

12 March 2020

## TRADING AND CALTEX REFINER MARGIN UPDATE

### Trading Update

Caltex Australia Limited (ASX: CTX) (**Caltex**) is monitoring the impacts from market responses to COVID-19 on regional refining margins, crude and product demand both globally and in Caltex's markets (including Australian hydrocarbon demand).

Australian jet fuel demand has been impacted by flight cancellations domestically and internationally. As advised at the 2019 full year results on 25 February 2020, we have been seeing demand reduction of jet fuel of 5-10% for the Australian industry. Recent reports by airlines, including announcements from Qantas about reduced capacity and services, indicate that demand may drop further in coming weeks.

We are not yet able to see any clear impacts on demand in the Australian gasoline and diesel markets related to COVID-19 due to the broad range of customers and the different influences on demand.

Convenience Retail has benefited from stronger industry margin conditions, which has offset the earnings impact from lower volumes arising from the combination of bushfires, floods and weaker economic activity. It is too early to tell how oil price falls and COVID-19 will impact this market.

### Caltex Refiner Margin Update (February 2020)

Caltex advises its Caltex Refiner Margin (CRM<sup>1</sup>) in respect of CRM sales from production for February 2020.

	February 2020	January 2020	February 2019
CRM	US\$4.14/bbl	US\$5.78/bbl	US\$7.34/bbl
CRM sales from production	505ML	551 ML	549ML

The February 2020 CRM was US\$4.14/bbl, below the January 2020 CRM of US\$5.78/bbl and the prior year comparative (February 2019: US\$7.34/bbl). CRM sales from production in February 2020 of 505 ML, is below January 2020 and February 2019.

The February 2020 Caltex Singapore Weighted Average Margin (SWAM) was US\$9.95/bbl, which was lower than the January 2020 SWAM of US\$10.43/bbl. SWAM was lower given soft global demand for gasoline and distillates, largely due to responses to COVID-19.

February CRM was collectively impacted by the continuation of higher landed crude oil premiums (crude oil premiums and crude freight impacts), caused by the transition to the new IMO 2020 fuel specifications, and lower refiner margins impacted by global demand.

Caltex's crude purchases for March and April were also committed during the periods of higher sweet crude oil premiums, which means landed crude oil premiums are expected to remain elevated through these two months. Since these commitments were made, global crude markets have seen a significant decline in crude oil demand due largely to market responses to COVID-19, which in turn has caused reductions in crude price and associated premiums. The market impacts from these demand reductions have been further compounded by the current commitments made by OPEC and other oil producers to maintain current production levels.

In the short term, regional refiner margins are at risk of continuing to be impacted by lower global demand for hydrocarbons. However, the scope of this risk will depend on the extent of refining run cuts implemented. Caltex will continue to make decisions about make or buy to maximise value creation from the integrated supply chain.

Guidance for Lytton CRM sales from production in 2020 remains unchanged at 6.0BL.

YTD February	2020	2019
CRM	US\$4.99/bbl	US\$7.00/bbl
CRM sales from production	1,055ML	1,014 ML

**Authorised for release by:** the Board of Caltex Australia Limited.

#### Notes

1. 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 is calculated in the following manner:

Weighted Singapore product prices (for a standard Caltex basket of products)

Less: Reference crude price (the Caltex reference crude marker is Dated Brent)

Equals: Singapore Weighted Average Margin (Dated Brent basis)

Plus: Product quality premium

Crude discount

Product freight

Less: Crude premium

Crude freight

Yield Loss

Equals: Caltex Refiner Margin

The Caltex Refiner Margin is converted to an Australian dollar basis using the prevailing average monthly exchange rate.

CRM is just one contributor to the EBIT earnings (excluding significant items) of the Lytton refinery, which is part of Fuels and Infrastructure.

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