2019 Half Year Results

27 August 2019

Caltex Australia Limited

ACN 004 201 307

CALTEX

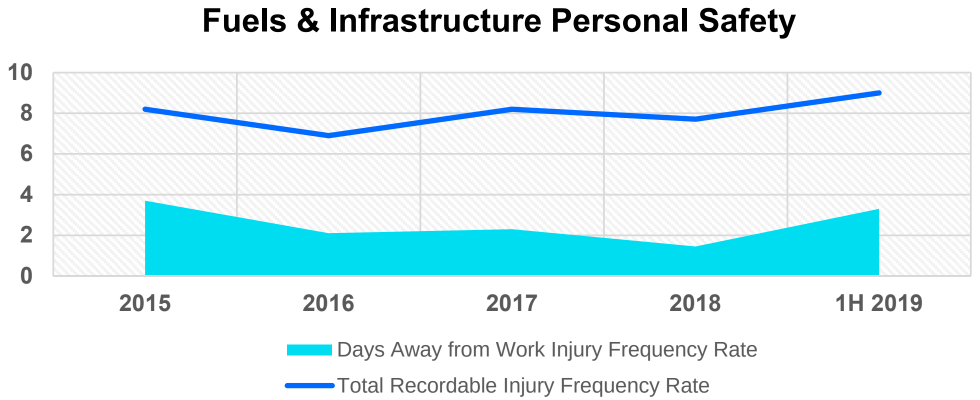
Introduction and overview

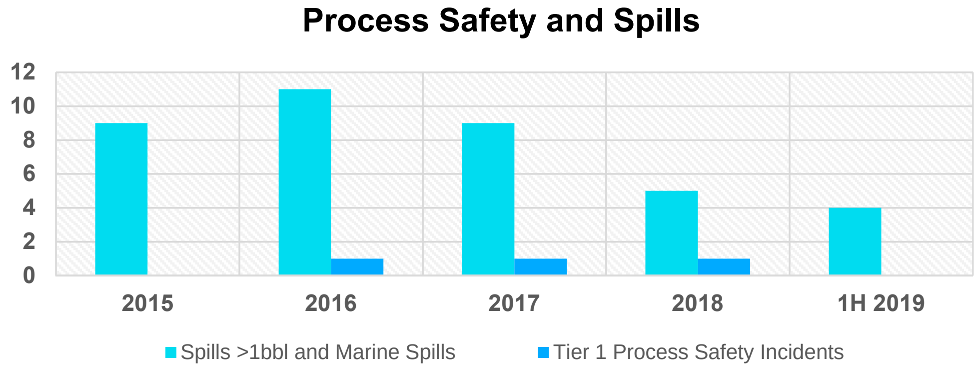
Julian Segal

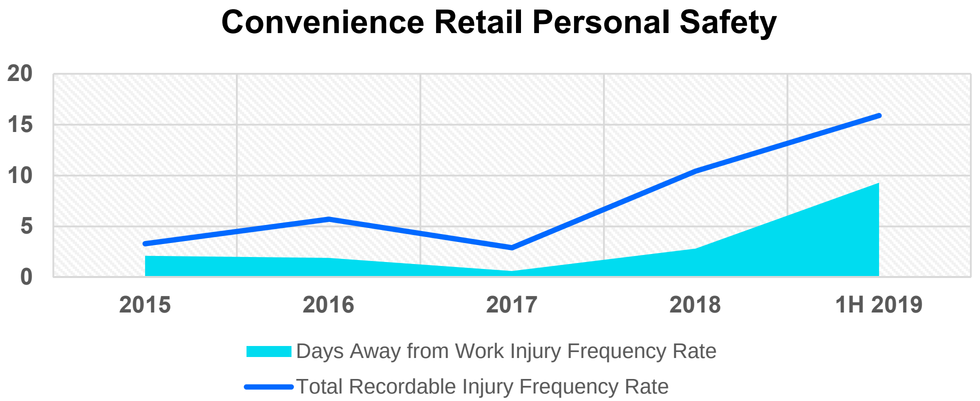
MD and CEO

The safety of our people and customers is our priority

We remain focused on enhancing safety of the sites being transitioned







- Strong record in F&I continues
- Retail continues to focus on:
  - Improving safety culture and performance as sites transition to Company operation
  - Addressing the increase in low consequence injuries

For definition of Tier 1 process safety incidents, refer to API Recommended Practice 754

1H 2019 result inline with guidance

Weak market conditions in refining and retail have delivered a disappointing 1H result, Caltex is taking action

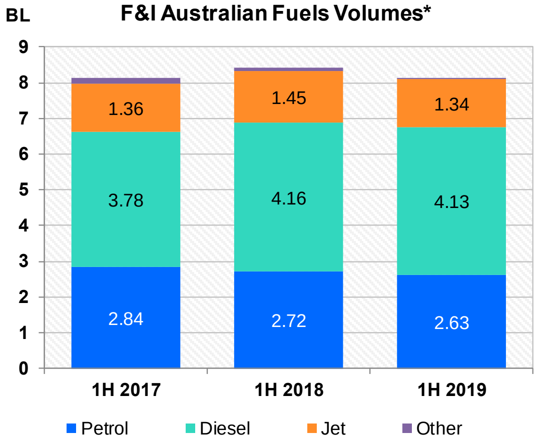
	1H 2019	1H 2018	% ∆ 1H 2018
EBIT – Fuels & Infrastructure (Ex Lytton)*	$192m	$209m	-8%
EBIT – Fuels & Infrastructure (Lytton)	$1m	$105m	-99%
EBIT – Convenience Retail	$85m	$161m	-47%
RCOP EBIT – Group	$255m	$443m	-42%
RCOP NPAT – Group	$135m	$296m	-55%
HCOP NPAT – Group	$155m	$383m	-59%
Dividend (Declared)	32 cps	57 cps	-44%
Dividend Payout Ratio	59%	50%	+18%
Net Borrowings	$1,264m	$1,041m	+21%

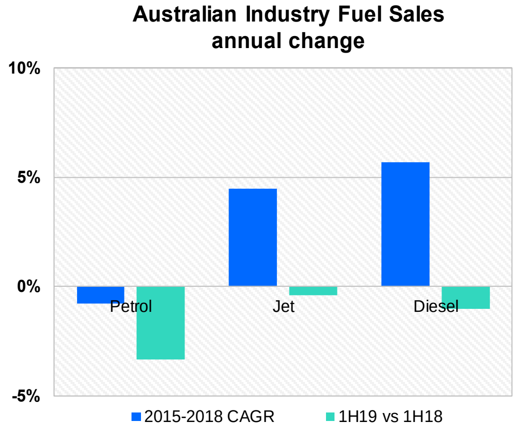
Caltex is Taking Action

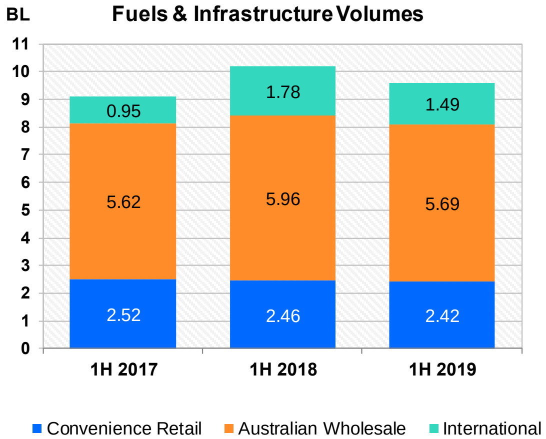
- Focusing on strict capital return hurdles to deliver a sustainable uplift in ROCE
- Cost out program to deliver $100m p.a. savings**
- 2019 capex revised down to $300m
- Applying learnings from The Foodary and larger company-operated network in a strategic review:
  - Completed for 550 sites, with 500 sites that best match our convenience retail strategy
  - 50 sites to be divested
  - Further work on remainder of network to determine best way to serve customers and create value

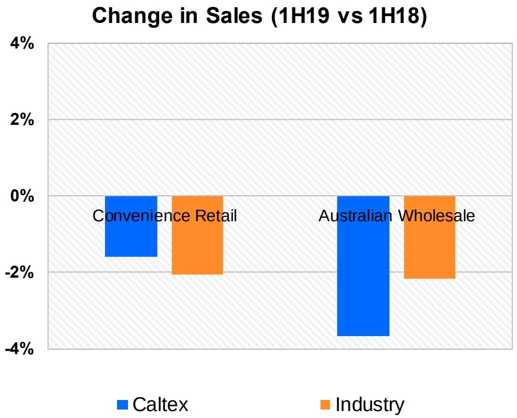
* Includes $40m impact from repriced Woolworths (now EG Group) contract
** Savings are for whole of Caltex and will impact both business units and the corporate group.

