CALTEX
Caltex Australia

ASX RELEASE

15 December 2016

2016 FULL YEAR PROFIT OUTLOOK

Key points:

- Full year HCOP outlook $560 million to $580 million
- Full year RCOP[1] NPAT outlook $500 million to $520 million
- Strong underlying Supply & Marketing result up 9% to around $735 million EBIT (excluding unfavourable externalities of approximately $35 million)
- Strong Lytton operating performance offset by unfavourable externalities with forecast EBIT approximating $200 million
- Forecast Corporate costs will be approximately $100 million
- Net debt forecast will be approximately $450 million

Results guidance	**Full Year ended 31 December**	
	2016 outlook	**2015**
Historic Cost result after tax	**$M**	**$M**
Including significant items	$560 - 580	$522
Excluding significant items	$560 - 580	$493
RCOP result:		
After tax		
Excluding significant items	**$500 - 520**	**$628**
Before interest and tax		
Excluding significant items	$785 - 815	$977

Historic cost profit after tax (HCOP)

On an historic cost profit basis, Caltex expects an after tax profit in the range of $560 million to $580 million for the 2016 full year. This compares with the 2015 full year profit of $522 million, which included a significant item profit of $29 million after tax. The 2016 outlook includes a forecast product and crude oil inventory gain of approximately $60 million after tax, which reflects the

[1] The replacement cost of sales operating profit (RCOP) excludes the unintended impact of the fall or rise in oil prices (a key external factor) and presents a clearer picture of the company's underlying business performance. It is calculated by restating the cost of sales using the replacement cost of goods sold rather than the historic cost, including the effect of contract based revenue lags.

increase in Brent crude oil prices and the higher Australian dollar. This compares with an inventory loss of $135 million after tax in 2015.

Replacement Cost Operating Profit (RCOP)

On an RCOP basis, Caltex forecasts an after tax profit for the 2016 full year of $500 million to $520 million, excluding significant items. This outlook compares with an RCOP after tax profit of $628 million for the 2015 full year, excluding significant items. The overall result reflects a strong underlying Supply & Marketing result within highly competitive wholesale, commercial and retail markets, offset by adverse foreign exchange and pricing lags of approximately $35 million. Less favourable externalities have led to a lower Lytton refining EBIT, despite a continued strong operating performance. Lytton refinery sales volumes are forecast to increase by around 11% and production by around 16% compared to the 2015 full year total, which was impacted by the (once every five years) major planned outage in May and June.

Supply & Marketing is expected to deliver an EBIT result of approximately $700 million. This result includes unfavourable externalities of approximately $35 million, including the impact of US dollar denominated product payables and price timing lags. Excluding these externalities, the underlying Supply & Marketing EBIT of around $735 million is up around 9% on the comparable 2015 result ($675 million).

This underlying result reflects a strong and resilient retail business, continued growth in premium fuels, Ampol Singapore sourcing & supply and Tabula Rasa benefits, less the impact of highly competitive commercial and wholesale markets.

Total sales volumes are forecast to be approximately 16.0 BL, down less than 1% on prior year, with higher consumer and jet volumes, offsetting lower commercial sales volumes. From a product mix perspective, Caltex continues to drive premium fuels sales (including Vortex diesel). Higher sales of premium grades of petrol and retail diesel continue to offset the long term decline in demand for unleaded petrol, including E10. The increased penetration of premium Vortex products has been underpinned by targeted investment in growth, including new retail service stations and increased marketing spend.

Total diesel volumes are anticipated to be broadly in line with last year. Double-digit volume growth in premium Vortex diesel product across Caltex's retail segment has largely offset lower commercial base grade diesel volumes. This is a function of completed LNG related infrastructure projects and subdued economically-sensitive transport, industrial and SME sectors. Pleasingly, Caltex is increasing sales volumes (albeit still small) of Caltex's differentiated diesel to mining and transport customers. Jet volumes are expected to grow by approximately 5%.

Lytton Refinery is expected to make an EBIT contribution of approximately $200 million for the 2016 full year. This compares with a record EBIT of $406 million for 2015 and a 2016 first half EBIT of $92 million. Less favourable externalities have impacted EBIT, despite continued strong operating performance, reflected in sales from production increasing approximately 11%.

The realised Caltex Refiner Margin (CRM)[2] is forecast to average approximately US$10.20/bbl for the 2016 full year. This is predicated off a November 2016 year to date average CRM of US$10.28/bbl versus the 2016 first half of US$10.10/bbl and the 2015 full year of US$16.46/bbl.

Corporate costs are forecast to be approximately $100 million. This includes increased costs relating to on-going IT expenditures, major project costs and further building capabilities that will better position Caltex longer term.

Debt position

Net debt at 31 December 2016 is forecast to be approximately $450 million, compared with $693 million at 30 June 2016 and $432 million at 31 December 2015. The forecast debt levels are based on lower full year earnings, the first half off-market buy-back and are offset by lower capital expenditure. The forecast year-end debt balance excludes the Milemaker purchase price, to be paid in the first quarter of 2017 (following regulatory approval).

Dividend policy

Caltex intends to pay total dividends for each financial year in the range of 40% to 60% of the full year RCOP after tax (excluding significant items), after taking into account Caltex's earnings for the period, future capital requirements and other relevant factors, such as the outlook for the business.

Wage underpayment by franchisees

Caltex is working proactively to eradicate media reported instances of wage underpayment from its franchise network, including working with the Fair Work Ombudsman and terminating franchise agreements where franchisees are found to have engaged in wage underpayment or other illegal or improper conduct. Caltex is actively managing these issues and will keep the market informed of its progress in eliminating fraud from its network.

Notes

The forecast results for the 2016 full year are unaudited.

The forecast results assume a December year end AUD/USD exchange rate of 74 cents, a December average realised CRM of US$9.50/bbl and an average Dated Brent crude oil benchmark price of US$55.00/bbl for December.

Volatility in crude oil prices and the AUD/USD exchange rate can materially impact the forecast result and cash flow. Caltex advises that even small changes in these key externalities during the balance of the month of December 2016 can materially affect both the RCOP and historic results for the full year.

[2] The Caltex Refiner Margin (CRM) represents the difference between the cost of importing a standard Caltex basket of products to Eastern Australia and the cost of importing the crude oil required to make that product basket. The CRM calculation represents: average Singapore refiner margin + product quality premium + crude discount/(premium) + product freight - crude freight - yield loss.

Caltex Australia

A proud and iconic Australian company, Caltex has grown to become the nation's leading transport fuel supplier, with a vast network of approximately 1,900 company-owned, franchised or affiliated sites. Caltex aims to be the market leader in complex supply chains and the evolving convenience marketplace, by delivering the fuel and other everyday needs of its diverse customers through its networks. With a history tracing back to 1900, Caltex has safely and reliably fuelled the needs of Australian motorists and businesses for more than a century. It operates as a refiner, importer and marketer of fuels and lubricants. It is listed as CTX on the Australian Securities Exchange.
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