



## Supply

Our supply team continues to build its capabilities to competitively and reliably supply the transportation fuels, feedstocks, crude and other products which our Australia-wide customer base and refining system require. With Chevron's 2015 departure from Caltex's supply chain, 2016 marked the first full year of Caltex's standalone trading and shipping capability through Ampol Singapore.

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### Import locations

The number of locations Caltex typically imports products to

**14**

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### Singapore office

Number of employees at the end of 2016

**53**





### Trading and shipping

Our Ampol Singapore team of experienced and capable industry professionals safely and reliably provides Caltex with high quality, competitive supply, as well as a better understanding of the dynamic global oil market. This is critical to our integrated fuels supply chain – one of our greatest strengths.

In 2016, Ampol Singapore continued to extend its value creation from sourcing crude oil, refined products and feedstocks for Australia from global markets by leveraging the strong relationships built during Ampol's three years of operations. The majority of refined products came from key regional supply locations across North Asia, Singapore and India/Middle East. Crude oil was sourced from a variety of global locations depending on pricing and quality, with a focus on regional grades. Our conservative approach to trading and shipping remains unchanged, with our activities focused on our strength of physical system supply and optimisation, with no speculation and prudent management of our commodity risks.

In July 2016, Ampol successfully transitioned to a standalone shipping organisation, which was completed incident free. This additional capability enables Caltex to maintain our high safety and environmental standards, while gaining control of this critical operational and commercial activity to meet the fuel supply needs of our geographically remote nation. To support this, Ampol has established relationships across the shipping industry, including achieving full membership in the world-renowned Oil Companies International Marine Forum (OCIMF).

### Supply operations and optimisation

Caltex continues to improve the value created by our integrated supply chain, using the knowledge we have gained from our longstanding operations within the unique Australian market combined with our new capabilities. We rapidly adapt our operations to dynamic market conditions and identify new opportunities by understanding the factors which influence value and costs across our supply chain, and its complex and linked operations. The team is continuously optimising the complex system flow into and from our Lytton refinery and then through our distribution networks to customers from the major metropolitan markets such as Sydney, Brisbane and Melbourne to remote communities all around Australia.

By combining new knowledge from Ampol Singapore with our experienced team in Australia, we have found innovative and more efficient ways of operating our supply chain, while ensuring we always maintain our commitment to reliable supply to our customers.

This capability, coupled with significant planning and alignment across Supply, Supply Chain Operations and Marketing, is a unique competitive advantage for our business.

### Future focus

In 2017, Caltex will focus on embedding the standalone trading and shipping capabilities established over the last three years. We will also look to improve our integrated decision making from source to customer, driving further value from our system-backed fuels supply chain. We are excited about the opportunity to integrate and optimise our new fuels supply chain to Gull NZ, the acquisition of which was announced in December 2016.

## Supply Chain Operations

Caltex's Supply Chain Operations manages a complex, nation-wide network of facilities, including the Lytton refinery, 13 terminals, 64 depots, pipelines and freight logistics.

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**Lytton production**  
Record performance  
(Billion Litres)

**6.2**

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**Lytton refinery**  
Met South East  
Queensland's transport  
fuel needs by

**90%**

Capable management of this infrastructure and logistics, always with safety as our top priority, underpins our integrated supply chain – the core of meeting our customers' needs.

### **Lytton refinery**

Supplying approximately 90% of South East Queensland's transport fuel needs and with nearly 500 employees and contractors, Lytton refinery plays an important role for Queensland.

The refinery continued to make operational improvements in 2016, which resulted in a record production of 6.2 billion litres of the high value products petrol, diesel and jet fuel – the highest ever in its 50-plus year history. This compares with production of 5.3 billion litres in 2015 (during which we had a planned major shutdown) and 5.8 billion litres in 2014.

The Lytton refinery is a key element in Caltex's East Coast supply chain, including Ampol Singapore and the terminal network. This tight integration continued to drive value and helped the refinery achieve its record production of high value products.

Lytton refinery's focus on reliability and gross margin improvement resulted in an increase in the refinery's nameplate capacity by 3,000 barrels per day during the year. Mechanical availability in 2016 was 97.4%, up from 97% in 2015. Utilisation for 2016 increased to a record 90%, compared to 87% in 2015 (outside the major maintenance period) and 2014. The 2016 record results are an outstanding achievement, reflecting continued year-on-year improvement.





