Net borrowings of $434 million at end of period, supported by positive operating cashflows and property trust transaction proceeds, partially offset by inventory loss relating to COVID-19 impacts.
- Final dividend of 23 cps (fully franked) declared, representing a 60% payout ratio of 2H 2020 RCOP NPAT (excluding significant items).

Matt Halliday, Managing Director and CEO, said: “Ampol has navigated a tough operating environment, with sustained weakness in refining margins, ongoing government restrictions impacting travel and aviation in particular, and broad economic weakness impacting demand throughout the year.

“Despite the many challenges and disruptions faced, I am pleased with our progress in executing our strategy and delivering on our promises to shareholders. In 2020 we released significant capital through our Convenience Retail property transaction, announced the return of capital to shareholders through our recently completed Off-market Buy-back, and delivered a subordinated notes issuance. We also commenced our rebrand to Ampol and we are well positioned to deliver on our targeted $195 million EBIT uplift by 2024.

“Heading into 2021, we remain focused on cost and capital efficiency and will continue to make decisions to improve returns and deliver growth to shareholders. Our refining review is ongoing, with an outcome to be communicated to stakeholders in 2Q 2021. I would like to thank all our employees for their contribution to our strategic success and efforts to deliver for customers in a tough market.”

Fuels & Infrastructure (F&I)

F&I delivered RCOP EBIT of $154 million in 2020, which was below the $450 million RCOP EBIT in 2019, largely due to lower earnings from Lytton and loss of scale in F&I Australia from COVID-19 related demand destruction.

The F&I ex-Lytton RCOP EBIT result was impacted by the significant decline in Australian fuel volumes and associated efficiencies, and effects from managing rapidly changing supply chains. Earnings in the period were supported by increased imports during the extended Lytton Turnaround & Inspection (T&I), continued growth in International RCOP EBIT, strong cost discipline and $30 million of foreign exchange gains.

The reduction in Lytton RCOP EBIT by $215 million compared to 2019 was reflective of the extremely weak external refiner margin environment, impacted by sustained weakness in global hydrocarbon demand from COVID-19. Action was taken to mitigate impacts by bringing forward and extending the refinery T&I, and a renewed focus on costs and efficiency.

Total Australian fuels sales volumes were 13.6BL in 2020, 17% lower than the 16.3BL in 2019, reflecting adverse weather impacts at the start of the year and demand destruction, including the significant impact of government restrictions implemented in response to the COVID-19 pandemic. International volumes of 6.5BL in 2020, were 36% higher than 4.8BL in 2019, underpinned by continued growth of international businesses and supported by international storage initiatives.

Convenience Retail (CR)

CR delivered RCOP EBIT of $287 million in 2020, compared to $201 million RCOP EBIT in 2019. Retail fuel earnings were supported by higher margins, including the benefits from oil price timing lags, offsetting volume weakness. The result also reflects continued improvement in shop performance, partially offset by the impact of one-off items and higher depreciation. The higher depreciation reflects inclusion of $26 million non-cash depreciation from site remediation and dismantling asset, partially offset by $17 million lower D&A due to the benefit from the impairment of Convenience Retail sites recognised at 30 June 2020.

Total CR fuels sales volumes were 4.1BL in 2020, 14% lower than the 4.8BL fuels sales volumes in 2019, due to the impacts on industry demand from bushfires and floods in 1Q, followed by COVID-19 restrictions since late March.

Our disciplined approach to optimising our network saw the closure of 33 marginal sites, in addition to the divestment of 25 Higher and Better Use (HBU) sites which Ampol will remediate as part of sale conditions. Combined with the transfer of ~20 sites to alternate operators, these changes drove a ~9% reduction of the controlled network size during the period.

Shop performed strongly during the period as we focused on the disciplined execution of our retail strategy, with a 7% increase in like-for-like shop sales and a clear focus on cost management.

Corporate costs of $41 million for 2020 were below the $44 million of corporate costs in 2019, given the benefit of ongoing cost focus and other temporary cost saving measures in response to COVID-19.

Balance sheet

Interest bearing liabilities net of cash at 31 December 2020 were $1,348 million, including $434 million of net borrowings and $914 million of lease liabilities. This compares with $1,233 million net borrowings at 30 June 2020, and $868 million net borrowings at 31 December 2019.

