CALTEX AUSTRALIA LIMITED

ACN 004 201 307

2018 HALF YEAR REPORT

HALF YEAR INFORMATION GIVEN TO THE ASX
UNDER LISTING RULE 4.2A.3

THE 2018 HALF YEAR REPORT SHOULD BE READ IN
CONJUNCTION WITH THE 2017 FINANCIAL REPORT

CALTEX AUSTRALIA LIMITED
LEVEL 24, 2 MARKET STREET
SYDNEY NSW 2000 AUSTRALIA

Results for Announcement to the Market

Key Results (Millions of dollars)			Half year ended 30 June 2018	2017
Total revenue*	↑	33%	10,192	7,641
Profit from ordinary activities after tax/net profit for the period attributable to members:				
Historical cost basis (including significant items)	↑	45%	383	265
Replacement cost basis[1,2] (excluding significant items)	↑	1%	296	294

Dividend	2018	2017
Dividends declared: Interim dividend: - Amount per security (fully franked) [3]	57c	60c
Final dividend - Amount per security (fully franked)	N/A	61c
Record date for determining entitlement to 2018 interim dividend		11 September 2018
Payment date for the 2018 interim dividend		5 October 2018

Comments update

- 1H 2018 Historic Cost Profit (HCOP) NPAT up 45% to $383 million, including inventory gains of $87 million after tax. There were no significant items.
- 1H 2018 Replacement Cost Profit (RCOP) NPAT up 1% to $296 million, which is within guidance and includes the combined negative impacts of a lower Caltex Refiner Margin (CRM), lower retail fuel margin impacted by rising crude and product prices, and the impact of the ongoing transition of franchise sites to company operations.
- Fuels & Infrastructure EBIT up 9% to $314 million, despite lower refining margins. Total volumes up 12% to 10.2BL in 1H 2018, including a 3.5% increase in domestic sales (Retail and Wholesale) to 8.4BL, and an 87% increase in international volume to 1.8BL.
- Convenience Retail EBIT of $161m, down 14% as a result of the impact of rising crude and product prices in 2018, versus falling prices in 2017 and ongoing store transitions.
- Interim dividend of 57.0 cents per share (fully franked) declared, representing a payout ratio of 50.3%.
- On 5 July, Caltex successfully extended and expanded its long term partnership with Woolworths. Convenience Retail will benefit from the wholesale grocery supply, loyalty and redemption arrangements, while the retention of the long term fuel supply to Woolworths will underpin future growth within Fuels & Infrastructure.
- Net debt at 30 June 2018 was $1,041 million. This compares with $814 million at 31 December 2017 and $730 million at 30 June 2017. The increase in debt over the last 18 months reflects $526 million in acquisitions and investments (Seaoil $99 million in 1H 2018; Milemaker $95 million; and Gull NZ $330 million), and higher working capital. This equates to a gearing ratio of 24% (net debt / net debt plus equity) or 37% on a lease-adjusted basis.

[1] Replacement Cost Operating Profit (RCOP) (on a pre and post tax basis) is a non-International Financial Reporting Standards (IFRS) measure. It is derived from the statutory profit adjusted for inventory (losses)/gains as management believes this presents a clearer picture of the company's underlying business performance as it is consistent with the basis of reporting commonly used within the global downstream oil industry. This is un-audited. RCOP excludes the unintended impact of the fall or rise in oil and product prices (key external factors). It is calculated by restating the cost of sales using the replacement cost of goods sold rather than the historical cost, including the effect of contract based revenue lags.

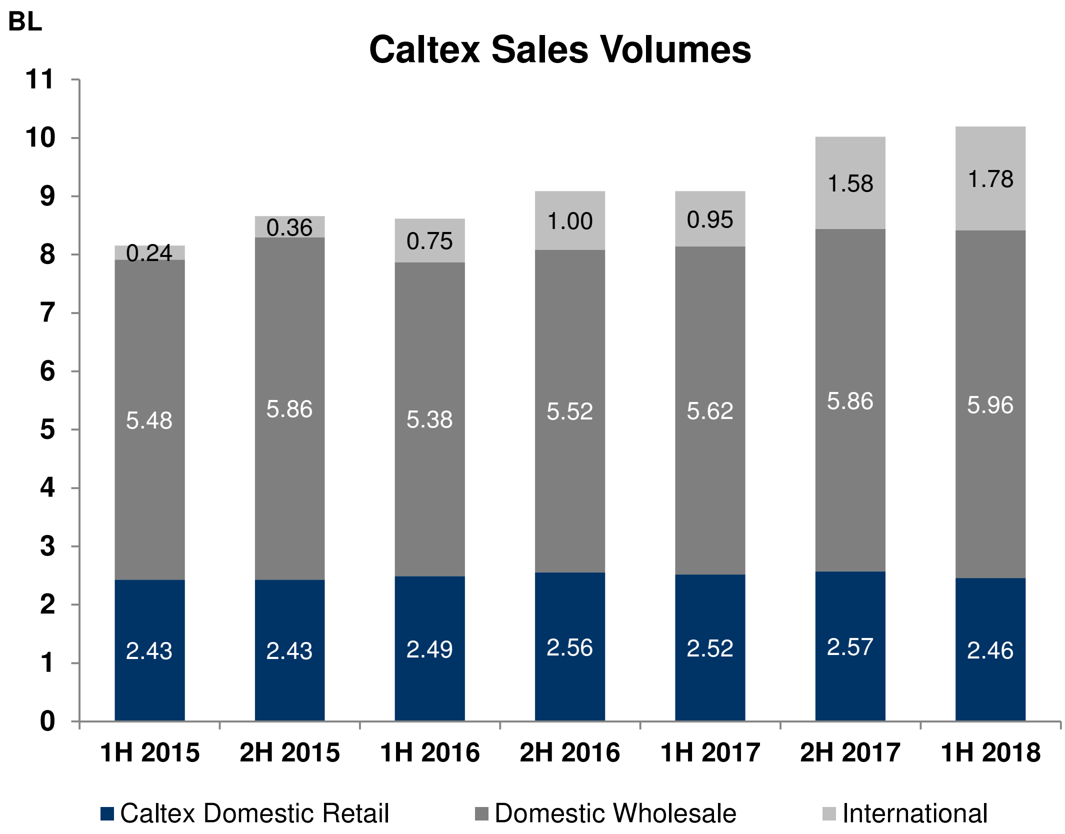
[2] Pricing lags on product sales has now been excluded from RCOP earnings, and now included in movement in inventory as a component of inventory gain/loss. While 2017 HCOP profits remain unchanged, there has been a minor change in 2017 RCOP profits. All references to RCOP have been restated within this document.

[3] There is no Conduit foreign income component distributed in relation to the dividend. There is no Dividend Reinvestment Plan in operation.

* Product duties and taxes have been reclassified to be presented net in revenue. Appropriate disclosure has been included in the half year report of the reclassification of prior period comparative amounts.

Key Performance Indicators

	Half year ended 30 June	
	2018	2017
Profit before interest and tax ($m)		
- Historical cost basis (including significant items)	568	408
- Replacement cost basis (excluding significant items)[1]	443	454
Profit after interest and tax ($m)		
- Historical cost basis (including significant items)	383	265
- Replacement cost basis (excluding significant items)	296	294
Inventory gains/(losses) after tax ($m)	87	(31)
Basic earnings per share (cents)		
- Historical cost basis (including significant items)	146.7	101.4
- Replacement cost basis (excluding significant items)	113.3	112.7
Return on equity attributable to members of the parent entity after tax, annualised (%)		
- Historical cost basis (including significant items) [2]	23	18
- Replacement cost basis (excluding significant items)[2]	18	20
Net tangible asset backing per share ($)[3]	10.72	10.14
Net debt ($m)	1,041	730
Gearing (net debt to net debt plus equity) (%)	24	20
Gearing (lease adjusted) (%)	37	34



[1] Significant items are events that Management and the Board consider to be outside the scope of usual business. These are excluded to give a clearer reflection of underlying financial performance from one period to the next. This is un-audited.

[2] This is a non-IFRS un-audited measure that management and the Board consider key for users of the financial statements.

[3] Net tangible asset backing per share is derived by dividing net tangible assets by the number of shares issued. Net tangible assets are net assets attributable to members of Caltex less intangible assets. The weighted average number of ordinary shares used in the calculation of net tangible assets per share was 261 million (2017: 261 million).

2018 HALF YEAR FINANCIAL REPORT

FOR

CALTEX AUSTRALIA LIMITED

ACN 004 201 307

The 2018 Half Year Financial Report for Caltex Australia Limited includes the:

- Directors' Report
- Directors' Declaration
- Independent Auditor's Review Report
- Half Year Financial Statements
- Notes to the Half Year Financial Statements

for the half year ended 30 June 2018.