Markets and volumes are challenging, but we are well positioned









Wholesale Fuel

- Australian total fuel demand down 2.2% on pcp, driven by economic weakness (Agriculture activity^ –6%, Construction activity# –12%)
- Economic activity strongly linked to diesel demand, where Caltex is overweight (vs. industry). Industry forecasts expect diesel growth to return to trend
- Caltex has ~30% market share in diesel and jet
- Lower International volumes in 1H19, given soft demand conditions have impacted lower margin third party sales

Convenience Retail Fuel

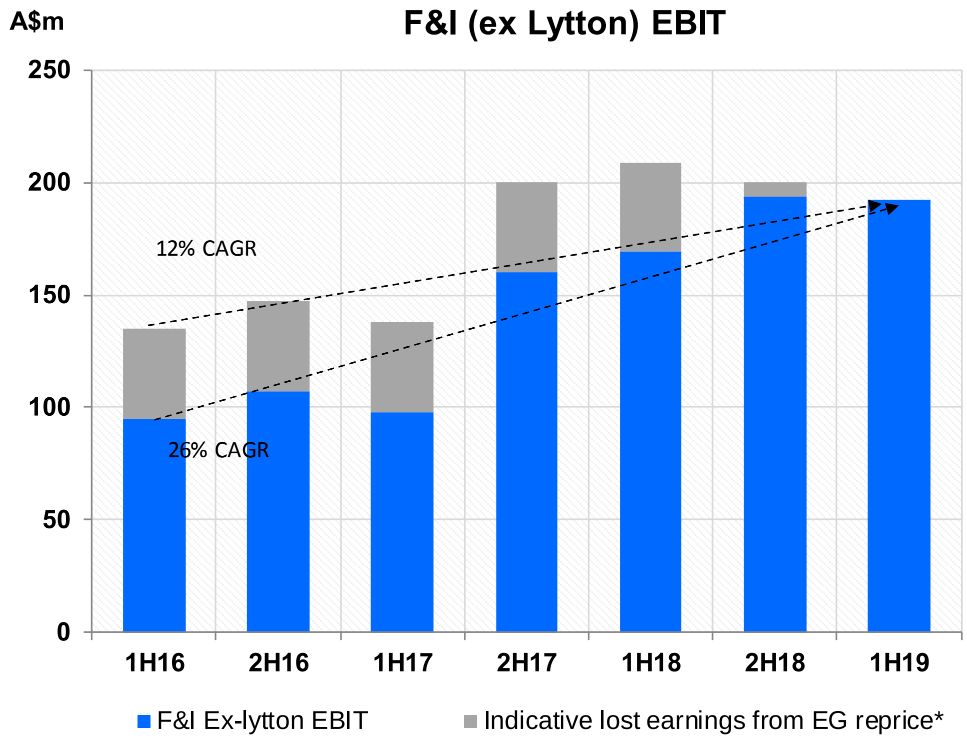
- Industry retail demand down 2.1% on pcp; Caltex decline lower than industry
- Caltex disciplined on pricing, regaining retail market share and growing premium fuel volumes to ensure margin optimised

Note* Australian fuels volumes include Australian Wholesale and Convenience Retail

Sources: ^ABARES total farm volume performance in 2018/19, #ABS total engineering construction value of work, Mar-Q vs pcp

F&I delivered a solid underlying result in a weak market

F&I delivered a strong underlying result in weak market conditions, building on track record



- EG supply contract re-price reduced EBIT by ~$40million vs pcp
- International EBITDA increased 11% on pcp, Gull network expanded to 91 retail sites (+4 sites compared to pcp)
- Market conditions supported Ampol sourcing gasoline out of region, extracting incremental value to offset softness in Australian wholesale market
- Value captured from the gasoline market conditions in the first half not anticipated to repeat

Note*: Indicative lost earnings, reflecting the lost earnings between 1H18 and 1H19

Focus on cost discipline will deliver $100m in savings by end 2020

Taking action on costs to deliver a Caltex that is fit for the future

- Operating cost out program of $100m* p.a. by the end of 2020; run-rate to be >50% by end 2019
- Savings are roughly split equally between Corporate, Convenience Retail and Fuels & Infrastructure
- Savings are sustainable and low risk
- Efficiency improvement has been a key driver of F&I improvement over last 5 years, opportunity to expand across group
- 2019 capex revised down to $300m reflecting renewed discipline

Examples:

Labour efficiency

Lytton FCC catalyst optimisation

Head office relocation (2021)

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* Excludes natural group cost inflation, program been based on 2018 earnings baseline

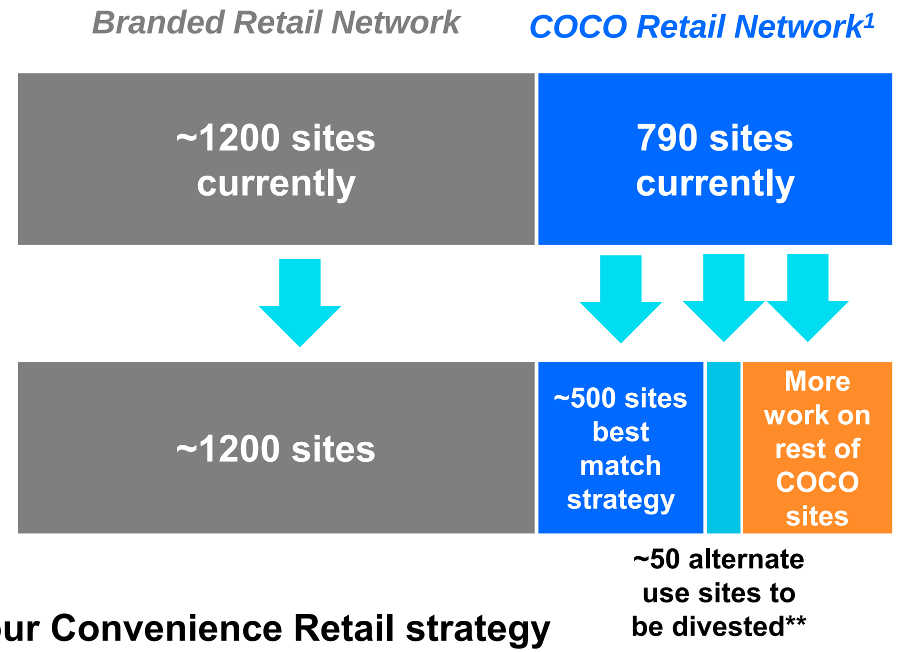
Convenience Retail network strategic review

Apply learnings gained from The Foodary and larger company-operated network

Assessment criteria for strategic review

1 Mini-market	Mini-market overlay assessing fuel and convenience competitors (majors, supers, QSR, other convenience)
2 Site characteristics	Sites that are best matched to Convenience Retail opportunity
3 Network Synergies	Network segmentation assessing geographic footprint, and where Caltex is the most efficient operator
4 ROCE	Current or future capacity to achieve > 15% "live" ROCE*
5 Alternate Use	Is site worth more for alternative development?

