



**CALTEX AUSTRALIA LIMITED**  
**ACN 004 201 307**

**2006 AGM – CHAIRMAN’S SPEECH**

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***WELCOME & OPENING***

Ladies and Gentlemen, welcome to the 2006 Annual General Meeting of Caltex Australia Limited.

**[SLIDE 1 – REFINERY 50<sup>TH</sup> ANNIVERSARY]**

We have a quorum of shareholders in attendance and, accordingly, I declare the meeting open.

**[SLIDE 2 – DICK WARBURTON]**

For those of you who are attending your first Caltex AGM, my name is Dick Warburton and, as Chairman of your Board, I will be chairing this meeting of shareholders.

***FORMAL MATTERS***

There are some formal matters that I would like to bring to your attention at the outset of the meeting:

- If you have a mobile phone, would you please take a minute to check that your phone has been turned off.
- An audio recording is being made of today’s proceedings, so please note that, if you speak at the meeting, your comments or questions will be recorded.
- The minutes of last year’s AGM, which was held on 27 April 2005, were approved by the Board and signed by me, as Chairman of the meeting. Copies of the minutes have been made available from the Shareholder Information table.

***INTERACTION WITH SHAREHOLDERS***

The AGM is an important forum for shareholders to ask questions about, or make comments on, Caltex’s performance and management. To encourage shareholder participation at the AGM, shareholders were invited to submit issues or questions to Caltex prior to the meeting.

As part of my address today, I will discuss three key issues raised by shareholders and then invite questions regarding these key issues. During the meeting, shareholders will also have, of course, an opportunity to ask questions about the items of business that are to be put to shareholders for approval.

At the conclusion of the formal business of the AGM, I will also open the meeting to questions and comments about any other Caltex matter not raised earlier.



Trent van Veen, the lead partner from KPMG on the Caltex audit, is in attendance at today’s meeting and will respond to any questions that shareholders have in relation to the conduct of KPMG’s external audit, the preparation and content of its audit report, the accounting practices adopted by Caltex, and the independence of KPMG.

If you would like to ask a question or make a comment, I ask that, as a courtesy to the meeting, you hold your question or comment until the meeting is opened up for shareholder discussion. At that time, if you raise your hand, a member of Caltex’s staff will bring you a microphone. Would you please announce your name before asking your question or making your comments. To give all shareholders an opportunity to participate in the discussion, I also ask you to limit your questions on each item of business to two. If there are no further questions from the meeting, you should feel free to ask any additional questions.

### ***VOTING MATTERS***

A number of shareholders have appointed me or the other directors as proxy for today’s meeting. Where these proxies are open, and do not have to be disregarded in accordance with ASX Listing Rules, votes will be cast in favour of the resolutions to be put before the meeting.

All matters requiring shareholder approval will firstly be put to the meeting on a show of hands and the voting directions of proxies for each resolution will be displayed on the screen behind me.

If a resolution is not passed on a show of hands, it is my intention to hold a poll on that item. In the event of a poll, Computershare will act as the returning officer and KPMG will act as scrutineer.

If a poll is to be held, instead of interrupting the business of the meeting, I propose to continue with the remaining items of business and, then, at the conclusion of the meeting, I will ask you to vote your shares on the poll.

### ***INTRODUCTION TO PEOPLE ON STAGE & NEW MANAGING DIRECTOR***

I would now like to introduce the people seated on stage.

#### ***Dave Reeves***

#### **[SLIDE 3 – DAVE REEVES]**

On my left is Dave Reeves, Caltex Australia’s Managing Director and Chief Executive Officer.

Dave was appointed as Managing Director and Chief Executive Officer with effect from 11 August 2003. Before joining Caltex Australia, Dave was the President of North America Products at Chevron with responsibility for refining and product marketing activities, pipeline transportation operations and energy management solutions within North America, and Chevron’s global aviation fuels marketing.



As was announced last month, Dave has been appointed President, Global Supply and Trading with Chevron and is returning to the United States. The Board wishes to congratulate Dave on this senior appointment with Chevron and to thank him for the outstanding job he has done in strengthening the position of Caltex Australia in the time he has been Managing Director.

