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ASX ANNOUNCEMENT



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16 February 2012

Company Announcements Office
Australian Securities Exchange

CALTEX AUSTRALIA LIMITED
CALTEX WRITES DOWN REFINERY ASSETS

An *ASX Release* titled "Caltex writes down refinery assets" is attached for immediate release to the market.

Peter Lim
Company Secretary

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Attach.

ASX Release

16 February 2012

Caltex writes down refinery assets

Key points:

- Recent deterioration in performance of refining business unit due to challenging external environment (including the ongoing strength of the Australian dollar, lower Caltex refiner margins and increasing costs) now expected to be sustained for prolonged period
- Major impact on refinery asset carrying value with non-cash reduction in book value of \$1.5 billion before tax
- No impact on safe and reliable operations, credit metrics, debt covenants and commitment to reliable supply
- Decision on refinery review approximately six months away – considering all options to improve shareholder value, ranging from investment to closure
- Underlying Marketing and Distribution business continues to go from strength to strength
- 2011 profit guidance (excluding the impact of this impairment) is unchanged

Refinery asset impairment

Despite the progress being made in Caltex's ongoing refining improvement initiative, its relatively small refineries, in their current configuration, are disadvantaged compared to the modern, larger scale and more efficient refineries in the Asia region. This disadvantage has been exacerbated by the impact of the ongoing strength of the Australian dollar, lower Caltex refiner margins and increasing costs on the 'as-is' refining business.

Caltex advised in December 2011 that it was assessing the recoverability of its refinery asset carrying value. This assessment is on the basis of their current configuration, in accordance with the requirement of accounting standard *AASB 136 Impairment of Assets*. This precludes the inclusion of improvements to future cash flows for decisions not yet taken, such as those under consideration as part of the refinery review announced in August last year.

As a result of this assessment, a non-cash adjustment of \$1.5 billion (before tax) will be recognised in the full year 2011 historic cost accounts. This adjustment is in addition to the previously announced \$67.7 million (before tax) impairment associated with the decision to close the #1 Fluidised Catalytic Cracking Unit and the Propane De-Asphalting Unit at the Kurnell refinery in Sydney, NSW. The effect of this impairment is to reduce the carrying value of the Caltex refining assets to \$340 million.

"This is a non-cash adjustment that relates only to the book-value of our refining assets," Caltex's Chief Financial Officer, Simon Hepworth said.

"Importantly, there is no impact on safe and reliable operations, credit metrics or debt covenants. Our balance sheet continues to be strong and we remain committed to retaining our BBB+ credit rating.

"I would like to confirm that, except for the impact of this impairment charge, our forecast profit in respect of the full year 2011 is unchanged," Mr Hepworth said.

Refinery review

The poor 2011 refining performance and the continuing difficult 2012 outlook for the company's refining business led Caltex to commence a major study into the role of its refineries in its supply chain, as previously announced in August last year.

Caltex's Managing Director & CEO Julian Segal said, "The above accounting adjustment to refinery carrying value does not signal any decision or emerging outcome of the refinery review. The overarching objective of this review is to optimise value for our shareholders and, to that end, we continue to thoroughly evaluate all options to improve the 'as-is' business, ranging from investing to improve their performance, or closing if we are able to import product at a competitive price. Continuation of the status quo is not sustainable.

"We expect that the outcome of the review will be known in approximately six months as there are many issues to consider. The detailed review is assessing issues such as the supply alternatives for our Marketing and Distribution business, the risk associated with each strategic option and the impact of possible decisions on a broad range of stakeholders. I want to stress that we remain strongly committed, as always, to safe and reliable operations," Mr Segal said.

Commitment to reliable supply to customers

"Caltex supplies over one third of all transport fuels in Australia. Regardless of any decision we might make on the future of our refineries, our commitment to maintaining reliable supply to commercial and retail customers alike is at the very core of our business. Reliability has been, and will always be, the key to the proven success of our Marketing and Distribution business. For example, following the severe weather events in QLD in early 2011, we were the first to bring supply vessels into the ports of Brisbane and Townsville and our Distribution operations were quickly back online in all affected areas. We are committed to continuing and improving on this superior performance," said Mr Segal.

Marketing and Distribution business is strong and continues to grow

"The Caltex Marketing and Distribution business is strong, and we are continuing to build its position as Australia's leading supplier of petroleum fuels by further investment in the company's supply chain. This business has grown its EBIT since 2007 at a compound annual growth rate in excess of 13%," concluded Mr Segal.

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