500 sites best match our strategy, more work on remaining sites



We are enhancing our focus on sites that best match our Convenience Retail strategy and maintaining our presence across our branded network of ~2,000 sites

1 Note: future state post all remaining CORO transitions
* Includes adjustment to include property marked to market; strategic review for sites not meeting criteria
** 31 to be divested by end 2019

Convenience Retail update

Progressing implementation of our strategy by leveraging Foodary learnings and Woolworths partnership to enhance customer offer and provide right format for each location

- Caltex is confident with the progression of its convenience retail strategy, and still anticipates it will deliver a meaningful growth opportunity
- We are incorporating our learnings from the Foodary to enhance our format delivery and shop range:
  - Quality fuel range, complemented with shop offer that understands local market preferences and unmet market opportunity, including QSR
  - Right format for each location
- The learnings from the past two years and results of the review indicate the previously guided EBIT uplift target of $120m-150m by 2024 will not be met.
- Caltex will take the necessary time to ensure the disciplined execution of the strategy, and will provide further updates as the retail strategy is executed

Caltex – high quality resilient business with a focus on capital discipline

Large resilient cash flow from core business

- ✓ Transport fuels focused
- ✓ Strong competitive advantages
- ✓ Predictable demand growth profile
- ✓ Cash generative business

Targeted action to manage market dynamics

- ✓ Clear options to improve cash flows
- ✓ Capital discipline integrated in operations
- ✓ $100m p.a. cost-out by 2020
- ✓ Maintain strong investment grade credit rating

Focus on capital discipline
To grow earnings in CR and F&I, where returns compare favourably to next best use of capital

Commitment to maintaining 50-70% dividend payout ratio
Where surplus capital exists, additional capital returns will be considered (e.g. 2016 & 2019 OMBBs)

Top Quartile TSR is the overarching objective

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Group financial result

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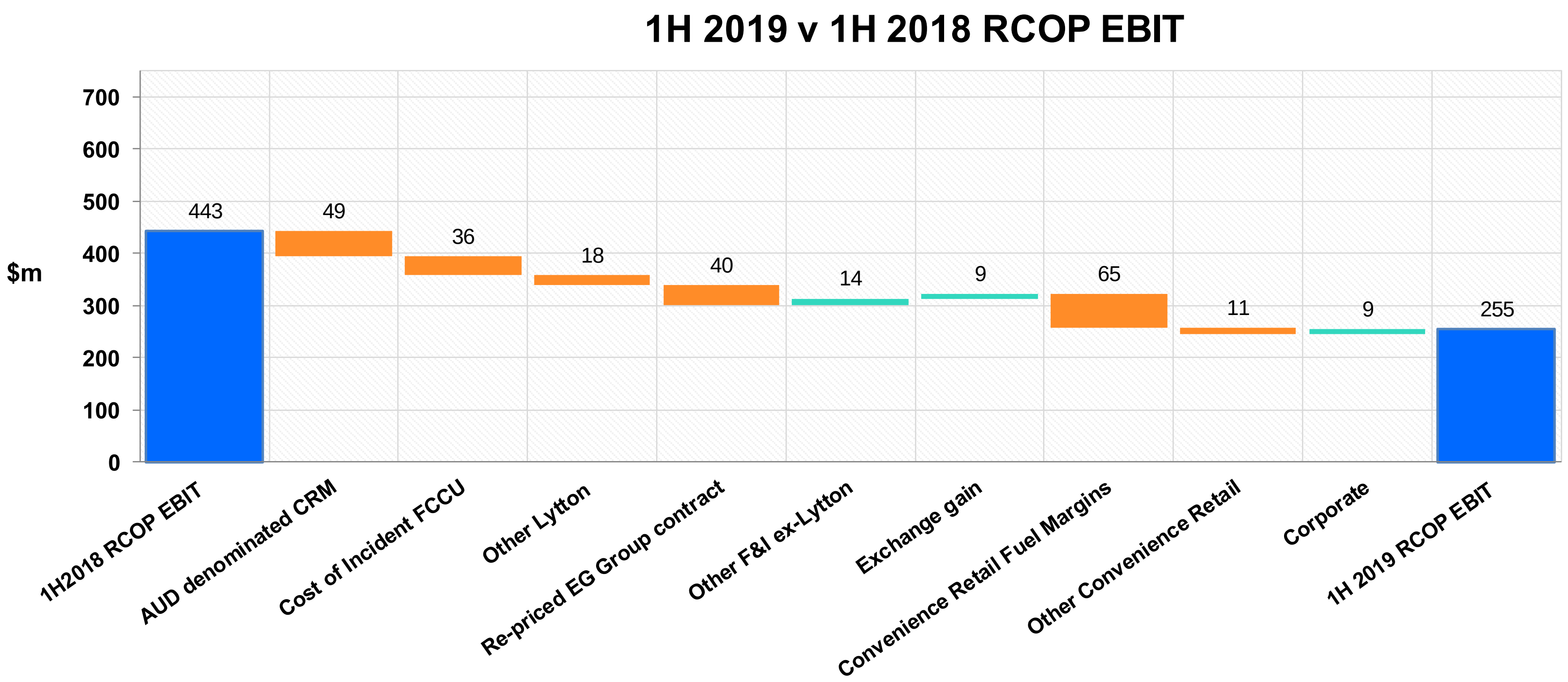
Matt Halliday

CFO

1H 2019 driven by weak economic conditions

Weak refining and retail margins, Lytton outage, EG contract re-price



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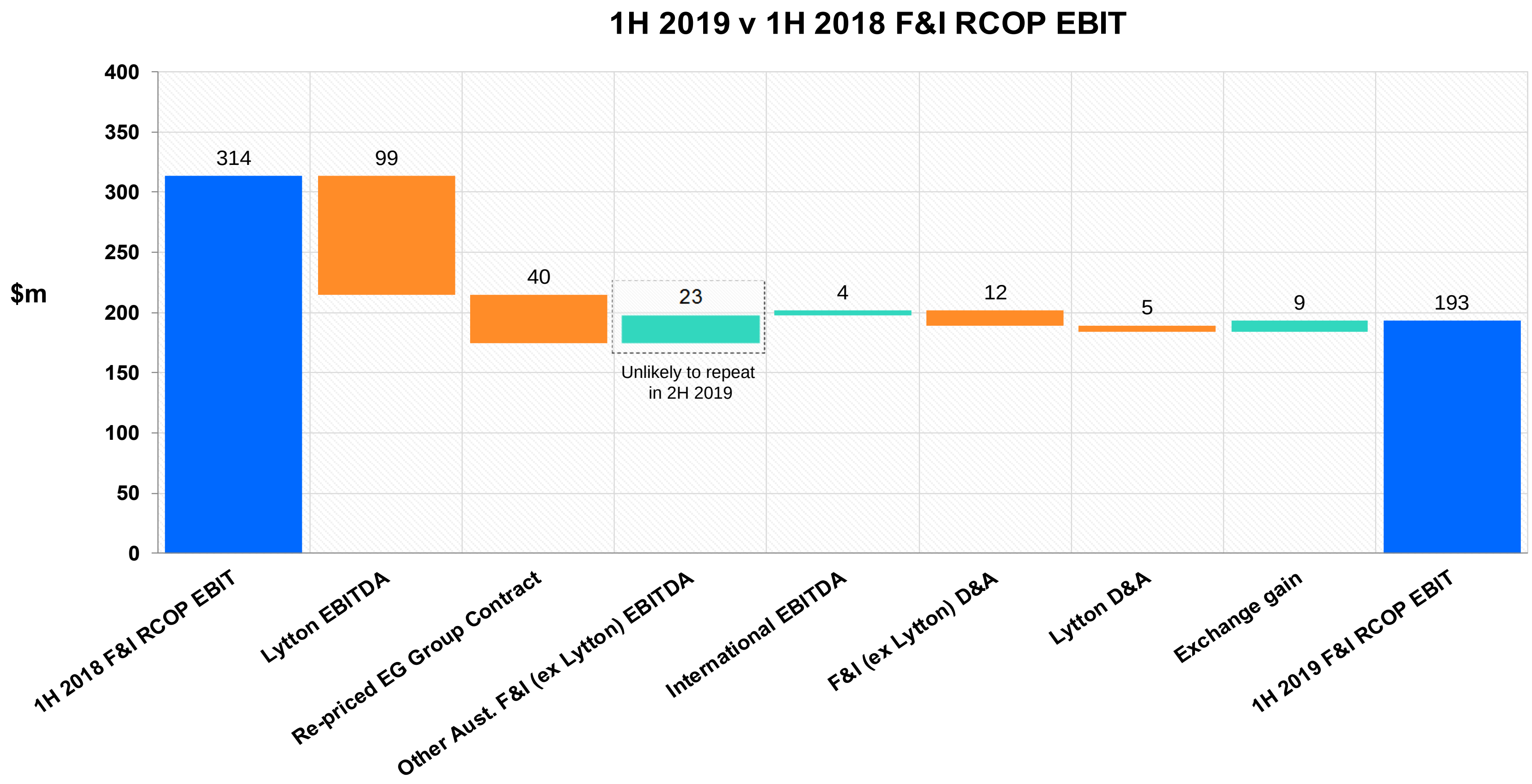
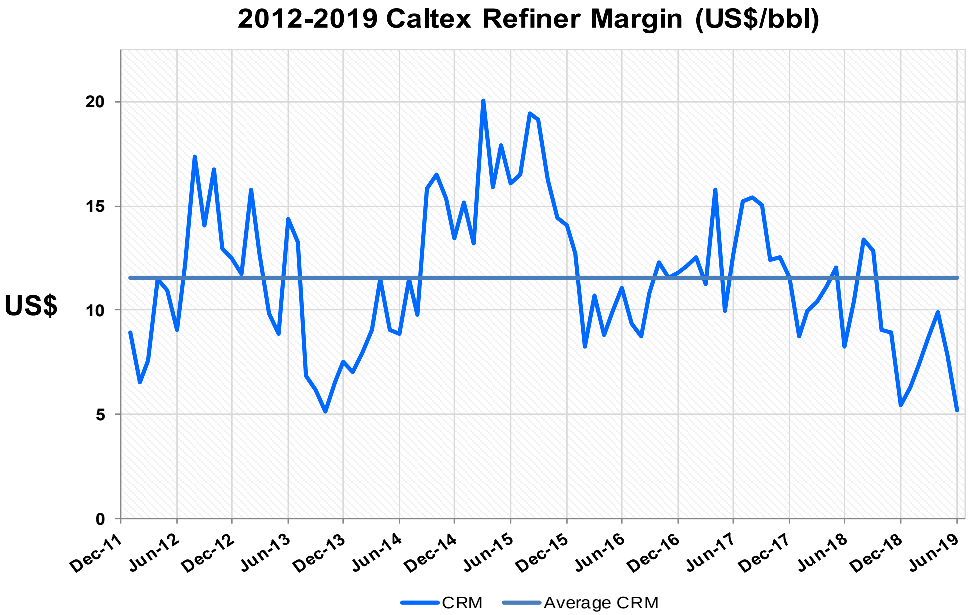
Fuels & Infrastructure highlights