Caltex Australia Group

For the purposes of this report, the Caltex Australia Group refers to:

- Caltex Australia Limited, the parent company of the Caltex Australia Group listed on the Australian Securities Exchange (ASX)
- major operating companies, including Caltex Australia Petroleum Pty Ltd
- wholly owned entities and other entities that are controlled by the Caltex Australia Group.

Please note that terms such as Caltex and Caltex Australia have the same meaning in this report as the Caltex Australia Group, unless the context requires otherwise.

THE 2018 HALF YEAR FINANCIAL REPORT SHOULD BE READ IN CONJUNCTION WITH THE 2017 FINANCIAL REPORT

Directors’ Report

Introduction

The Board of Caltex Australia Limited presents the 2018 Half Year Directors’ Report and the 2018 Half Year Financial Report for Caltex Australia Limited and its controlled entities (the Caltex Australia Group) for the Half Year ended 30 June 2018. An Independent Review Report from KPMG, Caltex’s external auditor, is also provided.

Board of directors

The following persons were on the Board of Caltex Australia Limited during the Half Year and up to the date of this report unless stated otherwise:

Steven Gregg	-	Chairman (Independent, Non-executive Director appointed on 9 October 2015; appointed Chairman from 18 August 2017)
Julian Segal	-	Managing Director & CEO (appointed 1 July 2009)
Trevor Bourne	-	Independent, Non-executive Director (appointed on 2 March 2006)
Mark Chellew	-	Independent, Non-executive Director (appointed 2 April 2018)
Melinda Conrad	-	Independent, Non-executive Director (appointed 1 March 2017)
Bruce Morgan	-	Independent, Non-executive Director (appointed 29 June 2013)
Barbara Ward AM	-	Independent, Non-executive Director (appointed 1 April 2015)
Penny Winn	-	Independent, Non-executive Director (appointed 1 November 2015)

The only change to the composition of the Caltex Board during the six month period ended 30 June 2018 was the appointment of Mark Chellew on 2 April 2018.

A biography of each Director is available on the Caltex website at www.caltex.com.au.

Review of Operations

Company Overview

Caltex, including predecessor companies, has safely and reliably fuelled the needs of Australian motorists and businesses for more than a century.

Caltex is one of Australia's leading transport fuel suppliers and convenience retailers and is listed on the Australian Securities Exchange. The head office is in Sydney, and the company has approximately 5,600 employees. 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.

The principal activities of Caltex during the year were the purchase, refining, distribution and sale of petroleum products and the operation of convenience stores throughout Australia and the north island of New Zealand under Gull NZ. Caltex has also formed a strategic partnership with SeaOil Philippines Inc. There were no significant changes in the nature of Caltex's principal activities or in the state of affairs during the half year.

At Lytton in Brisbane, Caltex manufactures fuels including LPG, petrol, diesel and jet fuel, lubricants, greases and other small amounts of fuel oil and speciality products. Caltex also buys refined products on the open market both overseas and locally through our shipping and trading entity Ampol. The products that Caltex manufactures and imports are marketed and distributed to retail and commercial consumers and are supplied via a network of pipelines, terminals, depots, barges and company-owned and contracted transport fleets.

Group strategy

Over the past five years, Caltex has transformed from a refiner-marketer through to a leading integrated transport fuels business, with a convenience retail business. In 2016, we launched our new vision, the "Freedom of Convenience", announcing our intention to continue our transformation from being the leading provider of transport fuels to a much more diverse organisation that operates across complex supply chains and the evolving retail convenience marketplace.

In 2017, Caltex made the decision to change its operating model by establishing two inter-dependent, but different businesses which require separate cultures, processes and systems, both with significant growth options. From 1 January 2018, the company has merged Supply, B2B, Refining and Infrastructure into one business unit (Fuels & Infrastructure) to better optimise our value chain. Convenience Retail will focus on the company's consumer-facing petrol and convenience (P&C) business.

The operating model review determined that controlling our core business is the best way to achieve our retail growth objectives. Company operation of this core business is key to accelerating the changes required to:

- provide a more consistent customer experience;
- roll out new platforms;
- standardise services; and
- simplify supply arrangements.

Caltex aims to transition all retail franchise sites to company operations by mid-2020.

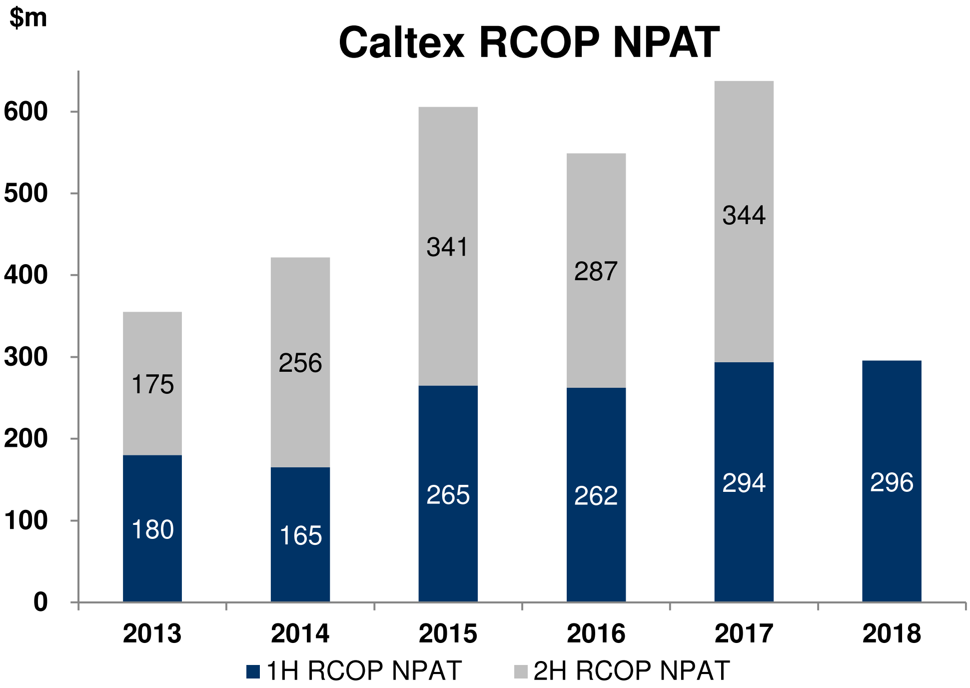
Caltex Group results 30 June 2018

On an historic cost profit basis, Caltex's after tax profit was $383 million for the first half of 2018. This compares favourably to the $265 million after tax profit for the first half of 2017. The 2018 half year includes crude and product inventory gains of $87 million after tax, compared with crude and product inventory losses of $31 million after tax for the half year to 30 June 2017.

A reconciliation of the underlying result (replacement cost of sales operating profit (RCOP) basis) to the statutory result is set out in the following table:

Reconciliation of the underlying result to the statutory result	June 2018 $m (after tax)	June 2017 $m (after tax) (restated)
Net profit attributable to equity holders of the parent entity	**383**	265
Add: Inventory (gain)/loss	**(87)**	31
Deduct: Significant items gain	**-**	(2)
RCOP NPAT (excluding significant items)	**296**	294

On a replacement cost of sales operating profit (RCOP)[1,2] basis, Caltex's after tax profit excluding significant items was $296 million for the first half of 2018. This compares with $294 million for the first half of 2017.



Dividend

The Board has declared an interim fully franked dividend of 57 cents per share for the first half of 2018, in line with the dividend policy pay-out ratio of 40%-60%. This compares to Caltex's 2017 interim dividend of 60 cents per share, fully franked. The record and payment dates for the interim dividend are referenced on page 2.

1. Replacement cost of sales operating profit (RCOP) excluding significant items (on a pre- and post-tax basis) is a non-International Financial Reporting Standards (IFRS) measure. It is derived from the statutory profit adjusted for inventory (gains)/losses, as management believes this presents a clearer picture of the company's underlying business performance, and is consistent with the basis of reporting commonly used within the global refineries industry. This is unaudited. RCOP excludes the unintended impact of the fall or rise in oil and product prices (a key external factor). It is calculated by restating the cost of sales using the replacement cost of goods sold rather than the historical cost, including the effect of contract based revenue lags.
2. Pricing lags on product sales has now been excluded from RCOP earnings, and now included in movement in inventory as a component of inventory gain/loss. While 2017 HCOP profits remain unchanged, there has been a minor change in 2017 RCOP profits. All references to RCOP have been restated within this document.