Operating two pipelines, the refinery maintained its position as the major supplier of ground fuels (petrol and diesel) to the broader Brisbane market, supplying more than 90% of the demand in 2016.

### Infrastructure operations

At Kurnell Terminal, Australia's largest fuel import terminal, optimisation continued following the first full year of operation in 2015. The terminal both imports fuel to meet local Sydney basin demand, and is integrated into the broader supply chain to allow optimisation across Caltex's East Coast markets.

During the year, decommissioning and demolition work relating to the former refinery operation continued at the Kurnell site, on budget and on schedule to be completed in the first half of 2018.

Construction has commenced on a \$75 million investment upgrade at the Caltex Newport fuel terminal in Victoria, announced in August and due for completion by the end of 2017. The project includes the installation of two new tanks, providing an additional 40 million litres of storage capacity, new pipe and pumping infrastructure, increased truck loading capacity and upgrades to the terminal's safety systems. The upgrade will enable the company to meet the growing demand for petrol, diesel and jet fuel from across Victoria.

In Brisbane, the Caltex/Shell Aviation joint venture BAPFII pipeline was commissioned to supply jet fuel to Brisbane Airport from the Lytton refinery. The pipeline will underpin the continued rapid expansion of this international aviation hub over the next 20 years.

Following a review of the supply chain to best service the Eyre Peninsula in South Australia, the decision was made to convert the Port Lincoln terminal to a depot, eliminating the need for shipped product into Port Lincoln. Product to the area will be supplied via truck from the Caltex Pelican Point terminal in Adelaide, which is ship-supplied. These changes are expected to take place in 2017.

### Lubricant manufacturing

2016 was the first full year of operational control of the Caltex assets of the former Australasian Lubricants Manufacturing Company (ALMC) joint venture. We continue to improve our lubricants customer offer and to deliver a more competitive supply chain in response to changes in the Australian lubricants market.

During the year, we drove improvements both in our Lytton blending, manufacturing and warehouse plant in Queensland and in our logistics, capturing operational efficiencies and better customer service.

### Logistics

2016 was a year of consolidation for logistics, as we combined our two previously separate logistics functions into one national logistics business. The new leadership team is focused on providing safe, reliable and cost-competitive logistics solutions to our customers by leveraging our carrier and depot networks to protect and grow our business.

Significant progress was made in optimising our depot and carrier networks during the year. This work will result in more efficient coverage of our customer base and deliver improved customer outcomes and a more competitive business offer.

### Future focus

Infrastructure is a key element of Caltex's integrated supply chain, and our focus remains on providing safe, reliable and competitive operation of these assets to underpin reliable supply to our customers.

Continuous improvement is embedded in our operations mindset. In 2017, we will continue to extract value from our integrated supply chain, build on the excellent performance of the Lytton refinery, and drive benefits from our reshaped logistics organisation.

Caltex will continue to invest in our assets with a long term view of what matters most to our customers and will create value for our shareholders. Keeping our Kurnell decommissioning and demolition program and our Newport terminal upgrade on plan – and incident free – will strengthen our ability to provide fuel reliably for our customers and drive cost/capital efficiency. As the successful operator of one of Australia's largest infrastructure networks, we will continually investigate new opportunities to leverage our expertise.



## Marketing



As our business continues to grow, so does our commitment to serving our customers, who rely on us for approximately 16 billion litres of fuel each year and a range of lubricants and fresh and packaged retail offerings.

### Vortex 98

Grew year on year

**7%**

### Vortex diesel

Grew year on year

**12%**

### Business-to-business

Number of commercial customers

**70,000+**

Our commitment to our broad range of customers, combined with our integrated approach to our value chain, enables us to leverage our supply base for both our business-to-business and our retail customers. This, together with our enviable infrastructure position across the country and our product and sourcing capabilities, positions us well in a competitive, dynamic market.

While our total sales volumes in 2016 were flat, reflecting the challenging market for both volumes and margins, our priority segments in premium fuels continued to achieve strong growth.

### Consumer sales

Caltex has one of the nation's most extensive fuel and convenience networks. Consumers depend on our forecourt convenience sites, service centres, truck stops, service stations, diesel stops and depot fronts – many of them 24/7. Also one of Australia's largest franchisors, Caltex has independent franchisees operating more than 640 sites. In 2016, 1,900 sites accepted StarCard, making ours the largest fuel card network in Australia.

Caltex continued to drive Vortex premium fuels, recording excellent growth of 7.2% for the period. Higher sales in premium fuels continued to offset the long term decline in demand for regular unleaded petrol, including E10.

