

ASX/Media Release

For immediate release

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Caltex delivers record RCOP profit. Off-market buy-back announced

Key points:

- Full year historic cost profit after tax (HCOP) of \$522 million, including significant items
- Record full year RCOP¹ NPAT of \$628 million, excluding significant items
- Underlying Supply & Marketing result up 5% to \$675 million EBIT (excluding externalities)
- Excellent Lytton refinery operational performance, capitalising on strong refiner margins
- Significant items of \$29 million gain after tax, relating to the previously announced first half sale of surplus land
- Net debt at 31 December 2015 of \$432 million, reflecting stronger second half profitability, Tabula Rasa related working capital reductions and the net impact of lower crude and product prices and the lower Australian dollar
- Final dividend of 70 cents per share (fully franked) (full year 117 cps, fully franked), up 67%
- \$270 million off-market buy-back announced, reflecting balance sheet strength and availability of surplus franking credits.

Results summary	Full Year ended 31 December	
	2015	2014
Historic Cost result after tax Including significant items	\$M \$522	\$M \$20
RCOP result:		
After tax Excluding significant items	\$628	\$493
Before interest and tax Excluding significant items	\$977	\$795

Historic cost basis

On an historic cost profit basis, Caltex recorded an after tax profit of \$522 million for the 2015 full year, including a gain relating to significant items of \$29 million after tax. This compares with the 2014 full year profit of \$20 million, which included significant losses of \$112 million after tax, relating to restructuring costs associated with the company transformation.

The 2015 result includes a product and crude oil inventory loss of \$135 million after tax. This compares with the inventory loss of \$361 million after tax in 2014.

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

Replacement cost operating profit

On an RCOP basis, Caltex recorded an after tax profit for the 2015 full year of \$628 million, excluding significant items. This compares with an RCOP after tax profit of \$493 million for the 2014 full year, excluding significant items.

The overall result reflects an improved Supply & Marketing result incorporating the now established Ampol Singapore sourcing and supply operations and company-wide Tabula Rasa benefits (cost and capital efficiencies), offset by the ongoing competitiveness of wholesale and commercial markets and additional costs of operating the new Kurnell terminal. Favourable US dollar denominated refiner margins, supported by a lower Australian dollar, have underpinned a record Lytton refinery financial result.

Supply & Marketing delivered an EBIT of \$672 million. This result includes a realised loss on US dollar denominated product payables of \$26 million (2014 loss of \$26 million) less a price timing lag gain of \$23 million (versus a 2014 price timing lag gain of \$102 million). Excluding these net externalities (net \$3 million unfavourable), the underlying Supply & Marketing EBIT of \$675 million, is up 5% on the 2014 result.

Sales volumes are 5% below last year, reflecting lower diesel demand as a number of LNG projects near completion and the timing of some major supply contracts. Caltex has vigorously defended contract volumes in 2015 and secured new supply volumes in 2016. From a product mix perspective, Caltex continues to drive premium fuels sales (including Vortex Diesel). Higher sales of premium grades of petrol and retail diesel continue to offset the long term decline in demand for unleaded petrol, including E10. The increased penetration of premium Vortex products has been driven by targeted investment in growth, including new retail service stations, the refurbishment of existing service stations and increased marketing spend.

The Lytton Refinery has delivered a record 2015 EBIT contribution of \$406 million. This compares with an EBIT contribution of \$218 million for 2014 and a 2015 first half EBIT of \$134 million. The 2015 result has benefitted from a strong operating performance following Lytton refinery's major first half Turnaround & Inspection (T&I) that has enabled the refinery to take advantage of these favourable conditions. This result also includes T&I related supply costs of \$23 million (including \$20 million previously allocated to Supply and Marketing within the first half results).

The realised Caltex Refiner Margin (CRM)¹ averaged US\$16.46/bbl for the 2015 full year. This compares to the first half 2015 average of US\$16.00/bbl and the 2014 full year (US\$12.42/bbl). A strong Singapore Weighted Average Margin has been boosted by lower crude premiums, yield loss and net freight costs, year on year. The lower than forecast December average Dated Brent crude oil price of US\$38.21/bbl favourably impacted the refiner margin compared with that assumed in the 17 December 2015 profit outlook (US\$40/bbl).

Corporate costs increased to \$102 million. This is higher than 2014 (\$81 million), reflecting an increased investment in technology and new capabilities, including business development, and higher bonuses accrued in relation to the strong 2015 financial performance.

Balance sheet remains strong

Net debt at 31 December 2015 was \$432 million compared with \$715 million at 30 June 2015 and \$639 million at 31 December 2014. The lower debt reflects stronger second half earnings, disciplined capital expenditures, and the net impact of lower crude prices and a lower Australian dollar on working capital balances.

Capital Management - Off-Market Buy-Back

Caltex has previously indicated that it was focussing on the efficient allocation of capital. The successful closure of the Kurnell refinery in 2014 and the company's continued evolution into an integrated transport fuels value chain business, enhanced by the company's ongoing cost and efficiency program, has resulted in significantly improved cash flows. Today, Caltex is pleased to announce its intention to conduct a \$270 million off-market share buy-back, which is expected to be completed during the second quarter of 2016.

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.

The company's overarching objective is to deliver top quartile Total Shareholder Returns. Our capital management framework is therefore designed to provide a balanced approach to the allocation of capital between maintenance to ensure a safe and sustainable business, investing for growth and returning capital to shareholders. The size of the buy-back will enable the return of surplus capital relative to the company's target BBB+ credit rating, and maintain financial flexibility to take advantage of growth opportunities as they arise. Management continues to actively pursue options to grow the business based on our core capabilities including management of complex supply chains, infrastructure services and leveraging our convenience and mobility base. Our priority remains growth but, over the long term, investment in growth opportunities and/or capital management are expected to play a role in delivering top quartile shareholder returns.

All of the relevant details of the Buy-Back will be set out in a booklet which Caltex shareholders should start to receive from 3 March 2016. A summary of the buy-back details, including the proposed timetable, are contained in the 2015 Full Year Results investor presentation.

Shareholders should seek advice as to the taxation consequences for them of participating in the Buy-Back. As the Buy-Back will have different tax consequences for different shareholders, each shareholder's decision to participate will be determined by their own personal circumstances. In some circumstances (particularly those shareholders who are on a low marginal tax rate), selling their Shares under the Buy-Back may be more advantageous to selling their Shares on market.

Dividend

The Board has declared a final fully franked dividend of 70 cents per share for the second half of 2015. Combined with the interim dividend of 47 cents per share for the first half, paid in October 2015, this equates to a total dividend of 117 cents per share for 2015, fully franked. This compares with a total dividend payout of 70 cents per share (fully franked) for 2014.

Including the interim 2015 dividend of 47 cps (\$127 million), the final dividend of **70** cps (\$189 million) together with the \$270 million share buyback would result in total capital returns in relation to the 2015 year of around \$586 million (\$2.17/ share).

Caltex supplies over one third of all transport fuels in Australia and remains committed to maintaining secure and reliable supply to its commercial and retail customers.

Analyst contact:

Rohan Gallagher
Head of Investor Relations
Phone 02 9250 5247
Email rohan.gallagher@caltex.com.au

Media contact:

Sam Collyer
Senior Media & Communications Adviser
Phone 02 9250 5094
Email sam.collyer@caltex.com.au