Income statement

For the half year ended 30 June 2018		2018 $m	2017 $m (restated)*
1.	Total revenue[1]	10,192	7,641
2.	Total expenses	(9,749)	(7,187)
	Replacement cost earnings before interest, tax and significant items[2]	**443**	**454**
	Finance income	1	2
	Finance expenses	(28)	(37)
3.	**Net finance costs**	**(27)**	**(35)**
	Income tax expense[2]	(120)	(125)
	Replacement cost of sales operating profit (RCOP) (excluding significant items)	**296**	**294**
4.	Significant items gain after tax	-	2
5.	Inventory gain/(loss) after tax	87	(31)
	Historical cost net profit after tax	**383**	**265**
	Interim dividend per share	57c	60c
	Final dividend per share	N/A	61c
	Basic earnings per share		
	- Replacement cost	113.3c	112.7c
	- Historical cost	146.7c	101.4c

Discussion and analysis – Income statement		
1.	**Total revenue** Total revenue increased primarily due to an increase in total sales volumes (1H18 10.2 billion litres vs 9.1 billion litres in 1H17) and the impact of higher average crude prices. Average Brent crude oil prices increased from weighted average US$52/bbl in the first half of 2017 compared to US$71/bbl in 2018. This was partly offset by the higher average Australian dollar during the 1H18 compared to 1H17 which results in lower Australian dollar revenue (2018: average 77.1 US cents vs 2017 average 75.4 US cents).	**↑ 33%**
2.	**Total expenses – replacement cost basis** Total expenses also increased primarily due to the same drivers for total revenue as above.	**↑ 36%**

[1] 2018 includes other income of $6 million (2017: $18 million). There have been no significant items recognised in 2018 (2017: $1 million loss, result of the announced establishment of the Franchisee Employee Assistance Fund ($20 million), offset by the profit on sale of Caltex's fuel oil business).

[2] 2018 excludes tax cost on inventory gain of $38 million (2017: $12 million tax loss).

* Product duties and taxes have been reclassified to be presented net in revenue. Appropriate disclosure has been included in the half year report of the reclassification of prior period comparative amounts.

Income statement (continued)

RCOP EBIT breakdown[1]

Lytton Refining Margin Lytton Refining Margin is the total of the Caltex Refiner Margin (CRM) and Lytton Other 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 basically represents: average Singapore refiner margin + product quality premium + crude discount / (premium) + product freight – crude freight – yield loss. The US dollar realised CRM was lower in the first half of 2018 at US$10.06/bbl compared with US$12.36/bbl for the first half of 2017 (-18.6%). In AUD terms, the CRM was 8.21 Australian cents per litre in 2018, compared with 10.31 Australian cents (-20.4%) per litre in 2017 driven by the higher USD margin, offset by a slightly higher AUD. CRM sales from production volumes were marginally higher in 1H18 (1H18: 3.2 billion litres vs. 1H17: 3.0 billion litres). Lytton Other Margin represents the net impact of other refinery inputs (e.g. feedstock, natural gas), outputs (e.g. non-CRM products and product variances) and other refinery ancillary items.	**$224m**
Fuels margin The fuels margin consists of the earnings on fuel products and represents the integrated sourcing, distribution and sales margin; wholesale and retail. Fuels margin has increased by $51 million primarily due to an increase in total Fuels and Infrastructure volumes of 12% to 10.2BL in 1H18. Domestic wholesale volumes increased by 6% (340ML) in 1H 2018, with increases in both diesel (~360ML) and jet (~100ML). International volumes increased by 87% to 1.8BL in 1H18 due to regional business growth (Ampol, Gull, Seaoil). Retail volumes have decreased 2.6% to 2.5 billion litres in 1H18. Petrol volumes decreased 5.4% to 1.24BL, partially offset by retail diesel growth of 2.1% to 1.17BL. Premium fuel sales represent 49% of total sales (1H17: 48%). There is an ongoing decline in unleaded petrol sales driven by a continued increase in sales of vehicles requiring diesel or premium grades of petrol.	**$725m**
Shop margin Shop margin represents the earnings from company operated sites, as well as franchise sites, other than fuel margin captured above. Shop margin has decreased in 1H18 by $17 million, which includes net $13m impact from the transition of franchise operated sites to company operations.	**$60m**
Rental and operating expenses Rental and operating expenses include Fuels and Infrastructure, Convenience Retail and Corporate operating expenditure. Rental and site expenses have increased by $11 million in 1H18, as a result of increased sites under lease, and underlying lease increases. Other operating expenses have increased by $10 million, due to costs associated with Group projects, including the new Woolworths fuel supply agreement and expanded partnership arrangement.	**($578m)**
Other Other includes a number of miscellaneous items that typically include: foreign exchange impacts, gain/loss on disposal of assets and subsidiary earnings.	**$12m**
RCOP EBIT excluding significant items	**$443m**

[1] The breakdown of RCOP shown here represents a management reporting view of the breakdown and, therefore, individual components may not reconcile to statutory accounts.

Income statement (continued)

Discussion and analysis – Income statement (continued)		
3.	**Net finance costs** Net finance costs decreased by $8 million compared with 2017. The key driver of the reduction in interest cost is due to interest savings from the hybrid redemption, which are partially offset by higher interest expense from increased average daily borrowings in 1H18 compared to 1H17.	↓ 23%
4.	**Significant items gain after tax** There were no significant items recognised in the first half of 2018. There were net significant items of $1 million loss ($2 million gain after tax) in the first half of 2017. The significant items are a result of the announced establishment of the Franchisee Employee Assistance Fund ($20 million), offset by the profit on sale of Caltex's fuel oil business. The tax gain in significant items is a result of the utilisation of prior period capital losses to partially offset tax expense on the profit on sale.	-
5.	**Inventory gain after tax** There was an inventory gain of $87 million after tax in the first half 2018. Caltex holds crude and product inventory. As these prices increase/decrease over time, there is a resulting inventory gain/loss impact to HCOP NPAT. Further, crude and product inventory holdings are denominated in US dollars and as the AUD exchange rate weakens compared to the US dollar, the result is that Caltex's inventory values increase from an Australian dollar perspective, and vice versa.	$87m

Business performance

Fuels & Infrastructure delivered an EBIT result of $314 million, below the guidance range of $315 to $335 million given a weaker than anticipated Caltex Refiner Margin (CRM)[1] in June. This result includes unfavourable externalities of $9 million, comprising a net realised loss (after hedging) on foreign exchange. The contribution from Gull and Seaoil totalled approximately $29 million EBIT during the half year.

Total Fuels & Infrastructure volumes increased by 12% to 10.2BL in 1H 2018. Domestic sales (Retail and Wholesale) grew by a net 3.5% (0.3BL) to 8.4BL, while International volumes (Gull, Ampol trading, Lytton exports) increased by 87% to 1.8BL, due to growth in Ampol activity and a full period of contribution from Gull. Wholesale volumes (B2B, Woolworths and other supply counterparties) have grown by 6%, underpinned by growth from B2B in both diesel and jet. Wholesale volumes excluding Woolworths have grown by 13%. Total sales volumes to Caltex Convenience Retail have fallen 2.6% to 2.5BL in 1H 2018.

Included in the Fuels & Infrastructure result is an EBIT contribution of $105 million from the Lytton Refinery for 1H 2018, down $44 million, largely due to a lower CRM. The average realised CRM for 1H 2018 was US$10.06 per barrel. This compares unfavourably with the 1H 2017 average of US$12.36/bbl. The refinery continues to operate reliably with total production of 3.22BL, the second highest half year total on record.

Convenience Retail delivered an EBIT result of $161 million, marginally above the 1H 2018 profit guidance of between $150 million and $160 million. Convenience Retail EBIT was down 14% on the same period last year due to the impact of rising crude and product prices on fuel margin, and impacts from the ongoing transition of franchise stores to company operations.

1. 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.

Business performance (continued)

Convenience Retail fuel volumes fell 2.6% to 2.5BL in the period, with a 6.4% reduction in petrol volumes (to 1.24BL) partially offset by 2.1% retail diesel demand growth (to 1.17BL). The agreements with Woolworths which include expanded loyalty and fuel redemption arrangements, as well as the new fuel partnerships with NRMA and Toyota, are expected to have a positive impact on future volumes. Caltex has also recently launched a national “FuelPay” app to make filling up at Caltex faster and easier for customers.

During 1H 2018, Caltex continued to focus on the transition of franchise sites to company operations, which will enable its Convenience Retail strategy. In 1H 2018 a further 82 franchise sites transferred to company operations, with a total of 414 sites within the 790 Caltex retail network now company operated. Caltex expects to company operate >88% of its entire network by the end of 2020.

