Message from the Chairman and the Managing Director & CEO

Dear shareholders

2019 was an important year for Caltex. While financial outcomes overall were disappointing, the business performed well in a tough operating environment. We delivered a solid underlying result and reached several milestones in the delivery of our growth strategies. This progress positions us well to capture more value for shareholders.

There were many highlights in the past 12 months, including work to expand capabilities in our Ampol trading and shipping business, strong performance in Gull and Seaoil, the launch of our first Caltex Woolworths Metro stores and the divestment of the first tranche of 25 Higher Better Use retail sites for approximately $136 million.

We also successfully completed a $260 million off-market buy-back which benefited all shareholders and announced an exciting transition to the company-owned Ampol brand which will commence in 2020.

The year ended with the Board considering three unsolicited proposals from Alimentation Couche-Tard Inc. (Couche-Tard) to acquire Caltex and in early 2020 we announced the receipt of a separate proposal from EG Group.

RCOP NPAT

$344M

down 38% on 2018

$260M

Off-market buy-back

Safety performance

Caltex's commitment to strong safety outcomes underpins our reputation for safe and reliable supply and is a major driver of the engagement and productivity of our workforce. We are disappointed that our 2019 safety performance did not meet the high standards we set ourselves.

While we reduced the severity of personal safety incidents, the number of recordable injuries and days away from work both increased in 2019. We experienced an increase in low consequence injuries at Lytton, with the number of recordable injuries across the rest of Fuels & Infrastructure remaining steady. In Convenience Retail, outcomes were negatively impacted by the ongoing transition of franchise sites to company operations, where we are seeing a higher number of low consequence injuries following store transitions.

We know we must make our workplace safer and will act to improve performance in 2020. This includes the delivery of targeted programs focused on reducing the major causes of our workplace injuries, with these being repetitive and high muscle load manual tasks along with slips, trips and falls. We will also improve communication with our teams to raise personal awareness of safety hazards and increase the presence of our leaders in the field to reinforce the right safety behaviours and to receive feedback from our frontline teams.

Financial performance down in tough operating conditions

2019 was a disappointing financial result, impacted by lower regional refining and retail fuel margins, softer economic conditions across major parts of the economy and unplanned outages caused by a third-party power disruption at the Lytton refinery.

On a historic cost profit basis, Caltex's net profit after tax (NPAT) was $383 million in 2019. Under our preferred method of reporting, replacement cost of sales operating profit (RCOP), we recorded NPAT of $344 million, down 38% on our result in 2018.

Fuels & Infrastructure delivered a solid underlying result despite the impact of a tough domestic market, reduced earnings from a repriced EG Group supply contract and refinery outages. The business achieved an EBIT outcome of $450 million, a decrease of 21% on 2018. Total fuels sales volumes increased 3% to 21.1 billion litres.

The highlight from this performance was strong growth in our international operations. International sales volumes increased by 36% to 4.8 billion litres as we continued to build on the international growth strategy in place.

Australian sales volumes, including to Convenience Retail and other Australian wholesale customers, fell by 3% to 16.3 billion litres while Lytton EBIT was $70 million, down from $161 million in 2018. Total production at Lytton was 5.8 billion litres, a 6% decrease on 2018.

The Foodary,
Narangba,
Queensland

Our Convenience Retail business delivered an EBIT result of $201 million, approximately 35% lower than the outcomes achieved in 2018. Total Convenience Retail fuels sales volumes were 4.8 billion litres, which is 2.2% less than the 4.9 billion litres of fuels sales in 2018.

Despite the decline, retail fuel margins strengthened in the second half as we renewed focus on our retail fuel offer. Caltex also made market share and premium fuel share gains. We also delivered improved shop earnings, which was a highlight.

We also continued the transition of franchise sites to company operations, a key enabler of our Convenience Retail growth strategy. A total of 112 franchise sites were transitioned to company operation in 2019, bringing the number of company-operated sites to 631, with >99% of the network to be company operated by the end of 2020.

Continued focus on capital discipline

In 2019, we responded to the tough economic environment and launched new initiatives to deliver improved returns for shareholders. In August, we announced a cost-out program to deliver $100 million of sustainable savings to our business, and in 2019 we delivered $60 million of this program.

We also announced the divestment of around 50 retail sites deemed to have a higher value through alternative use, with the first tranche of 25 sites being sold for approximately $136 million. In November, we also announced a proposed IPO of up to 49% interest in approximately 250 of our core freehold retail sites, aimed at unlocking value in our business and improving shareholder returns.

These initiatives demonstrate our strong focus on cost and capital discipline to deliver a sustainable uplift in returns for shareholders.

Building on our strong foundations for growth

We have continued to build on the strong foundations we have in place for the next stage of growth across Caltex. This included the delivery of a significant number of important strategic initiatives in 2019 which, despite a tough operating environment over the last year, are beginning to have a positive impact.