The reduction in net borrowings was supported by resilient operating cashflows, property trust transaction proceeds, and working capital benefits, partially offset by the cash component of inventory loss driven by the decline in crude and product prices and customer demand (predominately 1H 2020). Our liquidity position remains strong, with committed undrawn facilities of over $2.1 billion.

Subsequent to the end of the period, Ampol completed a $300 million Off-market Buy-back (OMBB), which was announced in November 2020. On a pro-forma basis, post completion of the OMBB, leverage settings at the end of the period were within Ampol’s targeted 1.5x – 2.0x adjusted net debt to EBITDA range.

Final dividend

The Board has declared a fully franked final dividend of 23 cents per share, which represents a 60% payout ratio of 2H 2020 RCOP NPAT (excluding significant items), but a higher percentage of EPS given the OMBB completed in January reduced the number of shares on issue prior to the final dividend record date.

Declared dividends for 2020 total 48 cents per share (fully franked), representing a 55% payout ratio of 2020 RCOP NPAT (excluding significant items).

The record and payment dates for the final dividend are 8 March 2021 and 1 April 2021 respectively.

Significant Accounting Matters

In addition to the $355 million non-cash pre-tax impairments recorded at the 1H 2020 result, Ampol has recorded a further $59 million non-cash pre-tax impairment of assets with its end of year review of Convenience Retail sites asset carrying values.

Our disciplined focus on improving return on capital employed across the retail network as part of our network review, has resulted in closures of underperforming sites, some divestment of sites for higher and better use, and continued investment in new sites with growth potential. This closure and divestment activity has prompted the site remediation and dismantling provision to be reassessed during 2020, to reflect the Company's updated estimates of the future cost of legal and contractual restoration obligations. This resulted in an increase in the site remediation and dismantling provision of $241 million and a corresponding increase in Property, Plant and Equipment for owned and leased assets.

The Convenience Retail result included $26 million non-cash depreciation associated with the site remediation and dismantling asset and this is expected to reduce to approximately $15 million in 2021 and to be largely offset by reduced depreciation in the CR business on a forward basis.

Market Conditions and Outlook

Market conditions in early 2021 continue to be challenging, with headwinds including Australian dollar strength impacting F&I earnings and ongoing COVID-19 related travel restrictions impacting fuel volumes.

Demand for jet fuel continues to be most impacted, with Ampol jet volumes in Q4 2020 down 56% vs pcp. More than 75% of Ampol's jet volumes in 2019 were linked to International travel, with significant uncertainty that international travel will resume in 2021. Diesel demand continues to demonstrate resilience, underpinned by key customer segments including mining, while the recovery in CR demand in late 2020 has been impacted by the ad hoc reinstatement of some government restrictions. Given the continued impact of COVID-19 on demand, Ampol's current Australian volume expectations for 2021 are 13.5 – 14.0BL, with this forecast assuming a delayed recovery in jet fuel demand and the continued impact of domestic travel restrictions. Industry retail fuel margins in early 2021 are lower than the levels observed in the prior corresponding period.

Current regional refining margins remain weak, but Lytton has the ability to produce ~6BL in 2021, subject to market conditions. The make versus buy decision is an integral part of optimising value for shareholders from the integrated supply chain. Increased production from Lytton will reduce the level of product imports in 2021 and the associated F&I Australia earnings associated with product imports. This highlights the importance of completing the refining review in a timely manner, by the end of 1H 2021.

Despite these challenging conditions and macro headwinds in 2021, Ampol remains on track to deliver $195[1] million EBIT uplift by 2024, with 2021 expected to benefit from continued expansion of both Gull (New Zealand) and SeaOil (Philippines) networks, increased demand from international third party customers and continued focused execution of our Convenience Retail strategy.

Finally, in 2021 we will also continue to build foundations for energy transition by working with our customers, focusing on a targeted set of energy and decarbonisation themes, each of which has a clear linkage to our capabilities and assets. As part of this work we will announce our decarbonisation strategy along with our TCFD report during the first half of 2021.

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[1] EBIT uplift on a base of 2019, from CR shop contribution, F&I International and $40 million cost-out delivered in 2020.

Webcast and conference call

Ampol is hosting an investor call to discuss its 2020 Full Year results at 10.00am (AEDT) on 22 February 2021.

To participate in the call, pre-registration is available via https://s1.c-conf.com/diamondpass/10011975-6y8f2y.html, or investors are able to listen in via the webcast on our website: https://www.ampol.com.au/about-ampol/investor-centre.

Authorised for release by: a sub-committee of the Board of Ampol Limited.

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