The Foodary stores performance continues to improve, with increases in sales per store, gross margin and fuel volumes on a same store comparison basis. The learnings from The Foodary will be utilised in the co-creation with Woolworths of the new Metro convenience offer to be rolled out at Caltex sites. The first new Metro convenience store is expected to be opened in early 2019. As at 30 June 2018, 37 The Foodary sites are operational (an increase of 14 in 1H 2018), with a reduced total of 35-40 new The Foodary sites expected to be rolled out in 2018.

Corporate costs total of $31 million increased by $10 million on 1H 2017, above guidance of $23 million, given increased M&A and major project activities (Woolworths strategic partnership, the asset optimisation review, commercial separation, and other business development opportunities).

Balance sheet

as at 30 June 2018	Jun 2018 $m	Dec 2017 $m	Change $m
1. Working capital	984	595	389
2. Property, plant and equipment	2,797	2,818	(21)
3. Intangibles	526	517	9
4. Net debt	(1,041)	(814)	(227)
5. Other non-current assets and liabilities	70	(8)	78
Total equity	**3,337**	3,108	**229**

Discussion and analysis – Balance sheet

1. Working capital

↑ $389m

The increase in working capital represents:

- Higher product inventory held at terminals around the country and on water
- Higher crude and product prices at period end
- Lower current tax liabilities due to timing of payments
- Lower employee benefits provision due to timing of annual incentive payments.

2. Property, plant and equipment

↓ $21m

The decrease in property, plant and equipment is due to capital expenditure and accruals, including major cyclical maintenance, of $106 million which is partly offset by depreciation of $109 million and disposals of $18 million.

3. Intangibles

↑ $9m

Intangibles have increased primarily due to software additions of $19 million and an increase due to foreign currency translation difference of $2 million, which is partly offset by amortisation of $11 million and disposals of $1 million.

4 Net debt

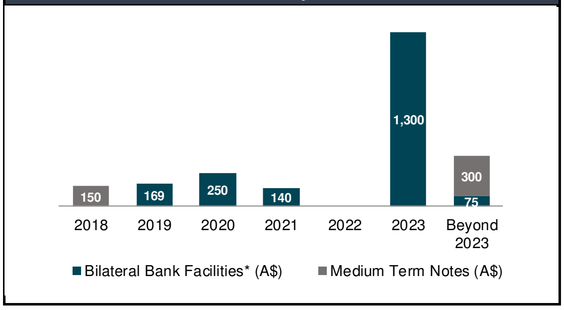
↑ $227m

Net debt increased by $227 million to $1,041 million at 30 June 2018, driven partly by the SeaOil investment of $99 million, and an increase in working capital. Caltex's gearing at 30 June 2018 (net debt to net debt plus equity) was 23.7%, increasing from 20.8% at 31 December 2017. On a lease-adjusted basis, gearing at 30 June 2018 was 37% compared with 36.1% at 31 December 2017.

Current Sources of Funding

	A$m	Source
Medium Term Notes	450	Australian and Asian institutional
Bilateral Bank Facilities*	1,934	Global banks
	$2,384m	

Debt Maturity Profile



**AUD equivalent. Includes $250m Inventory Finance Facilities. Bank Facilities contain an 'evergreen provision' to facilitate extensions.*

5. Other non-current assets and liabilities

↑ $78m

Other non-current assets and liabilities increased due to SeaOil Investment, partly offset by a decrease in deferred tax asset.

Cash flows

	For the half year ended 30 June 2018	2018 $m	2017 $m	Change $m
1.	Net operating cash inflows	140	97	43
2.	Net investing cash outflows	(205)	(236)	31
3.	Net financing cash inflows/(outflows)	55	(36)	91
	Net decrease in cash held	**(10)**	**(175)**	**165**

Discussion and analysis – Cash flows		
1.	**Net operating cash inflows** The increase in net cash inflows from operating activities reflects primarily timing differences in receipts from customers net of payments for crude and product and impact on working capital.	↑ **$43m**
2.	**Net investing cash outflows** Net investing cash outflows were lower in 1H18 primarily due to lower capital spend.	↓ **$31m**
3.	**Net financing cash inflows/(outflows)** Net financing cash inflows in 1H18 were lower due to bank facilities drawn at balance date of $85 million, offset by the establishment of $300M Medium Term Note in 1H18. In addition dividends paid in 1H18 were $23 million higher than the comparative period.	↑ **$91m**

Business risks and management

There have been no material changes to the description of Caltex's business risks and management as included in the Operating and Financial Review included in the Annual Report as at 31 December 2017.

Events subsequent to the end of the period

Woolworths Supply Agreement

On 5 July 2018, Caltex announced that it entered into a new fuel supply agreement with Woolworths and expanded its partnership with Woolworths to include the co-creation of a market-leading convenience offering as well as long term wholesale grocery supply, loyalty and redemption arrangements.

The new long term wholesale fuel supply agreement ensures the safe and reliable supply of high quality fuels to Woolworths for the next 15 years. In consideration of Woolworths entering into the new wholesale fuel supply agreement, Caltex made a one-off payment of $50 million in July 2018.

Caltex and Woolworths will co-create and rollout a co-branded market-leading convenience offering under the Metro banner across up to 250 Caltex sites, with 50 sites rolled out within the first two years.

Caltex and Woolworths have also entered into a range of agreements in relation to wholesale grocery supply, Caltex's participation in the Woolworths Rewards program as a core partner, and an expanded redemption program.

There were no other items, transactions or events of a material or unusual nature, that are likely to significantly affect the operations of Caltex, the results of those operations or the state of affairs of the Group that have arisen in the period from 30 June 2018 to the date of this report.

Rounding of Amounts

Caltex Australia Limited is an entity to which Australian Securities and Investments Commission Class Order 2016/191 (CO2016/191) applies. Amounts in the 2018 Half Year Directors' Report and the 2018 Half Year Financial Report have been rounded off to the nearest thousand dollars (unless otherwise stated) in accordance with CO2016/191.

The Directors' Report is made in accordance with a resolution of the Board of Caltex Australia Limited:

Steven Gregg Chairman	Julian Segal Managing Director & CEO

Sydney, 28 August 2018

Lead Auditor's Independence Declaration

under Section 307C of the *Corporations Act 2001*

To the directors of Caltex Australia Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Caltex Australia Limited for the half-year ended 30 June 2018 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Julian McPherson
Partner

Sydney, 28 August 2018

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Directors’ Declaration

The Board of Caltex Australia Limited has declared that:

(a) in the directors’ opinion, there are reasonable grounds to believe that Caltex Australia Limited will be able to pay its debts as and when they become due and payable; and

(b) in the directors’ opinion, the consolidated financial statements for the Caltex Australia Group for the half year ended 30 June 2018, and the notes to the financial statements, are in accordance with the Corporations Act, including:

   (i) section 304 (compliance with Accounting Standards); and

   (ii) section 305 (true and fair view).

The Directors’ Declaration is made in accordance with a resolution of the Board of Caltex Australia Limited.

Steven Gregg
Chairman

Julian Segal
Managing Director & CEO

Sydney, 28 August 2018

Independent Auditor's Review Report

To the shareholders of Caltex Australia Limited

Report on the half-year Financial Report

Conclusion

We have reviewed the accompanying ***Half-year Financial Report*** of Caltex Australia Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Caltex Australia Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2018 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Half-year Financial Report*** comprises:

- Consolidated balance sheet as at 30 June 2018
- Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated cash flow statement for the Half-year ended on that date
- Notes including a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Group*** comprises Caltex Australia Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- for such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor’s responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group’s financial position as at 30 June 2018 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Caltex Australia Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

KPMG

Julian McPherson

Partner

Sydney

28 August 2018

Financial statements

Contents

Consolidated income statement

for the half year ended 30 June 2018

Thousands of dollars	Note	30 June 2018	30 June 2017 (restated)[1]
Revenue	B1	**10,185,566**	7,623,260
Cost of goods sold – historical cost		**(8,994,813)**	(6,636,836)
Gross profit		**1,190,753**	986,424
Other income	B1	**6,156**	17,591
Net foreign exchange losses		**(8,628)**	(32,586)
Selling and distribution expenses		**(506,811)**	(432,958)
General and administration expenses		**(115,067)**	(130,623)
Results from operating activities		**566,403**	407,848
Finance costs		**(27,882)**	(37,568)
Finance income		**688**	2,266
Net finance costs	B2	**(27,194)**	(35,302)
Share of net profit of entities accounted for using the equity method		**1,968**	1,359
Profit before income tax expense	B3.3	**541,177**	373,905
Income tax expense		**(157,999)**	(108,065)
Net profit		**383,178**	265,840
Profit attributable to:			
Equity holders of the parent entity		**382,548**	264,533
Non-controlling interest		**630**	1,307
Net profit		**383,178**	265,840
Basic and diluted earnings per share:			
Historical cost – cents per share	B4	**146.7**	101.4

The consolidated income statement for the half year ended 30 June 2018 includes no significant items (2017:$1m net loss before tax). Details of these items are disclosed in note B1.