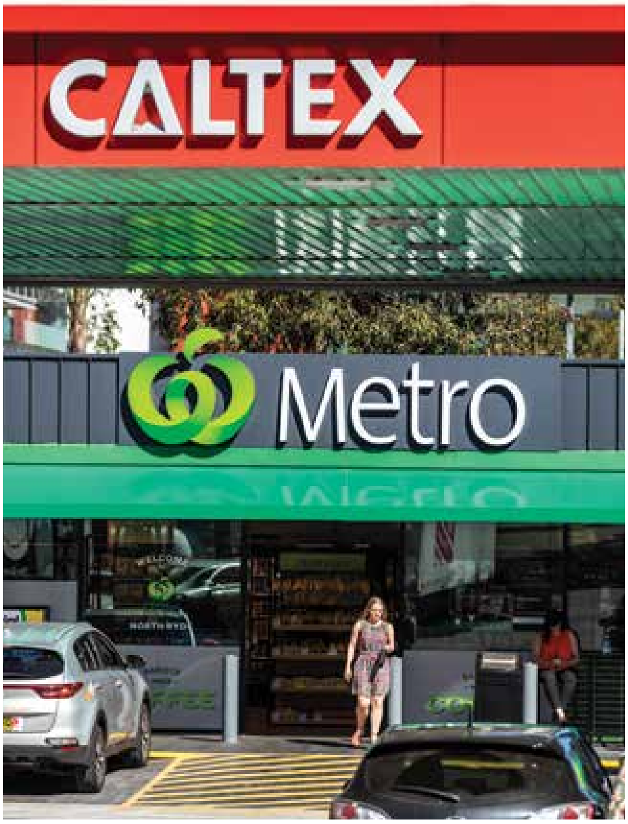
Our Ampol Singapore trading and shipping business was established in 2013 and since this time we have continued to evolve our international operations from a single market supply function to a long-term growth engine that has delivered increased volumes, capabilities and geographies.

In 2019, we continued to build on this work with the announcement that we will establish a new Ampol trading and shipping office in Houston, USA and launch our first international storage position in South East Asia.

The Houston office opened in January 2020 and will work in combination with our existing team in Singapore to enable Caltex to benefit from sourcing improvements and to investigate new international markets. The international storage pilot in South East Asia will provide new opportunities for us to capture value across the supply chain.

The extension of operations and capabilities creates a blueprint for further expansion into new locations, products and services to deliver further growth for shareholders. We see a pipeline of international growth opportunities for Fuels & Infrastructure that has the potential to deliver $70 million in earnings uplift by 2024.

Caltex Woolworths Metro,
North Ryde, New South Wales



We also continued to execute our strategy to leverage our extensive retail network to capture growth from the convenience retail market. In 2019, we began a review of our approximately 800 company-controlled retail sites aimed at ensuring a tailored site offer that can deliver earnings growth with appropriate returns for shareholders.

In August, we announced that we have identified approximately 500 sites with a clear opportunity for us to capture growth through an enhanced convenience offer. From the review, we also finalised our three-tiered approach to retail store formats.

The opening of our first two Caltex Woolworths Metro stores – a new 'flagship' store format – was an important milestone in 2019. Sitting alongside our flagship The Foodary stores, the new Metro offer sets a new standard of service, product quality and range that will disrupt the sector and drive growth.

We also upgraded and launched a new 'tier two' The Foodary format at Five Dock in New South Wales to provide a strong example of how we can be efficient with capital and operating costs while still delivering an enhanced experience for our customers. Meanwhile, our 'self-serve' format was launched as a safe, reliable and competitive offer that can be rolled out at the right locations with lower capital and operating costs.

These milestones illustrate the strong progress we have made with our retail strategy. Coupled with the transition of sites to company operation and our refocus on a market-leading fuel offer, they will help us deliver on a potential non-fuel earnings uplift of $85 million by 2024.

Receipt of takeover proposals

In late November 2019, we announced the receipt of an unsolicited, conditional, confidential, non-binding and indicative proposal from Couche-Tard to acquire Caltex in full at an indicative cash price of $34.50 per share less any dividends declared. This followed an earlier proposal from Couche-Tard to acquire the company at $32 per share which was rejected by the Caltex Board.

The Board concluded that the second proposal undervalued the company, but at the same time offered to provide Couche-Tard with further non-public information to allow them to formulate a revised proposal that more accurately reflects the value of our business.

The non-public information was provided in January 2020 and on 13 February, Caltex announced it had received a revised proposal from Couche-Tard at an indicative cash price of $35.25 per share, less any dividends declared and paid by Caltex. The Caltex Board considers that it is in the interests of Caltex shareholders to engage further with Couche-Tard and will provide them with the opportunity to conduct additional due diligence on a non-exclusive basis.

On 19 February, Caltex announced that it had received a proposal from EG Group to acquire all the shares in Caltex via a scheme of arrangement for a combination of $3.9 billion cash and securities in an entity to be listed on the Australian Securities Exchange. The Caltex Board carefully considered the proposal and on 2 March announced it had concluded that this proposal undervalues the company and does not represent compelling value for our shareholders.

The proposals received are subject to various conditions and there is no certainty that any will result in a change of control transaction. The Caltex Board acknowledges the significant value inherent across the Caltex business and will continue to work to maximise shareholder value.

Responding to COVID-19

Caltex has always taken great pride in maintaining high standards of safety, product quality and security of supply. As the market leader, in response to COVID-19 we will do all we can to provide our essential services to our customers and will continue to engage with government to discuss issues relevant to our business and sector. We also continue to monitor the impacts from market responses to COVID-19 on regional refining margins and on crude and product demand both globally and in domestic markets. We will keep the market informed as things change.

On behalf of Caltex's Board and management, we sincerely thank our employees and business partners and you, our shareholders, for continued support of our company.

We look forward to updating you as we continue to execute our strategy.

Steven Gregg
Chairman

Julian Segal
Managing Director & CEO