With effect from 1 May, Des King will be the Managing Director and Chief Executive Officer. The Board is delighted to obtain the services of Des. Since 2004, Des has been the General Manager of the Chevron Corporation 220 thousand barrels a day Pembroke refinery in Wales. Prior to that, Des held senior roles in Chevron, including General Manager Strategy & Planning responsible for developing the corporate strategy for both oil and gas exploration and production and refining and marketing.

Des is attending the meeting today and will be invited to say a few words at the end of the meeting.

**Elizabeth Bryan**

**[SLIDE 4 – ELIZABETH BRYAN]**

Elizabeth Bryan is seated next to Dave.

Elizabeth has served on the Board since 18 July 2002 and is the Chair of the Human Resources and Nomination Committee. Elizabeth has over 30 years’ experience in the financial services industry, government policy and administration and on the boards of companies and statutory organisations. Prior to becoming a professional director, she served for six years as Managing Director of Deutsche Asset Management and its predecessor organisation, NSW State Superannuation Investment and Management Corporation.

**Peter Wissel**

**[SLIDE 5 – PETER WISSEL]**

Peter Wissel is seated next to Elizabeth.

Peter was appointed as a director on 23 August 2005 and is a member of the Audit Committee.

Peter is the Regional Finance Officer, Asia Pacific and Africa Pakistan for Chevron's downstream businesses. In this role, he is responsible for financial and management reporting, credit approval, local cash management, local tax matters and risk management in the 33 countries of Asia, Africa and the Middle East where Chevron conducts refining and marketing operations.

**John Thorn**

**[SLIDE 6 – JOHN THORN]**

John Thorn is seated at the end next to Peter.

John was appointed as a director on 2 June 2005 and is a member of the Audit Committee.

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John is a professional director and has over 37 years of professional experience with PricewaterhouseCoopers, including 21 years of experience at partner level. John was national managing partner of PricewaterhouseCoopers Australia covering the years 2001 to 2003.

**Helen Conway**

**[SLIDE 7 – HELEN CONWAY]**

Helen Conway, Caltex Australia’s Company Secretary and General Counsel, is seated on my right.

Helen has extensive experience as both a lawyer and company secretary.

**Trevor Bourne**

**[SLIDE 8 – TREVOR BOURNE]**

Trevor Bourne is seated next to Helen.

Trevor was appointed as a director on 2 March 2006.

Trevor is a professional director. In his most recent corporate role, he served as Chief Executive Officer of Tenix Industries from 1999 to 2003. Prior to Tenix, he spent 15 years at Brambles Industries Limited, six as Managing Director of Brambles Australasia.

The Board welcomes Trevor to his first AGM at Caltex.

**William Hauschildt**

**[SLIDE 9 – WILLIAM (BILL) HAUSCHILDT]**

Bill Hauschildt is seated at the end next to Trevor.

Bill was appointed as a director on 21 September 2004 and is a member of the Human Resources & Nomination Committee.

Bill is currently assigned to a special project consulting on technology selection for major capital projects within Chevron. Prior to that he was Vice President – Refining Operations with the Global Refining group at Chevron. In this role, Bill was responsible for overseeing both the operations and the financial performance of a number of Chevron’s refineries around the globe.

**Apologies**

**[SLIDE 10 – KEN WATSON]**

Ken Watson is unfortunately not able to attend the meeting today. He has recently taken ill and is recovering in hospital after an operation. The Board wishes him a full and speedy recovery.

Ken has been a director of Caltex Australia Limited since 9 February 1996 and is the Chairman of the Audit Committee. After 10 years’ service, Ken had decided not to stand for re-election and will retire as a director at the conclusion of today’s meeting.



Ken has seen Caltex through very important phases in Caltex’s history. He was associated with Caltex during the merger with Ampol in 1995, becoming a board member the following year. During his time as a Board member, Caltex has developed its highly successful convenience store network, entered into a venture with Woolworths and adapted to considerable change in the petroleum market – including new fuel standards – in Australia. The Board expresses its deep appreciation to Ken for his valuable contribution to the Board and to Caltex.

**Departing Directors and introducing the Caltex Leadership Team**

During 2005, Leo Lonergan and Mitch Rubinstein also served as directors.

Leo resigned prior to last year’s AGM. Mitch resigned as a director on 23 August 2005 when he relocated from Singapore to Houston to take up a new position with Chevron. I would like to thank Mitch for the contribution he made to the Board.