The consolidated income statement is to be read in conjunction with the notes to the financial statements.

[1] Refer to Note A6 for further information.

Consolidated statement of comprehensive income

for the half year ended 30 June 2018

Thousands of dollars	30 June 2018	30 June 2017
Profit for the period	**383,178**	265,840
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Actuarial (loss)/gain on defined benefit plans	**(909)**	2,390
Tax on items that will not be reclassified to profit or loss	**273**	(717)
Total items that will not be reclassified to profit or loss	**(636)**	1,673
Items that may be reclassified subsequently to profit or loss:		
Foreign operations – foreign currency translation differences	**24,583**	(23,368)
Net change in fair value of net investment hedges	**(1,745)**	-
Effective portion of changes in fair value of cash flow hedges	**5,759**	(39,107)
Net change in fair value of cash flow hedges reclassified to profit or loss	**(5,357)**	39,613
Tax on items that may be reclassified subsequently to profit or loss	**(140)**	(152)
Total items that may be reclassified subsequently to profit or loss	**23,100**	(23,014)
Other comprehensive income/(loss) for the period, net of income tax	**22,464**	(21,341)
Total comprehensive income for the period	**405,642**	244,499
Attributable to:		
Equity holders of the parent entity	**405,012**	243,192
Non-controlling interest	**630**	1,307
Total comprehensive income for the period	**405,642**	244,499

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the financial statements.

Consolidated balance sheet

as at 30 June 2018

Thousands of dollars	Note	30 June 2018	31 December 2017
Current assets			
Cash and cash equivalents		**34,197**	44,521
Receivables		**1,245,300**	922,420
Inventories		**2,037,973**	1,694,915
Other		**61,887**	65,767
Total current assets		**3,379,357**	2,727,623
Non-current assets			
Receivables		**12,465**	10,887
Investments accounted for using the equity method		**129,982**	11,360
Intangibles		**526,342**	516,866
Property, plant and equipment		**2,797,382**	2,818,353
Deferred tax assets		**224,111**	244,073
Employee benefits		**3,293**	3,233
Other		**26,012**	22,825
Total non-current assets		**3,719,587**	3,627,597
Total assets		**7,098,944**	6,355,220
Current liabilities			
Payables		**2,138,904**	1,735,254
Interest bearing liabilities	C1	**150,167**	270,269
Current tax liabilities		**65,660**	151,948
Employee benefits		**68,375**	93,677
Provisions		**88,094**	107,521
Total current liabilities		**2,511,200**	2,358,669
Non-current liabilities			
Payables		**27,612**	10,855
Interest bearing liabilities	C1	**925,050**	588,652
Employee benefits		**38,603**	37,318
Provisions		**259,299**	251,825
Total non-current liabilities		**1,250,564**	888,650
Total liabilities		**3,761,764**	3,247,319
Net assets		**3,337,180**	3,107,901
Equity			
Issued capital	C3	**524,944**	524,944
Treasury stock		**(2,466)**	(1,210)
Reserves		**(13,882)**	(39,511)
Retained earnings		**2,814,471**	2,610,195
Total parent entity interest		**3,323,067**	3,094,418
Non-controlling interest		**14,113**	13,483
Total equity		**3,337,180**	3,107,901

The consolidated balance sheet is to be read in conjunction with the notes to the financial statements.

Consolidated statement of changes in equity

for the half year ended 30 June 2018

Thousands of dollars	Issued capital	Treasury stock	Foreign currency translation reserve	Hedging reserve	Equity compen-sation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2017	524,944	(344)	15,620	(1,267)	(22,308)	2,280,754	2,797,399	12,816	2,810,215
Total comprehensive income for the half year									
Profit for the period	-	-	-	-	-	264,533	264,533	1,307	265,840
Total other comprehensive income/(loss)	-	-	(23,368)	354	-	1,673	(21,341)	-	(21,341)
Total comprehensive income/(loss) for the half year	-	-	(23,368)	354	-	266,206	243,192	1,307	244,499
Own shares acquired, net of tax	-	(9,904)	-	-	1,715	-	(8,189)	-	(8,189)
Shares vested to employees	-	9,632	-	-	(9,632)	-	-	-	-
Expense on equity settled transactions	-	-	-	-	674	-	674	-	674
Dividends to shareholders	-	-	-	-	-	(135,621)	(135,621)	-	(135,621)
Balance at 30 June 2017	524,944	(616)	(7,748)	(913)	(29,551)	2,411,339	2,897,455	14,123	2,911,578
Balance at 1 January 2018, as previously reported	**524,944**	**(1,210)**	**(12,912)**	**(1,196)**	**(25,403)**	**2,610,195**	**3,094,418**	**13,483**	**3,107,901**
Adjustment*	**-**	**-**	**-**	**-**	**-**	**(18,542)**	**(18,542)**	**-**	**(18,542)**
Restated balance at 1 January 2018	**524,944**	**(1,210)**	**(12,912)**	**(1,196)**	**(25,403)**	**2,591,653**	**3,075,876**	**13,483**	**3,089,359**
Total comprehensive income for the half year									
Profit for the period	**-**	**-**	**-**	**-**	**-**	**382,548**	**382,548**	**630**	**383,178**
Total other comprehensive income/(loss)	**-**	**-**	**22,838**	**262**	**-**	**(636)**	**22,464**	**-**	**22,464**
Total comprehensive income/(loss) for the half year	**-**	**-**	**22,838**	**262**	**-**	**381,912**	**405,012**	**630**	**405,642**
Own shares acquired, net of tax	**-**	**(1,565)**	**-**	**-**	**(745)**	**-**	**(2,310)**	**-**	**(2,310)**
Shares vested to employees	**-**	**309**	**-**	**-**	**(309)**	**-**	**-**	**-**	**-**
Expense on equity settled transactions	**-**	**-**	**-**	**-**	**3,583**	**-**	**3,583**	**-**	**3,583**
Dividends to shareholders	**-**	**-**	**-**	**-**	**-**	**(159,094)**	**(159,094)**	**-**	**(159,094)**
Balance at 30 June 2018	**524,944**	**(2,466)**	**9,926**	**(934)**	**(22,874)**	**2,814,471**	**3,323,067**	**14,113**	**3,337,180**

*Refer to Note A4 for further information.

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements.

Consolidated cash flow statement
for the half year ended 30 June 2018

Thousands of dollars	Note	**30 June 2018**	30 June 2017
Cash flows from operating activities			
Receipts from customers		**11,219,737**	10,985,372
Payments to suppliers, employees and governments		**(10,835,045)**	(10,696,278)
Shares acquired for vesting employee benefits		**(1,565)**	(9,904)
Dividends and disbursements received		**100**	200
Interest received		**679**	2,214
Interest and other finance costs paid		**(26,591)**	(29,988)
Income taxes paid		**(217,061)**	(154,506)
Net operating cash inflows		**140,254**	97,110
Cash flows from investing activities			
Purchase of investment in associate		**(98,673)**	-
Purchase of businesses, net of cash acquired		**(1,174)**	(97,992)
Purchases of property, plant and equipment		**(95,816)**	(142,699)
Major cyclical maintenance		**(9,533)**	(13,177)
Purchases of intangibles		**(18,019)**	(7,451)
Net proceeds from sale of property, plant and equipment		**17,255**	24,876
Net investing cash outflows		**(205,960)**	(236,443)
Cash flows from financing activities			
Proceeds from borrowings		**3,774,645**	1,560,000
Repayments of borrowings		**(3,560,060)**	(1,460,000)
Repayment of finance lease principal		**(109)**	(99)
Dividends paid	B5	**(159,094)**	(135,621)
Net financing cash inflows/(outflows)		**55,382**	(35,720)
Effect of exchange rate changes on cash and cash equivalents		**3,546**	-
Decrease in cash and cash equivalents		**(13,870)**	(175,053)
Net decrease in cash and cash equivalents		**(10,324)**	(175,053)
Cash and cash equivalents at the beginning of the period		**44,521**	244,857
Cash and cash equivalents at the end of the period		**34,197**	69,804

The consolidated cash flow statement is to be read in conjunction with the notes to the financial statements.