Weak refining margins, Lytton power outage and EG contract re-price partially offset by F&I underlying performance



Refining margins are at historical lows

Managing refining margins through product mix and rate optimisation



- CRM of US$7.50/bbl in 1H 2019, -US$2.57/bbl pcp
- Managing current lower margins by optimising:
  - Production level and mix
  - Reduced intermediate feedstock purchases
  - Amended Crude slate
  - Production vs. import balance
- Higher landed crude prices currently impacting CRM
- 2019 CRM sales expected to be ~5.5BL, due to previously advised shutdowns and economic decision to reduce feedstock purchases.
- Annual T&I concluded in August
- Freight differential and premiums for Australian grade products provide ongoing protection to Lytton's earnings

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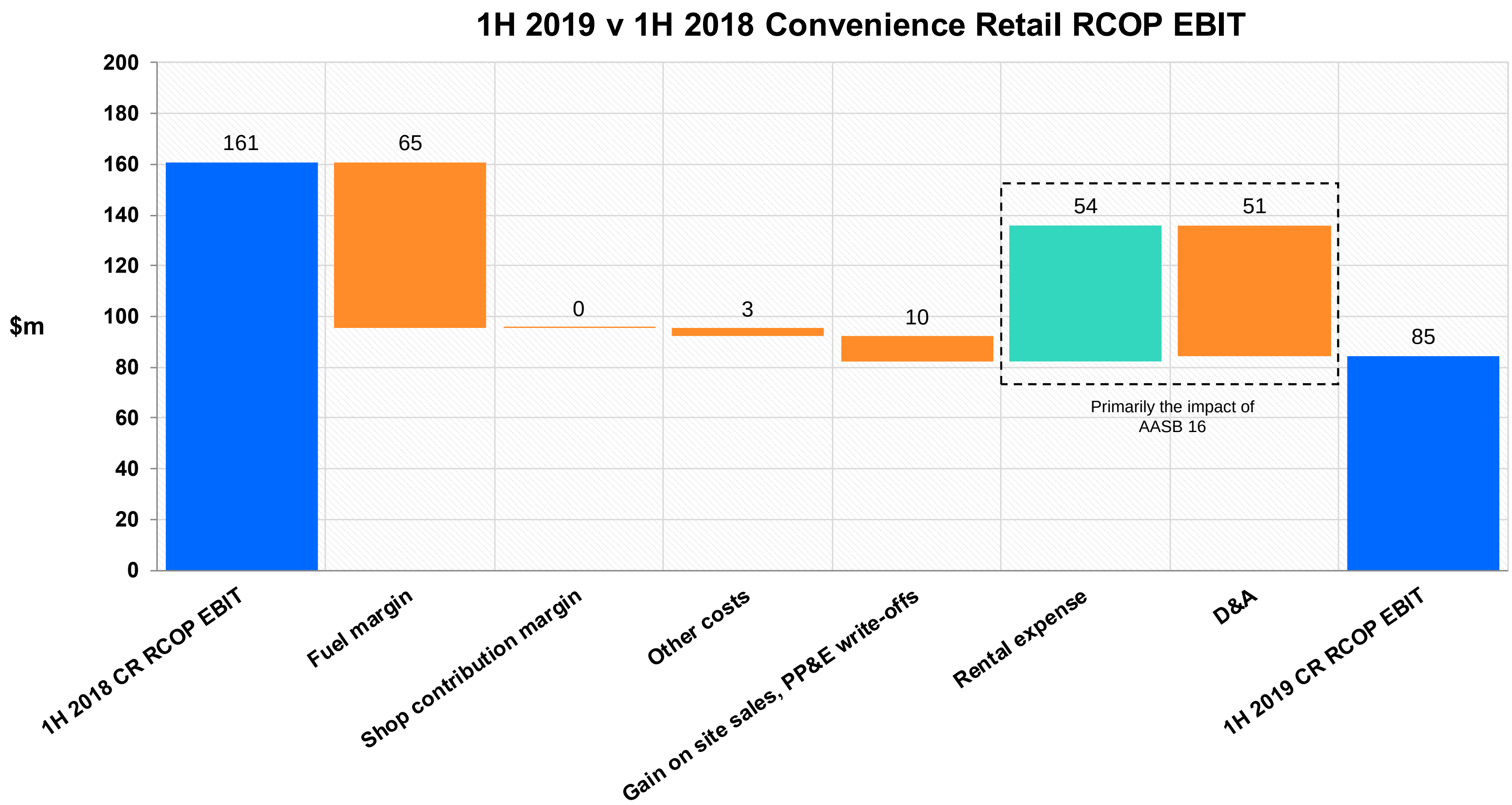
Convenience Retail highlights – key drivers



