

ASX Release

5 July 2018

CALTEX AND WOOLWORTHS TO EXTEND AND EXPAND LONG TERM PARTNERSHIP

Caltex Australia (ASX:CTX) today announces that it has entered into a new fuel supply agreement with Woolworths (ASX:WOW), and expanded its partnership with Woolworths to include the co-creation of a market-leading convenience offering as well as long term wholesale grocery supply, loyalty and redemption arrangements.

Key points

- **Caltex and Woolworths have entered into a new 15 year fuel supply agreement.**
- **Caltex and Woolworths have agreed to co-create a market-leading convenience retail offering, across approximately 250 Caltex retail sites. The sites will be co-branded with  Metro for the convenience retail offering.**
- **Caltex and Woolworths have also entered into commercial arrangements covering wholesale grocery product supply, redemption and Caltex's participation in the Woolworths' Rewards program that will further enhance Caltex's convenience offering.**
- **Partnership represents a significant milestone in the transformation of Caltex, building on our prior efforts on Convenience Retail, and will both accelerate and strengthen our Freedom of Convenience Strategy.**
- **The fuel supply agreements and commercial arrangements are not subject to any conditions precedent or regulatory approvals.**
- **Steps taken to replace the earnings expected to be lost, had Woolworths sold its fuel business, will now enable Caltex to deliver earnings growth given retention of fuel supply agreement and other commercial arrangements announced today.**

Continuing a strong relationship in wholesale fuel supply

Caltex is pleased to announce that it has signed a new long term wholesale fuel supply agreement with Woolworths, ensuring the safe and reliable supply of high quality fuels to Woolworths for the next 15 years. In consideration of Woolworths entering into the new wholesale fuel supply agreement, Caltex will make a one-off payment of approximately \$50 million in July 2018. The new fuel supply agreement is on terms that represent a \$80 million reduction in annual EBIT to Caltex, relative to the current contract.

This new agreement will importantly allow Caltex to continue to realise benefits from its integrated supply chain, including the value created by sourcing volumes through its Ampol Singapore business, higher utilisation levels of infrastructure and distribution networks, and by serving customers through the largest site network in Australia. The new fuel supply agreement is stapled to the Woolworths' sites, regardless of ownership, providing certainty of supply for Caltex. This maintains Caltex's position as the leading provider of transport fuel in Australia, and enables Ampol to continue its growth as a major regional fuel supplier.

Announcing the new convenience offering at Caltex's Petrol & Convenience sites

Under the new convenience agreement, Caltex and Woolworths will co-create and rollout a co-branded market-leading convenience offering under the  Metro banner across up to 250 Caltex sites, with 50 sites rolled out within the first two years. By partnering with Woolworths, Caltex will draw on the scale and capabilities of the Woolworths' fresh food business, while also capitalising on the success to date of its Foodary rollout.

All stores will continue to be operated by Caltex as part of the Caltex network, with Caltex paying Woolworths a royalty for use of the  Metro banner.

Caltex has already seen positive early results from its own Foodary convenience store concept which has confirmed the merits of the decision to develop a convenience retail offering, and has provided learnings integral to the development of the convenience agreement with Woolworths. Prioritising development of this new convenience offering with Woolworths is expected to accelerate and strengthen Caltex's Freedom of Convenience strategy. The Foodary concept will continue to play an important role across Caltex's broader network.

Caltex to leverage Woolworths' wholesale grocery supply, Woolworths' Rewards and redemption offerings

Caltex and Woolworths have also entered into a range of agreements in relation to wholesale grocery supply, Caltex's participation in the Woolworths Rewards program as a core partner, and an expanded redemption program. These agreements will create a platform to accelerate growth of Caltex's convenience retail business:

- The wholesale grocery supply agreement will allow Caltex to source products through Woolworths' supply chain providing benefits to Caltex's network.
- Caltex will become a core Petrol and Convenience (P&C) business partner in the Woolworths Rewards program, entitling eligible customers to earn and redeem Woolworths Rewards points on eligible fuel and in-store merchandise purchases.
- The existing redemption network will be expanded from 104 sites to 229 sites with these sites offering the Woolworths' fuel discount redemption under similar terms to current stores.

Caltex continues to demonstrate capital discipline, and delivers earnings growth for shareholders

In December 2016, Woolworths announced the sale of its fuel network to another party. While naturally disappointed that the long standing fuel alliance between Woolworths and Caltex was expected to come to an end, Caltex believed it was important to exercise financial discipline in pursuing growth.

Caltex pursued a number of other, lower cost growth opportunities through M&A (Gull NZ, Milemaker, Seoil) and cost savings (Quantum Leap, debt refinancing). These growth initiatives are now additive to the benefits to be delivered through the new fuel supply and retail agreements with Woolworths, and are expected to deliver strong earnings growth for Caltex.

Caltex MD and CEO, Julian Segal said *"The alliance with Woolworths will allow Caltex to provide a very competitive convenience retail offering to its customers, along with an expanded redemption and new loyalty offering."*

It represents a significant milestone in the transformation of Caltex. Not only do these agreements secure the long-term supply of quality fuel to the Woolworths sites, but they accelerate our Freedom

of Convenience Strategy and confirm Convenience Retail as a core business alongside Fuels & Infrastructure.”

Caltex forecasts its retail commercial arrangements with Woolworths should deliver results towards the top end of the range previously communicated to the market in February (\$120 million to \$150 million EBIT uplift in 5 years), with greater execution certainty, and capex that is broadly consistent with prior expectations. Capex guidance for 2018 will be updated at the 1H 2018 result on 28 August 2018.

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Caltex Australia

A proud and iconic Australian company, Caltex [ASX:CTX] has grown to become the nation's leading transport fuel supplier, with a network of approximately 1,900 company-owned or affiliated sites. Caltex aims to be the market leader in complex supply chains and the evolving convenience marketplace by delivering the fuel and other everyday needs of its diverse customers through its networks. Caltex has safely and reliably fuelled the needs of Australian motorists and businesses since 1900. It operates as a refiner, importer and marketer of fuels and lubricants. Follow us on LinkedIn, Twitter and Facebook, and for more information visit www.caltex.com.au