Notes to the financial statements
for the half year ended 30 June 2018

A Overview

A1 Reporting entity

Caltex Australia Limited (the Company) is a Company limited by shares, incorporated and domiciled in Australia. The shares of Caltex are publicly traded on the Australian Securities Exchange. The 2018 Half Year Financial Report for the six months ended 30 June 2018 comprises the Company and its controlled entities (together referred to as the "Caltex Group") and the Caltex Group's interest in associates and jointly controlled entities. The Caltex Group is a for-profit entity and is primarily involved in the purchase, refining, distribution and marketing of petroleum products and the operation of convenience stores.

A2 Basis of preparation

The 2018 Half Year Financial Report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 and Accounting Standard AASB 134 "Interim Financial Reporting". This Half Year Financial Report is to be read in conjunction with the 2017 Financial Report and any public announcements by Caltex Australia Limited during the half year in accordance with continuous disclosure obligations under the Corporations Act 2001 and the Australian Securities Exchange (ASX) Listing Rules. The 2018 Half Year Financial Report was approved and authorised for issue by the Board of Directors on 28 August 2018.

This is the first set of the Group's financial statements where AASB 15 Revenue from Contracts with Customers ("AASB 15") and AASB 9 Financial Instruments ("AASB 9") have been applied.

The Company is of a kind referred to in ASIC Class Order 2016/191 dated 24 March 2016 and in accordance with that Class Order, amounts in the consolidated financial report and Directors' Report have been rounded to the nearest thousand dollars, unless otherwise stated.

The 2018 Half Year Financial Report has been prepared on an historical cost basis except for derivative financial instruments that are stated at their fair value.

Except as described below in note A4, the accounting policies applied in these interim financial statements are consistent with those applied as at and for the year ended 31 December 2017, and have been consistently applied by each entity in the Caltex Group.

A3 Use of judgment and estimates

The preparation of a consolidated financial report in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the Caltex Group. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. These are consistent with those applied as part of the 31 December 2017 Annual Financial Report. The Half Year Financial Report does not include full note disclosures of the type required in an annual financial report.

A4 Changes in significant accounting policies

AASB 15 Revenue from contracts with customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced *AASB 118 Revenue* and related interpretations.

The Group has performed a review of all revenue and income streams including assessment of sales contracts across different major customers to identify any potential pricing or performance obligations which are impacted by the new standard. Based on this review, the Group did not identify any material difference in the timing or amount of revenue recognition.

Under Caltex's previous accounting policy up front initial franchising fees were recognised on receipt. Under AASB 15 franchisees fees will be deferred on balance sheet and recognised in the income statement over the term of the franchise agreement. This adjustment resulted in an increase to deferred revenue of $26.5 million at 1 January 2018 and a corresponding reduction in retained earnings and deferred tax asset. The corresponding impact of the adjustment if this treatment was applied in 2017 would have resulted in a $1 million increase to profit after tax.

The Group has adopted AASB 15 using the cumulative effect method (using practical expedients in paragraphs C7 and C7A), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated as a result of the application of AASB 15.

Notes to the financial statements
for the half year ended 30 June 2018

A Overview (continued)

A4 Changes in significant accounting policies (continued)

AASB 9 Financial Instruments

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces *AASB 139 Financial Instruments: Recognition and Measurement*.

The Group performed a review of its current classification and measurement of financial assets and liabilities as well as hedge transactions for compliance with the requirements of the new standard. Based on this review, the Group did not identify any material change to the classification or measurement of financial instruments.

The Group has elected to adopt the new general hedge accounting model in AASB 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. Existing hedge relationships have continued to qualify as continuing hedge relationships following adoption of the new standard.

AASB 9 introduces an expected credit loss model for impairment of financial assets. The Group has reviewed the requirements of the 'expected credit loss' model and did not identify any material difference in the level of the required provision.

Caltex has adopted AASB 9 retrospectively to items that existed at the date of initial application – 1 January 2018. The overall impact of adopting AASB 9 is not material and as such, no opening balance adjustment is required.

A5 New accounting standards not yet effective

The Group has not elected to early adopt any new standards or amendments.

The Group is currently examining the impacts of AASB 16 Leases ("AASB 16") which applies from 1 January 2019. The Group has selected a system solution which is currently in the process of implementation. The system will capture all leases and perform the accounting entries in compliance with all aspects of the new standard. The Group has completed an initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. The actual impact of applying AASB 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 January 2019, the composition of the Group's lease portfolio at that date, and the extent to which the Group chooses to use practical expedients and recognition exemptions.

To date, the most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases of Convenience Retail sites. The nature of the expenses related to those leases will change because AASB 16 replaces the straight line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. No significant impact is expected for the Group's finance leases.

A6 Reclassifications

Certain comparative amounts in the Consolidated Income Statement have been reclassified for consistency with the current period's presentation. These include:

- A decrease of $2,518,421,000 in Revenue and Cost of goods sold – historical cost to present product duties and taxes on a net basis; and
- A decrease in Selling and Distribution expenses of $47,561,000 and an increase in General and Administration expenses to better reflect the nature of these costs.

Notes to the financial statements

for the half year ended 30 June 2018 (continued)

B Results for the half year

This section highlights the performance of the Group for the half year, including revenue and other income, costs and expenses, results by operating segment, earnings per share and dividends.

B1 Revenue and other income

Revenue

Sale of goods

Revenue from the sale of goods in the ordinary course of activities is measured at the fair value of consideration received or receivable, net of product duties and taxes, rebates, discounts and allowances.

Gross sales revenue excludes amounts collected on behalf of third parties such as goods and services tax (GST). Sales revenue is recognised when customers gain control, which is the date products are delivered to the customer.

Other revenue

Rental income from leased sites is recognised in the consolidated income statement on a straight-line basis over the term of the lease. Franchise fee income is deferred and recognised over the term of the agreement. Royalties are recognised as they accrue in accordance with the substance of the agreement.

Dividend income is recognised at the date the right to receive payment is established.

Other income

Net profit on disposal of property, plant and equipment

The profit on disposal of property, plant and equipment is brought to account at the date a contract of sale is settled, because it is at this time that:

- the costs incurred or to be incurred in respect of the sale can be measured reliably, and
- the control of ownership of the property, plant and equipment have been transferred to the buyer.

Assets that are held for sale are carried at the lower of the net book value and fair value less cost to sell.

Thousands of dollars	**30 June 2018**	30 June 2017 (restated)
Revenue		
Sale of goods	**10,052,134**	7,462,703
Other revenue		
Rental income	**22,143**	36,474
Royalties and franchise income	**36,164**	51,064
Transaction and merchant fees	**51,337**	51,711
Other	**23,788**	21,308
Total other revenue	**133,432**	160,557
Total revenue	**10,185,566**	7,623,260
Other income		
Net gain on sale of property, plant and equipment	**6,156**	17,591

Significant items

No significant items were recognised in the half year ended 30 June 2018.

In 2017, there were net significant items of $1 million loss ($2 million gain after tax). The significant items are a result of the announced establishment of the Franchisee Employee Assistance Fund ($20 million), offset by the profit on sale of Caltex's fuel oil business. The tax gain in significant items is a result of the utilisation of carried forward capital losses to partially offset taxes paid on the profit on sale.

Notes to the financial statements
for the half year ended 30 June 2018 (continued)

B Results for the half year (continued)

B1 Revenue and other income

B1.1 Revenue from products and services

Thousands of dollars	30 June 2018	30 June 2017
Petrol	**3,351,221**	2,793,789
Diesel	**4,475,280**	3,181,742
Jet	**1,193,344**	852,551
Lubricants	**120,280**	114,270
Specialty and other products	**119,360**	142,243
Crude	**554,881**	274,551
Non-fuel income and rebates	**237,768**	103,557
Other revenue	**133,432**	160,557
	10,185,566	7,623,260

B2 Costs and expenses

Thousands of dollars	30 June 2018	30 June 2017
Finance costs		
Interest expense	**24,724**	28,829
Finance charges on capitalised leases	**16**	32
Unwinding of discount on provisions	**3,362**	9,700
Less: capitalised finance costs	**(220)**	(993)
Finance costs	**27,882**	37,568
Finance income	**(688)**	(2,266)
Net finance costs	**27,194**	35,302
Depreciation and amortisation:		
Amortisation of intangibles	**11,196**	7,596
Depreciation and amortisation (excluding intangibles)	**108,890**	98,916
Total amortisation and depreciation expense	**120,086**	106,512

B3 Segment reporting

B3.1 Segment disclosures

The accounting policies used by the Group in reporting segments are consistent with those applied as part of the 31 December 2017 Financial Report. As a result of the decision to change the operating model, the Group has changed its internal organisation and the composition of its reportable segments. Accordingly, the Group has restated the operating segment information for the half year ended 30 June 2017.