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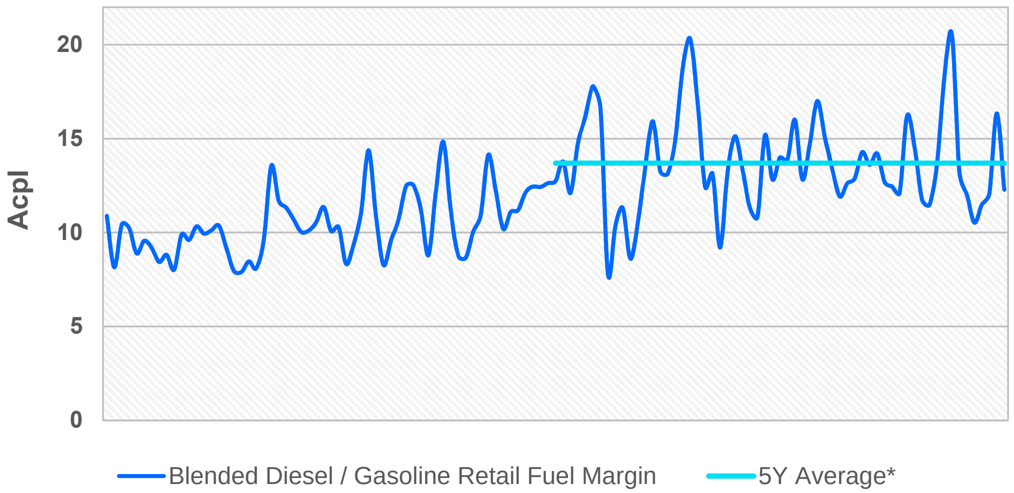
Retail fuel margins impacted by cyclical headwinds

Refocus on fuel has restored market share

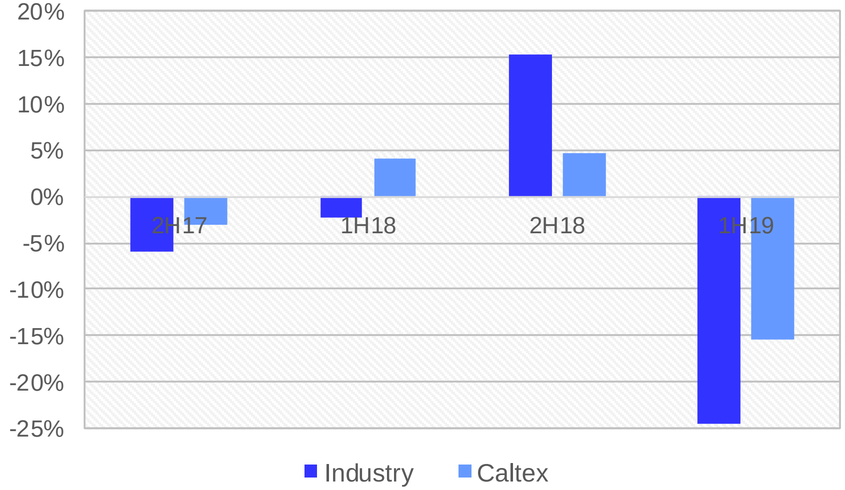
- Economic weakness and heightened competitive dynamic impacted result
- Margins historically impacted by the economic cycle
- Disciplined refocus on fuel, the quality of the wider network, and strength of customer relationships has seen Caltex restore share, whilst leveraging premium position to hold margin

Industry Blended Diesel / Gasoline Retail Fuel Margin (2009 – 2019)



Source: AIP data. Assumes 50:50 average of gasoline and base grade diesel retail fuel margins
* 5yr average has been 13.7 cpl (1H 2019 12.6cpl)

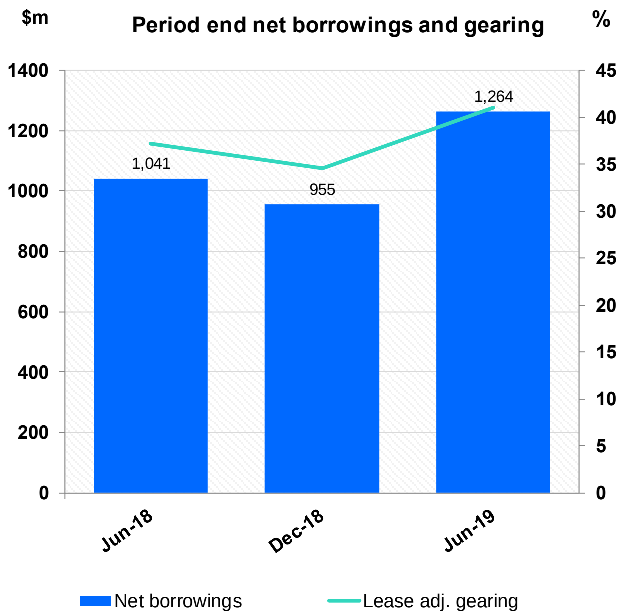
Change in Retail fuel NAM per site (vs prior 6months)

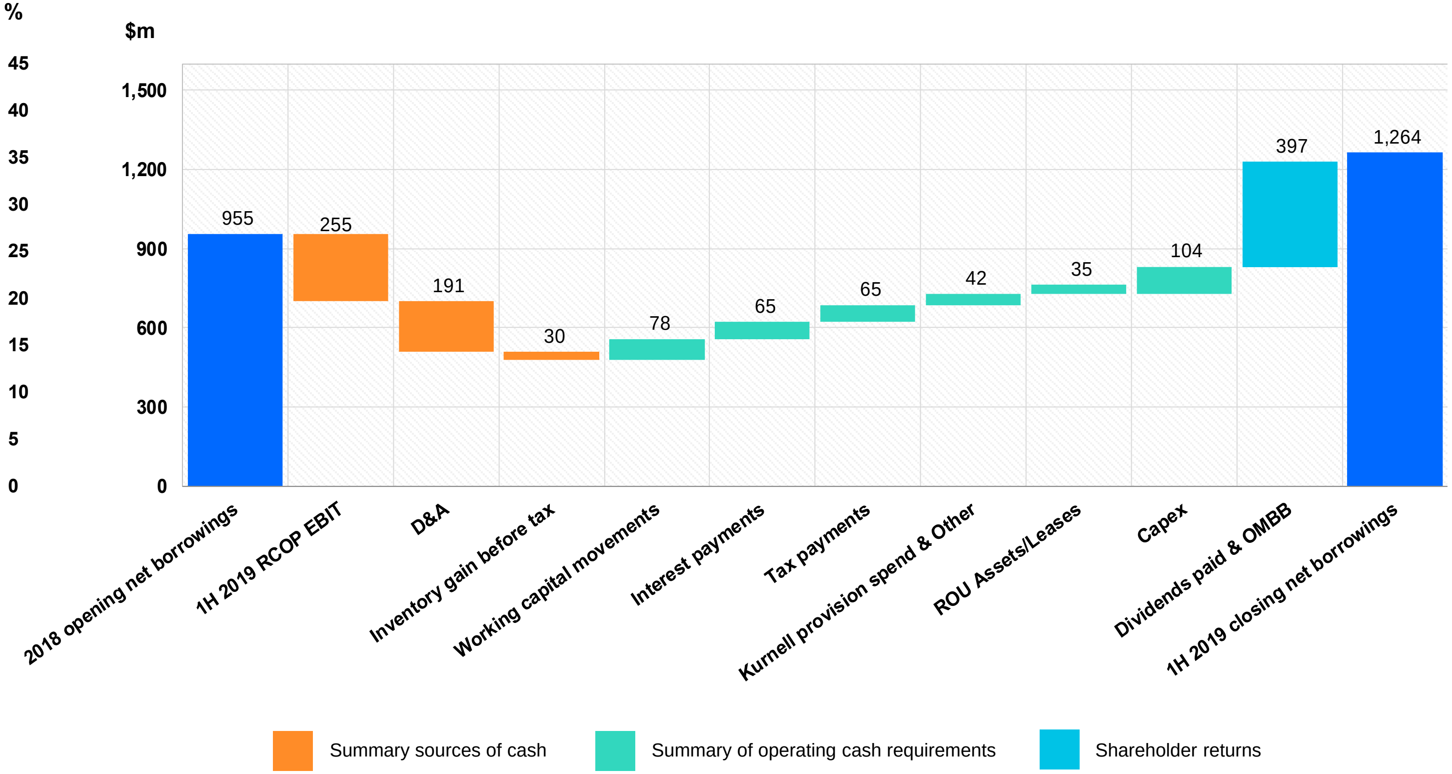


Source: AIP, Informed Sources, Caltex results and estimates. Margin shown pre-card, loyalty and temp gain