A continuation of the eight-hose, multi-product dispenser upgrade program saw a further \$6 million invested in 2016 improving the convenience of fuel selection for customers and increasing the availability of Vortex Premium fuels at our sites.

Our Convenience business continues to generate substantial sales \$1.17 billion for the year ending 2016 compared to \$1.15 billion in 2015.

Targeted investment in our retail network continued to underpin market opportunities and during the year included 22 new-to-Caltex sites plus four retail-owned retail-operated, 11 knock down rebuilds and two major upgrades. Continued implementation of improved procurement processes allowed us to deliver our build and refurbishment projects efficiently, without compromising stores' build-quality and functionality.

During the first half of the year, we completed a major study on "convenience" which suggested that the Australian convenience market is under-served. We undertook further work to identify ways to take hold of this opportunity, ensure the quality of our offer and differentiate Caltex from competitors. The results of this work will be rolled out in 2017 for pilot testing.

Subsequent to year end, Caltex introduced its new brand, The Foodary, into the retail convenience offering with the opening of a pilot store in Concord, NSW. Along with freshly made food and barista services, The Foodary features a range of services and digital offerings to improve the customer experience.

Our digital offerings are designed to simplify and streamline the retail environment for our digitally-connected and time-poor customers. We successfully trialled two new digital offers: "Price Bid", which allowed customers to bid on a fuel price and fuel type at a selected location; and secondly, an innovative fuel payment app, which allowed customers to pay quickly without leaving their vehicles. The response was strong, and in 2017 we anticipate rolling out the payment app and other new mobile digital applications to make shopping at Caltex simple, fast and convenient.

Caltex was honoured to be recognised in August 2016 by the Australasian Association of Convenience Stores (AACS) as "Retailer of the Year" for the second consecutive year. This prestigious award, in particular, recognises innovation in convenience retailing.

### **Business-to-business sales**

More than 70,000 businesses rely on the reliable supply of high quality Caltex products including petrol, diesel, jet fuel, lubricants, StarCard and specialty products. Our commercial customers include mining, oil and gas, marine, industrial, transport, aviation, distribution, automotive, government and agricultural segments across urban and rural Australia.

Caltex provides the jet fuel supplied to nearly all of the airports on the east coast of Australia. We also operate 64 depots in regional Australia, complementing our strong import terminal network and logistics capability and demonstrating our commitment to fuelling Australia.

In keeping with Caltex's overall priority of optimising our entire value chain from product sourcing through to our customer, we continued building our relationships with, while at the same time rationalising and creating greater efficiencies in,

our distributor supply network to better service our customers throughout regional Australia. This also involved working with and investing alongside our distributors to protect and grow our supply base, whilst enhancing our fuel retail customer offering to attract more customers to Caltex and our distribution partners.

In 2016, there was substantial growth in jet fuel, with volumes increasing by 5%. Caltex now enjoys a more diversified jet fuel customer mix, including the growing number of new airline carriers entering the Australian market. We will continue to build our capacity to service this sector.

In 2016, Caltex launched its telematics system to the Australian transport industry, giving our customers the power to manage their fleets more effectively. The telematics technology captures and collates data on vehicles, and uses this data to produce meaningful information on the vehicle and driver. This data then enables businesses to manage their fleets more effectively, and ultimately reduce costs, improve the safety of their employees and vehicle assets, and increase productivity.

### **Acquisitions**

Caltex has expanded its reach in Victoria with the purchase of Milemaker Petroleum's retail fuel operations, securing volume and operational control of 46 service stations. This high quality business, with a history of being a Caltex-branded reseller and customer for more than 32 years, will transfer to a direct Caltex operation in 2017.

Our acquisition of Gull New Zealand, announced in December and scheduled for completion in Q2 2017, enhances our retail fuel offering further through a low-risk entry into a new market. Caltex looks forward to serving the customers of Gull's 77 retail-branded sites and four marinas.

### **Building capability**

To meet the challenges of a rapidly changing marketplace, and enhance the diversity of our customer offers, emphasis has been, and will continue to be, on securing staff with strong retail skills.

### **Future focus**

In 2017, Caltex will continue to refine its Marketing business to ensure that it is customer-led and remains competitive in a highly contested market. We are committed to continuing to meet and exceed our customers' expectations with strong propositions, enhancing our product range and convenience offering, and delivering innovative solutions for our customers. Our focus is on building long term relationships.