Types of products and services

The following summary describes the operations in each of the Group's reportable segments:

Convenience Retail

The Convenience Retail segment includes revenues and costs associated with Fuels and Shop offerings at Caltex's network of stores, including royalties and franchise fees on remaining franchise stores.

Fuels & Infrastructure

The Fuels and Infrastructure segments includes revenues and costs associated with the integrated wholesale fuels and lubricants supply for Caltex, including the company's international businesses. This includes Lytton refinery, Supply including Ampol Trading and Shipping, B2B sales including the Woolworths supply agreement, infrastructure, and the Gull and SeaOil businesses.

Notes to the financial statements
for the half year ended 30 June 2018 (continued)

B Results for the half year (continued)

B3 Segment reporting (continued)

B3.2 Information about reportable segments

	Convenience Retail		Fuels & Infrastructure		Total operating segments	
Thousands of dollars	**30 June 2018**	30 June 2017 (restated)	**30 June 2018**	30 June 2017 (restated)	**30 June 2018**	30 June 2017 (restated)
External segment revenue	**2,400,087**	2,031,554	**7,785,479**	5,591,706	**10,185,566**	7,623,260
Inter-segment revenue	**-**	-	**1,785,383**	1,533,061	**1,785,383**	1,533,061
Total segment revenue	**2,400,087**	2,031,554	**9,570,862**	7,124,767	**11,970,949**	9,156,321
Replacement Cost of Sales Operating Profit (RCOP) before interest and income tax*	**160,824**	187,190	**313,558**	286,876	**474,382**	474,066

B3.3 Reconciliation of reportable segment profit or loss

Thousands of dollars	**30 June 2018**	30 June 2017 (restated)
Profit or loss		
Segment RCOP before interest and income tax, excluding significant items	**474,382**	474,066
Other expenses	**(30,959)**	(20,545)
RCOP before interest and income tax, excluding significant items	**443,423**	453,521
Significant items	**-**	(950)
Inventory gains/(losses) and pricing lags	**124,318**	(44,671)
Consolidated historical cost profit before interest and income tax	**567,741**	407,900
Net financing costs	**(27,194)**	(35,302)
Net profit attributable to non-controlling interest	**630**	1,307
Consolidated profit before income tax	**541,177**	373,905

* Replacement Cost Operating Profit (RCOP) (on a pre and post tax basis) is a non-International Financial Reporting Standards (IFRS) measure. It is derived from the statutory profit adjusted for inventory (losses)/gains as management believes this presents a clearer picture of the company's underlying business performance as it is consistent with the basis of reporting commonly used within the global downstream oil industry. This is un-audited. RCOP excludes the unintended impact of the fall or rise in oil and product prices (key external factors). It is calculated by restating the cost of sales using the replacement cost of goods sold rather than the historical cost, including the effect of contract based revenue lags.

B Results for the half year (continued)

B4 Earnings per share

Cents per share	**30 June 2018**	30 June 2017 (restated)
Historical cost	**146.7**	101.4
RCOP excluding significant items	**113.3**	112.7

Weighted average number of shares (thousands)	**30 June 2018**	30 June 2017
Issued shares as at 1 January	**260,811**	260,811
Issued shares as at 30 June	**260,811**	260,811
Weighted average number of shares as at 30 June	**260,811**	260,811

The calculation of historical cost basic earnings per share for the period ended 30 June 2018 was based on the net profit attributable to ordinary shareholders of the parent entity of $382,548,000 (2017: $264,533,000) and a weighted average number of ordinary shares outstanding during the period ended 30 June 2018 of 261 million shares (2017: 261 million shares).

The calculation of RCOP excluding significant items basic earnings per share for the half year ended 30 June 2018 was based on the net RCOP profit attributable to ordinary shareholders of the parent entity of $295,525,000 (2017 (restated): $293,828,000) and a weighted average number of ordinary shares outstanding as disclosed during the period ended 30 June 2018 of 261 million shares (2017: 261 million shares). RCOP is calculated by adjusting the statutory profit for significant items and inventory gains and losses as follows:

Thousands of dollars	**30 June 2018**	30 June 2017 (restated)
Net profit after tax attributable to equity holders of the parent entity	**382,548**	264,533
Adjust: Significant items gains after tax	**-**	(1,974)
Adjust: Inventory (gains)/losses after tax	**(87,023)**	31,269
RCOP excluding significant items after tax	**295,525**	293,828

There are no dilutive potential ordinary shares, and therefore diluted earnings per share equals basic earnings per share.

Notes to the financial statements

for the half year ended 30 June 2018 (continued)

B Results for the half year (continued)

B5 Dividends declared or paid

Dividends recognised in the current year by the Company are:

	Date of payment	Franked/ unfranked	Cents per share	Total amount $'000
2018				
Final 2017	6 April 2018	Franked	61	159,094
Total amount				159,094
2017				
Interim 2017	6 October 2017	Franked	60	156,486
Final 2016	31 March 2017	Franked	52	135,621
Total amount			112	292,107

Subsequent events

Since 30 June 2018, the directors declared the following dividend. The dividend has not been provided for and there are no income tax consequences for the Group in relation to first half 2018.

Interim 2018	11 September 2018	Franked	**57**	**148,663**

C Capital, funding and risk management

C1 Interest bearing liabilities

Thousands of dollars	30 June 2018	31 December 2017
Current		
Bank facilities	**-**	120,154
Capital market borrowings	**149,965**	149,923
Lease liabilities	**202**	192
	150,167	270,269
Non-current		
Bank facilities	**626,780**	588,495
Capital market borrowings	**298,216**	-
Lease liabilities	**54**	157
	925,050	588,652

Interest bearing liabilities are initially recorded at fair value, less transaction costs. Subsequently, interest bearing liabilities are measured at amortised cost, using the effective interest method. Any difference between proceeds received net of transaction costs and the amount payable at maturity is recognised over the term of the borrowing using the effective interest method.

Significant Funding Transactions

During the first half of 2018, the Group issued a seven year $300 million Australian dollar Medium Term Note. The Group also extended the tenor on $1,489 million (AUD equivalent) of its existing bilateral bank facilities and upsized its bank facilities by $320 million.

C Capital, funding and risk management (continued)

C2 Fair value of financial assets and liabilities

The Group's accounting policies and disclosures may require the measurement of fair values for both financial and non-financial assets and liabilities. The Group has an established framework for fair value measurement. When measuring the fair value of an asset or a liability, the Group uses market observable data where available.

Fair values are categorised into different levels in a fair value hierarchy based on the following valuation techniques:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability are categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The fair value of cash, cash equivalents and non-interest-bearing financial assets and liabilities approximates their carrying value due to their short maturity.

Fair values of recognised financial assets and liabilities with their carrying amounts shown in the balance sheet are as follows:

Thousands of dollars		Asset/(Liability)			
30 June 2018	**Carrying amount**	**Fair value total**	**Quoted market price (Level 1)**	**Observable inputs (Level 2)**	**Non-market observable inputs (Level 3)**
Interest bearing liabilities					
Bank facilities (i)	(626,780)	(624,316)	-	(624,316)	-
Capital market borrowings (ii)	(448,181)	(453,659)	-	(453,659)	-
Lease liabilities (iii)	(256)	(267)	-	(267)	-
Derivatives					
Interest rate swaps (iv)	(1,441)	(1,441)	-	(1,441)	-
Foreign exchange contracts (forwards, swaps and options) (iv)	3,397	3,397	-	3,397	-
Crude and finished product swap and future contracts (iv)	(21,760)	(21,760)	-	(21,760)	-
Total	(1,095,021)	(1,098,046)	-	(1,098,046)	-

Thousands of dollars		Asset/(Liability)			
31 December 2017	**Carrying amount**	**Fair value total**	**Quoted market price (Level 1)**	**Observable inputs (Level 2)**	**Non-market observable inputs (Level 3)**
Interest bearing liabilities					
Bank facilities (i)	(708,649)	(707,948)	-	(707,948)	-
Capital market borrowings (ii)	(149,923)	(156,107)	-	(156,107)	-
Lease liabilities (iii)	(349)	(372)	-	(372)	-
Derivatives					
Interest rate swaps (iv)	(1,000)	(1,000)	-	(1,000)	-
Foreign exchange contracts (forwards, swaps and options) (iv)	(8,913)	(8,913)	-	(8,913)	-
Crude and finished product swap and future contracts (iv)	(30,644)	(30,644)	-	(30,644)	-
Total	(899,478)	(904,984)	-	(904,984)	-

C Capital, funding and risk management (continued)

C2 Fair value of financial assets and liabilities (continued)

Estimation of fair values

(i) Bank facilities

The fair value of bank facilities is estimated as the present value of future cash flows using the applicable market rate.