Balance sheet & cashflow

Maintaining optimal capital structure to maximise value and shareholder returns





1H 2019 closing net borrowings excludes $899m in lease liabilities under AASB16

Maintaining Balance Sheet headroom

Focus on operating and capital efficiency

Capital Allocation Framework

1 Stay-In-Business Capex
- Safety and reliability of supply are non-negotiable

2 Optimal Capital Structure
- 1.5x – 2.0x Adj. Net Debt / EBITDA
- Where Adj. Net Debt > 2.0x EBITDA, debt reduction plans become a focus

3 Dividends
- 50-70% of RCOP NPAT (fully franked)

4 Capital Returns
- Where leverage is below target range, or sufficient headroom exists within target range^

Growth Capex
- Where clearly accretive to shareholder returns^

What We Are Doing

Cost-Out	$100m p.a. cost savings by end of 2020 Cost savings sustainable
Capex Reduction	2019 capex revised to ~$300m reflecting focus on capital discipline
Asset Sales	Process to divest ~50 higher value alternate use sites (initial tranche of 31 sites by end 2019)
Applying Learnings	Focus on sites that best match our strategy to reduce future network capex and provide a clearer roadmap to deliver earnings growth with appropriate returns
Dividends	Payout ratio aligns dividend with earnings
Funding Flexibility	Continually assessing optimal funding mix based on market conditions

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^ Compete for capital based on risk-adjusted return to shareholders

Closing Remarks

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Julian Segal

CEO

We are committed to operating a sustainable business

People

- 82% employee engagement score
- 36% women in senior management
- WGEA Employer of Choice for Gender Equality citation

Communities

- Rural Aid partnership
- Reconciliation Action Plan
- Caltex Best All Rounder Program in its 34th year and in >2,000 schools across Australia
- Regional StarCash donations
- Caltex Foundation established

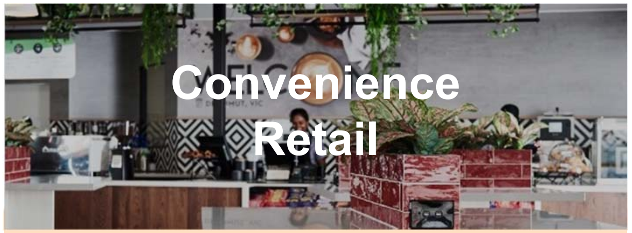
Environment

- TCFD recommendations adopted, full alignment by 2021
- Solar roll-out >40 retail sites
- No major uncontained spills
- Decommission & rehabilitation of Kurnell

2019 outlook

Fuels & Infrastructure

- Manage Lytton volume & mix to maximise value (CRM sales from production ~5.5BL)
- Lytton T&I to be completed in August
- Continued expansion of Gull New Zealand and Seaoil in Philippines



Convenience Retail

- Improve safety performance
- Maintain focus on fuel
- Divest ~50 sites in a way that maximises value to shareholders (initial 31 sites by end 2019)
- Determine the way to serve customers and capture value from the remaining sites in our company-operated network
- Complete transition of franchise sites to company-operations by end 2020

Group

- 2019 capex revised down to $300m
- Dividend payout ratio 50-70%
- Focus on returns to release capital from underperforming assets
- Cost and capital discipline to restore balance sheet strength and deliver returns to shareholders
- Investor Day on Thursday 5 December

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Caltex is taking action to create value for shareholders and a more resilient business

Caltex is:

- Focusing on ROCE from new capital and our existing assets to maximise value for shareholders
- Delivering $100m p.a. of savings by the end of 2020
- Resetting capital expenditure to a lower level
- Leveraging learnings from the transition of retail sites to company-operations (more than 500 sites and 5,000 employees), the roll-out of 63 Foodary, as well as our network review to ensure that capital is allocated to deliver maximum value for shareholders

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Q&A

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Solid underlying performance from core business, Lytton earnings impacted by regional refining margins and unplanned outage

	1H 2019	1H 2018	Change (%)
Total Fuels Sales Volumes (BL)	**9.6**	**10.2**	(6)
Australian Volumes (BL)	8.1	8.4	(4)
International Volumes (BL)	1.5	1.8	(16)
Lytton CRM Sales from Production (BL)	2.9	3.2	(9)
Lytton Total Production (BL)	3.0	3.2	(7)
Australian F&I (ex Lytton) EBITDA (A$m)*	206	222	(8)
International EBITDA (A$m)**	39	36	11
Externalities – realised loss foreign exchange (A$m)	0	(9)	(102)
Other incomes and expenses ($m)	-	-	-
F&I (ex Lytton) EBITDA ($m)	**245**	**249**	**(2)**
Lytton CRM ($m)	191	259	(26)
Lytton CRM (US$/bbl)	*7.50*	*10.06*	*(25)*
Lytton opex ($m)	(98)	(87)	12
Lytton other margin ($m)	(55)	(35)	56
Lytton EBITDA ($m)	**37**	**136**	**(73)**
F&I EBITDA ($m)	**283**	**386**	**(27)**
F&I D&A ($m)	(53)	(41)	30
Lytton D&A ($m)	(36)	(32)	16
F&I EBIT ($m)	**193**	**314**	**(38)**
F&I (ex Lytton) EBIT	*192*	*209*	*(8)*

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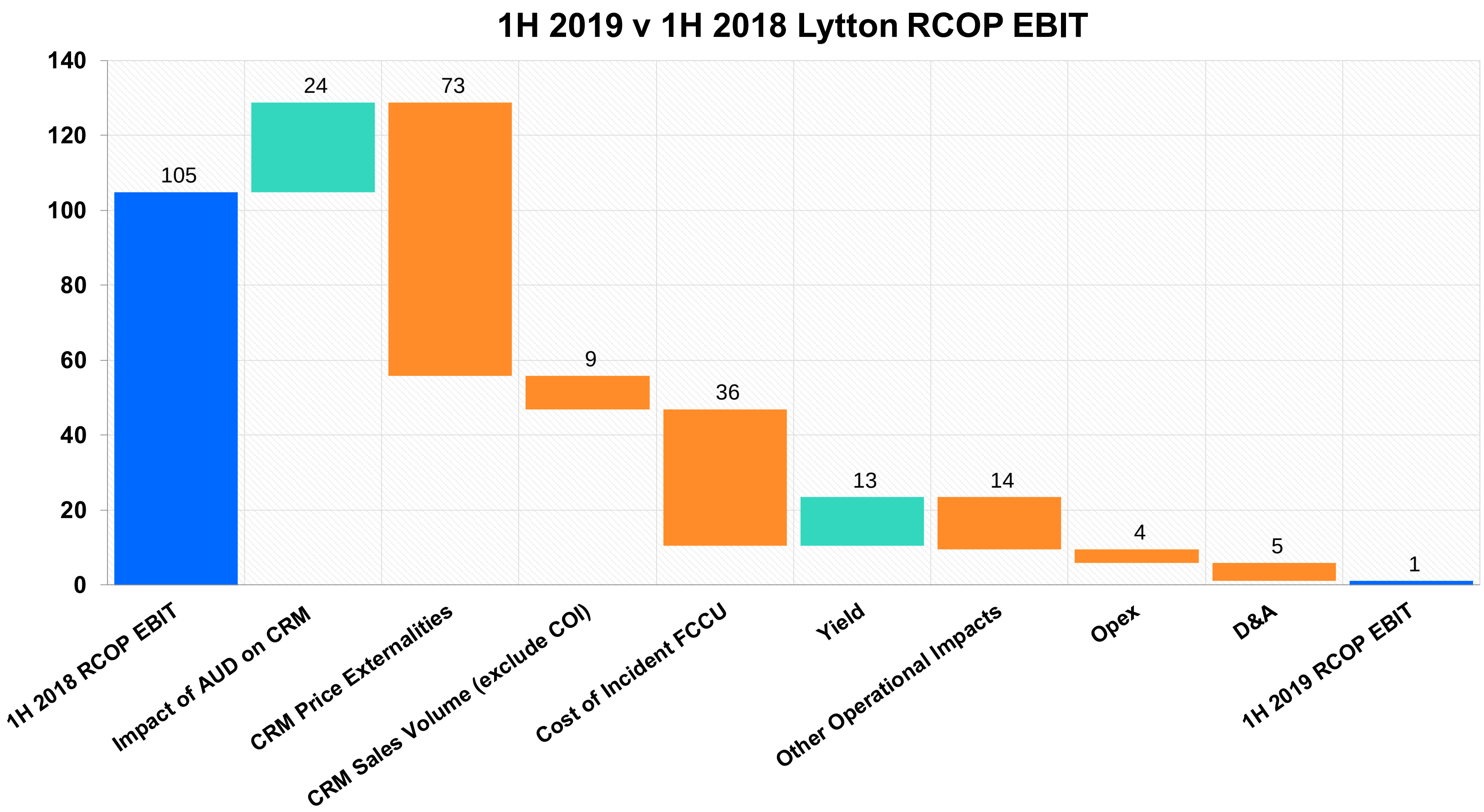
* Australian F&I (ex Lytton) EBITDA includes all earnings and costs associated (directly or apportioned) for fuel supply to Caltex's Australian market operations and customers, excluding Lytton Refinery and Caltex Retail operations in Australia.

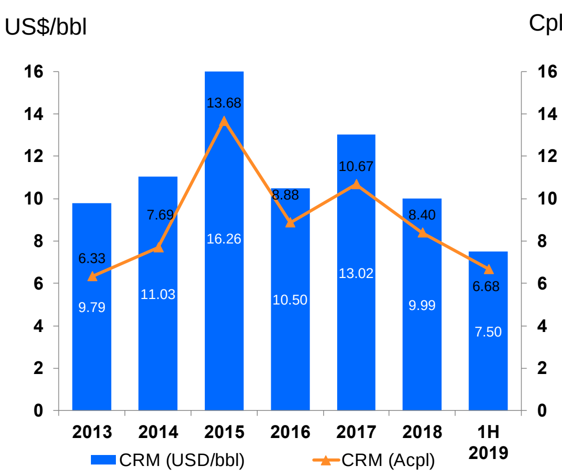
** The International EBITDA includes all earnings and costs associated (directly or apportioned) for fuel supply outside of Caltex's Australian market operations including (but not limited to) Ampol third party sales (e.g. not supply to Caltex's Australian market operations and customers), Seaoil earnings and Gull New Zealand.

Lytton refinery EBIT – key drivers



Lytton refinery highlights

CRM impacted by regional refining margin weakness and increased crude premiums

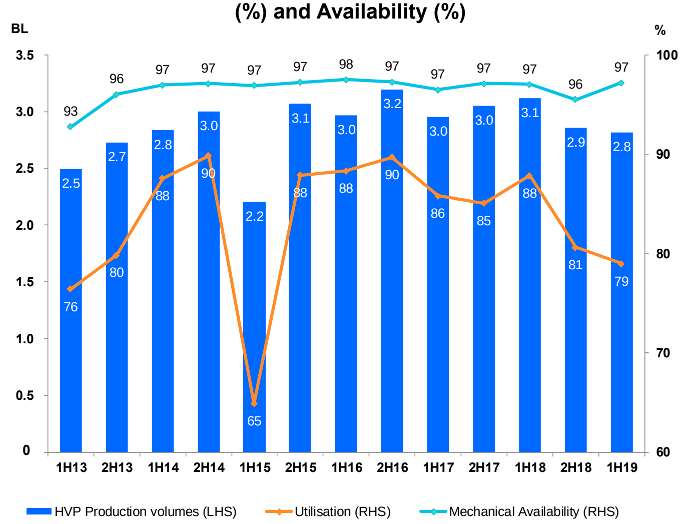


Caltex Refiner Margin Build-up (US$/bbl)	1H 2019	1H 2018
Singapore WAM	9.10	11.51
Product freight	4.52	3.78
Quality premium	0.29	0.45
Landed Crude premium	(5.50)	(4.56)
Yield loss	(0.92)	(1.13)
CRM	7.50	10.06

*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 (WAM) + product quality premium + crude discount/(premium) + product freight - crude freight - yield loss. Numbers used are volume weighted.

Operational performance interrupted by outages caused by electricity supply disruptions

High Value Transport Fuels Production Volumes, Production Utilisation (%) and Availability (%)



- Unplanned outage in 1H19 caused by interruptions to electricity supply from 3rd party:
  - Mechanical Availability 97.2%;
  - Operational Availability 92.5%;
  - 98.7% Yield; and
  - Utilisation 79%.
- HVP refinery production 2.8BL versus 3.12BL in 1H 2018
- CRM Sales from production 2.9BL versus 3.2BL in 1H 2018

Balanced product slate petrols (45%) and middle distillates (diesel, jet; 48%) provides flexibility.

	LYTTON					
	2014	2015	2016	2017	2018	1H 2019
Diesel	38%	39%	39%	38%	38%	37%
Premium Petrols	13%	12%	14%	12%	13%	13%
Jet	12%	12%	11%	11%	11%	11%
	63%	**63%**	**64%**	**62%**	**62%**	**61%**
Unleaded Petrol	33%	32%	33%	35%	35%	32%
Other	4%	5%	3%	3%	3%	6%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

- Caltex produces ~1% fuel oil components (in Other).

Result impacted by soft retail fuel margins; store transition to company operations remains on track

	1H 2019	1H 2018	Change (%)
Period end COCO sites (#) [(1)]	584	414	41
Period end CORO sites (#)	206	376	(45)
Total Sales volumes (BL)	2.42	2.46	(2)
Premium Fuel Sales (%)	49.2%	47.7%	2
Total Fuel Revenue ($m) [(2)]	2,119	2,070	2
Network Shop Revenue ($m) [(3)]	*543*	*534*	*2*
Total Shop Revenue ($m) [(2)]	429	330	30
Total Fuel and Shop Margin, excl. Site Costs ($m) [(4)]	**478**	**497**	**(4)**
Site Costs ($m) [(5)]	(140)	(93)	50
Total Fuel and Shop Margin ($m)	**339**	**404**	**(16)**
Cost of Doing Business ($m) [(6)]	(159)	(199)	(20)
EBITDA ($m)	**180**	**205**	**(12)**
D&A ($m) [(6)]	(96)	(44)	116
EBIT ($m)	**85**	**161**	**(47)**
Network Shop sales growth (%)	1.6%	1.1%	0
Shop Transactions growth (%)	3.2%	4.0%	(1)
Net Promoter Score (NPS) (%)	74	66	8

(1) Includes 54 unmanned diesel stops. (2) Excludes GST and excise (as applicable) - Total Fuel Revenue relates to all site within the Caltex Retail business including both Company controlled and franchise sites, Total Shop Revenue only includes revenue from Company controlled sites. (3) Includes revenue from both Company controlled and franchise sites – franchise revenue is not captured in Caltex statutory reporting, but is a driver of Total Fuel and Shop Margin. (4) Primarily comprised of fuel margin attributable to Caltex, COCO shop gross margin, CORO income and other shop related income. (5) Site operating costs which in a CORO site are covered by the franchisee are recorded above Fuel and Shop Margin in relation to COCO sites to maintain comparability as sites transition – primarily comprised of site labour costs, utilities and site consumables. This line will grow materially as CORO sites are transitioned to COCO operations. Site operating costs which are borne by Caltex regardless of the operating model of the site – e.g. repairs and maintenance, are recorded in Cost of Doing Business, these do not change materially due to site transition. (6) Impacted by AASB16 changes