(ii) Capital market borrowings

The fair value of capital market borrowings is determined by using an independent broker quotation.

(iii) Lease liabilities

The fair value is estimated as the present value of future cash flows using the Group's risk free rate.

(iv) Derivatives

Interest rate swaps
The fair value of interest rate swap contracts is the estimated amount that the Group would receive or pay to terminate the swap at balance date taking into account current interest rates and credit adjustments.

Foreign exchange contracts (forwards, swaps and options)
The fair value of forward exchange contracts (forwards, swaps) is calculated by reference to current forward exchange rates for contracts with similar maturity profiles as at reporting date. The fair value of foreign currency option contracts is determined using standard valuation techniques.

Crude and finished product swap and future contracts
The fair value of crude and product swap and future contracts is calculated by reference to market prices for contracts with similar maturity profiles at reporting date.

C3 Issued capital

Thousands of dollars	**30 June 2018**	31 December 2017
Ordinary shares		
Shares on issue at beginning of period – fully paid	**524,944**	524,944
Shares on issue at end of period – fully paid	**524,944**	524,944

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of the winding up of Caltex, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

Caltex grants performance rights to senior executives, see the 2017 Financial Report for further detail. For each right that vests, Caltex intends to purchase shares on-market following vesting.

D Group structure

D1 Business combinations

2018

There were no business combinations during the half year ended 30 June 2018.

2017

Gull New Zealand

On 22 December 2016, Caltex entered into an agreement to purchase Gull New Zealand for NZ$340 million (A$330 million). The acquisition delivers on Caltex's strategic plan as it optimises Caltex's infrastructure position, builds trading and shipping capability, grows the supply base and enhances Caltex's retail fuel offering through low risk entry into a new market.

The acquisition was completed on 3 July 2017 and had the following effect on the Group's assets and liabilities:

Thousands of dollars	Recognised values
Intangibles	**37,896**
Property, plant and equipment	**63,295**
Inventories	**34,790**
Other assets	**8,190**
Liabilities	**(37,815)**
Net identifiable assets and liabilities	**106,356**
Goodwill on acquisition	**222,728**
Consideration transferred	**(329,871)**
Cash acquired	**787**
Net cash outflow	**(329,084)**

Milemaker Petroleum

On 4 November 2016, Caltex entered into an agreement to purchase Milemaker Petroleum's retail fuel business assets in Victoria for $95 million. The acquisition secured Caltex's existing network in Victoria and provides a stronger platform from which to provide new and improved customer offerings in the convenience marketplace.

The acquisition was completed on 8 May 2017 and had the following effect on the Group's assets and liabilities:

Thousands of dollars	Recognised values
Property, plant and equipment	**10,220**
Inventories	**3,888**
Deferred tax assets	**25,141**
Liabilities	**(3,621)**
Net identifiable assets and liabilities	**35,628**
Goodwill on acquisition	**59,717**
Consideration paid, satisfied in cash	**(95,345)**
Net cash outflow	**(95,345)**

As part of the acquisition of Milemaker, a deferred tax asset was recognised in respect of future deductible amounts.

D1 Business combinations (continued)

Nashi Sandwich and Coffee Bar

Caltex acquired Nashi Sandwich and Coffee Bar, a Melbourne based high street retailer with nine outlets. The acquisition was completed on 9 March 2017 and had the following effect on the Group's assets and liabilities:

Thousands of dollars	Recognised values
Property, plant and equipment	**781**
Inventories	**162**
Liabilities	**(1,363)**
Net identifiable assets and liabilities	**(420)**
Goodwill on acquisition	**3,067**
Consideration paid, satisfied in cash	**(2,658)**
Cash acquired	**11**
Net cash outflow	**(2,647)**

Details of entities over which control has been gained or lost during the period

2018

There were no entities over which control was gained or lost during the half year ended 30 June 2018.

2017

On 24 January 2017, Caltex registered CAL Group Holdings NZ Limited and Terminals NZ Limited. Gull New Zealand Limited was acquired on 3 July 2017.

There were no other entities over which control was gained or lost during the half year ended 30 June 2017.

D2 Investments accounted for using the equity method

Name	Country of incorporation	% interest 30 June 2018	% interest 31 December 2017
Investments in associates and joint ventures			
Airport Fuel Services Pty. Limited	Australia	**40**	40
Australasian Lubricants Manufacturing Company Pty Ltd (i)	Australia	**50**	50
Cairns Airport Refuelling Service Pty Ltd (iii)	Australia	**33**	25
Car Next Door Australia Pty Ltd	Australia	**20**	20
Event Group Holdings Pty Limited (ii)	Australia	**49**	49
Event Group Holdings Unit Trust (ii)	Australia	**49**	49
Geraldton Fuel Company Pty Ltd	Australia	**50**	50
Kitchen Food Company Pty Limited (ii)	Australia	**49**	49
Kitchen Food Company Unit Trust (ii)	Australia	**49**	49
SEAOIL Philippines Inc. (iv)	Philippines	**20**	-

(i) Australasian Lubricants Manufacturing Company Pty Ltd ceased joint venture operations on 17 April 2015.
(ii) Effective 3 May 2017.
(iii) Caltex increased interest to 33.33% with effect from 28 December 2017.
(iv) On 1 March 2018, Caltex acquired a 20% shareholding in SEAOIL Philippines Inc for A$114 million, with A$99 million paid to 30 June 2018.

The companies listed in the above table have a 31 December balance date and are principally concerned with the sale, marketing and/or distribution of fuel products and the operation of convenience stores.

E Other information

E1 Commitments

Thousands of dollars	30 June 2018	31 December 2017
Capital expenditure contracted but not provided for in the financial report and payable	**46,592**	16,645

E2 Related party disclosures

There were no material related party disclosures during the half year ended 30 June 2018.

Other arrangements with related parties continue to be in place. For details on these arrangements refer to the 2017 Financial Report.

E3 Net tangible assets per share

Dollars	30 June 2018	31 December 2017
Net tangible assets per share	**10.72**	9.88

Net tangible assets are net assets attributable to members of Caltex less intangible assets. The weighted average number of ordinary shares used in the calculation of net tangible assets per share was 261 million (2017: 261 million).

E4 Events after the reporting date

Woolworths Supply Agreement

On 5 July 2018, Caltex announced that it entered into a new fuel supply agreement with Woolworths and expanded its partnership with Woolworths to include the co-creation of a market-leading convenience offering as well as long term wholesale grocery supply, loyalty and redemption arrangements.

The new long term wholesale fuel supply agreement ensures the safe and reliable supply of high quality fuels to Woolworths for the next 15 years. In consideration of Woolworths entering into the new wholesale fuel supply agreement, Caltex made a one-off payment of $50 million in July 2018.

Caltex and Woolworths will co-create and rollout a co-branded market-leading convenience offering under the Metro banner across up to 250 Caltex sites, with 50 sites rolled out within the first two years.

Caltex and Woolworths have also entered into a range of agreements in relation to wholesale grocery supply, Caltex's participation in the Woolworths Rewards program as a core partner, and an expanded redemption program.

There were no other items, transactions or events of a material or unusual nature, that, in the opinion of the Board, are likely to significantly affect the operations of Caltex, the results of those operations or the state of affairs of the Group that have arisen in the period from 30 June 2018 to the date of this report.

E5 Taxation

At the date of this report, the Australian Taxation Office (ATO) had not determined the extent to which earnings from the Group's Singaporean entities would be subject to income tax in Australia under the regime for the taxation of controlled foreign company income. Due to the uncertainty of the ATO's determination, the Group has estimated and recognised tax liabilities for 2014 to date based on the income tax rate of 30%, being the Australian corporate income tax rate. The Singaporean corporate income tax rate is 17%; however due to some of the Group's Singaporean entities' status as Global Trader Companies, specified income of those entities is subject to a lower tax rate. Under an administrative agreement made with the ATO 50% of the differential between the earnings taxable under the Australian and Singaporean taxation rates have been paid pending resolution of the matter. If the outcome of the ATO's decision is in Caltex's favour, an amount of income tax expense recognised to date could be written back in future periods. If the tax matter is resolved such that the ATO's position is sustained there would be no impact on the Caltex income statement.