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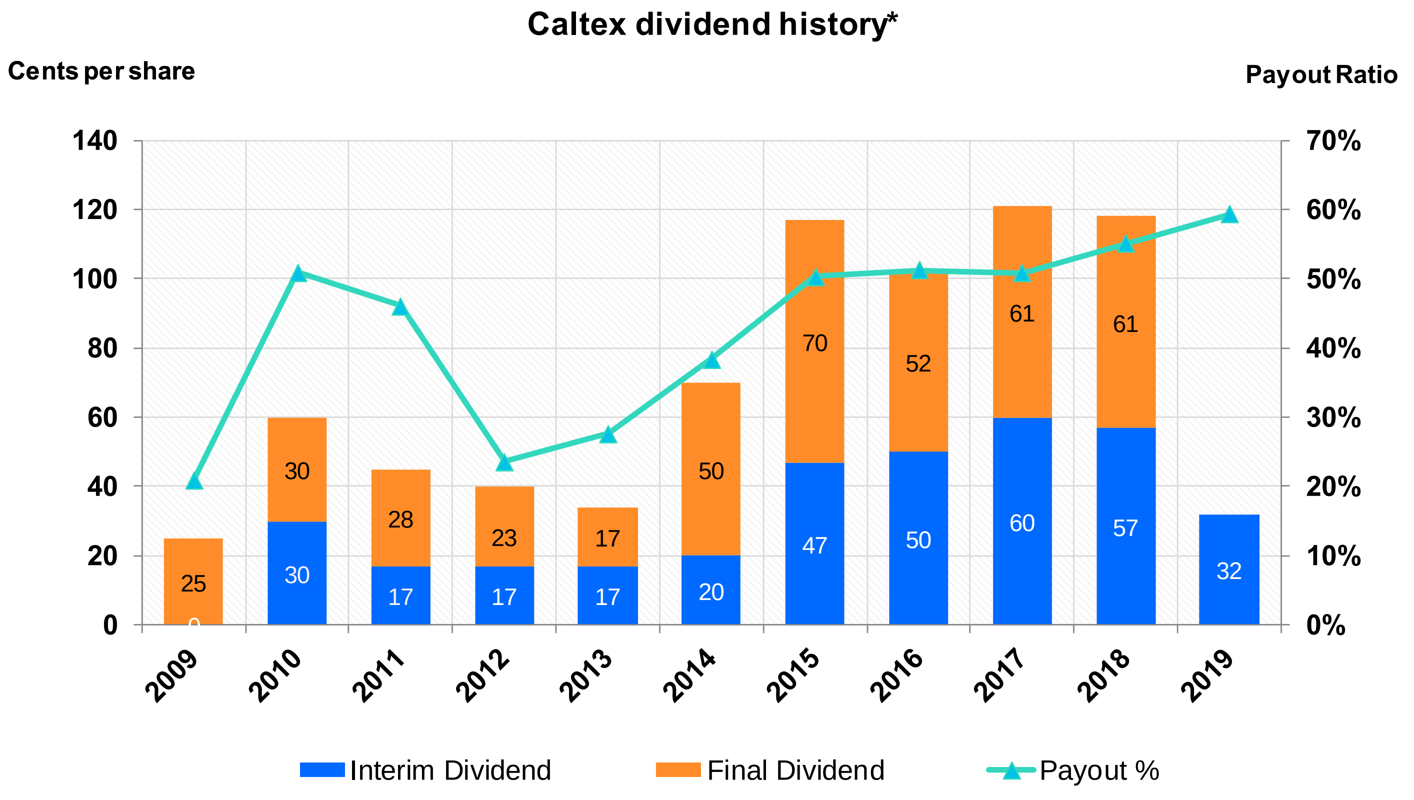
Financial discipline – dividend

Interim dividend of 32 cents per share (1H 2018 : 57cps) fully franked; interim dividend pay-out ratio 59%



* Dividends declared relating to the operating financial year period; all dividends fully franked.
Caltex dividend pay-out ratio increased from 2H 2018 (to 50% to 70% of RCOP NPAT, excluding significant items).

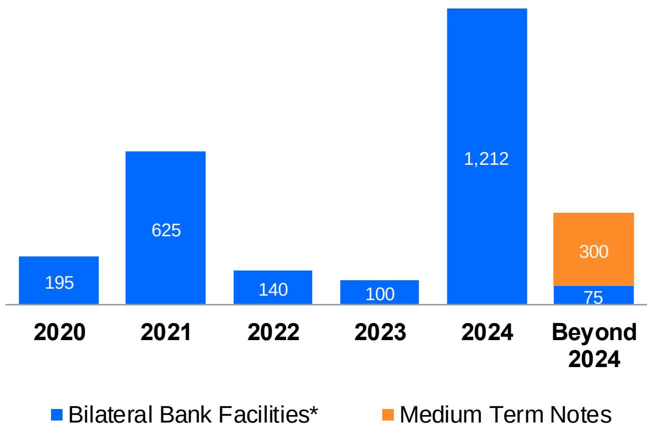
Financial discipline – balance sheet

Diversified funding sources and prudent debt maturity profile

Current Sources of Funding

	A$m	Source
Medium Term Notes	300	Australian and Asian Institutional
Bilateral Bank Facilities*	2,347	Australian and Global banks
	$2,647m	

Debt Maturity Profile (A$m)



*AUD equivalent. Includes $400m Inventory Finance Facilities.

Financial discipline – capital expenditure

Indicative Capital Expenditure*, subject to change (includes T&I**)

$ millions	2018	1H 2019	Prior 2019 Forecast	New 2019 Forecast*
Lytton				
Stay in business (includes T&I)**	38	13	65-75	~70
Growth	12	6	20-25	~20
	50	**19**	**85-100**	**~90**
Fuels & Infrastructure (ex Lytton)				
Stay in business	51	13	30-40	~30
Growth	148	14	45-55	~45
	199	**27**	**75-95**	**~75**
Convenience Retail				
Stay in business	65	31	60-70	~65
Growth	129	19	85-95	~55
	195	**49**	**145-165**	**~120**
Corporate – Other	27	9	15-25	~15
Total	**469**	**104**	**320-385**	**~300**

Depreciation and Amortisation

$ millions	2018	1H 2019	Prior 2019 Forecast	New 2019 Forecast*
Convenience Retail	97	96	105-115	200-210
Fuels and Infrastructure	151	90	145-155	170-180
Corporate	8	6	15-20	15-20
Total	**256**	**191**	**265-290**	**385-410**

Note: The increase in D&A forecast for 2019 is a function of now including impacts from AASB16 accounting treatment into the Business Unit guidance.

While prior 2019 D&A guidance (provided at the 2018 Full Year result) excluded AASB16 impacts, Caltex had stated that the increase to group D&A in 2019 would be $130m.

NOTE* Indicative ranges only. Subject to change pending market conditions, opportunities, etc.
NOTE** T&I = Turn-around & Inspection

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Our assets – retail infrastructure

Caltex Australian Retail Service Station Network

	Owned	Leased	Dealer Owned	*Total*
Company operated (Calstore)^	280	248	0	**528**
Company operated (Diesel Stop)	23	31	0	**54**
Company Operated (Depot Fronts)	9	4	0	**13**
Franchised	112	92	6	**210**
Other*	52	12	581	**645**
EG	0	0	541	**541**
Total	**476**	**387**	**1,128**	**1,991**

- Regionally: In New Zealand, Caltex's Gull NZ has 91 retail sites. This includes 64 controlled retail sites (including 42 unmanned stations), 25 supply sites and 2 marina sites.

Valuation

- The book value of Caltex retail network at the end of 1H 2019 approximates $1.4 billion, comprising Freehold Land, Buildings, Leasehold Improvement, Plant & Equipment and related Work in Progress. This is below indications for market value with independent valuations of >$2 billion.

^ Excludes 2 Company operated The Foodary high street sites
* Other includes Supply Agreement sites and Agency StarCard sites

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This presentation for Caltex Australia Limited is designed to provide:

- an overview of the financial and operational highlights for the Caltex Australia Group for the 6-month period ended 30 June 2019; and
- a high level overview of aspects of the operations of the Caltex Australia Group, including comments about Caltex's expectations of the outlook for 2019 and future years, as at 27 August 2019.

This presentation contains forward-looking statements relating to operations of the Caltex Australia Group that are based on management's own current expectations, estimates and projections about matters relevant to Caltex's future financial performance. Words such as “likely”, “aims”, “looking forward”, “potential”, “anticipates”, “expects”, “predicts”, “plans”, “targets”, “believes” and “estimates” and similar expressions are intended to identify forward-looking statements.

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Thank You