I would now like to introduce the members of the Caltex Leadership Team to you, who are seated in the front row, and ask the members of the team to stand up as I introduce you to shareholders:

**[SLIDE 11 – CALTEX EMPLOYEE]**

- Simon Hepworth – Chief Financial Officer
- Mark Burrowes – General Manager – Marketing
- Alex Strang – General Manager – Supply & Corporate Services
- Eion Turnbull – General Manager – Refining
- Mike McMenamin - Group Manager- Strategy & Planning
- Richard Beattie – Group Manager – Corporate Affairs
- Peter Wilkinson –Group Manager – Operational Excellence & Risk, and
- Lisbeth Long – Group Manager – Human Resources

**NOTICE OF AGM**

**[SLIDE 12 – LOGO]**

I propose to move to the items of business for today’s meeting and move that the Notice of AGM be taken as read. Is this agreed?

**INCIDENT-FREE OPERATIONS TOPIC**

One of Caltex’s key strategic intents, listed in the charter that appears on the back cover of our Annual Report, is to achieve operational excellence and this includes safe operations.

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We always open meetings at Caltex with five people or more with an incident free operations topic and I have chosen one with an historical theme today

As you have seen with the theme of our current annual report, Caltex this year is proudly celebrating its 50<sup>th</sup> year of refining fuel for Australia.

**[SLIDE 13 – WORKERS AT REFINERY IN 1950]**

There has been a lot of interest in the photographs from the good old days. We hope you enjoy those in the 2005 annual report and those displayed here today.

The pictures present a fascinating reminder of how much has changed in the last fifty years. This photograph of workers at the Kurnell refinery in 1956 is a striking example of how different things were when it came to workplace safety. Bare arms, straw hats – and who knows what the footwear was – that was how people dressed for work back then. And you could apparently choose your own style, especially if the weather was hot and you worked outdoors. That was the norm.

**[SLIDE 14 – CURRENT WORKERS AT LYTTON]**

In contrast, at our refineries today, everyone – even visitors – has to comply with a strict dress code. Employees pictured here at the Lytton refinery are dressed for work in protective clothing, hard hats, safety glasses and steel capped boots. Without these they would not be permitted on site. Many jobs also require employees to wear heavy gloves and hearing protection.

But a lot more than the dress code has changed. The whole concept of safety in the workplace has evolved dramatically. It’s been driven by advances in knowledge, systems and technology but, above all, changes in attitude and awareness. Today, Caltex managers have it as their number one priority that every single employee and contractor goes home safe.

Our safety performance is the most important thing we measure in our workplace today. I am pleased to report that in 2005 we had our best year on record. The total treated injury frequency rate per million hours of work for Caltex employees was 8.2 per million, compared with 11.8 the previous year.

**ADDRESSES**

**Chairman’s Address**

**[SLIDE 15– CHAIRMAN’S ADDRESS-DICK]**

2005 was a year of records for Caltex, including higher rewards for our shareholders.

I am pleased to report we had an 18% increase in profits, an 18% rise in dividends and a 78% increase in the share price. A very satisfactory result.

The full year profit after tax in 2005 was \$414 million on a replacement cost of sales operating profit (RCOP) basis.

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**[SLIDE 16– PROFITS 2001 - 2005]**

We have had a very strong growth in earnings over the past five years. Our higher earnings in 2005 were the result of strong operating performances by our refining and marketing businesses combined with global market factors.

Our refineries achieved improved throughput rates and near record production during the year. This helped us capture the benefits of refiner margins which were higher because of the very strong demand for fuels in the Asia Pacific region, particularly in China and India, and the shortfalls in global supply of petroleum products caused by the hurricanes in the US Gulf.

Our Marketing business also had an outstanding year. We achieved record transport fuel sales and higher margins and also consolidated our leadership in convenience retailing.

Managing Director and Chief Executive Dave Reeves will be telling you about the business performance in more detail.

**[SLIDE 17– DIVIDENDS – INTERIM AND FINAL FOR 2005]**

Our strong profits enabled us to again pay higher dividends. For 2005 we declared total dividends of 46 cents per share fully franked.

This is up from 39 cents per share the previous year, and represented around 30% of our RCOP profit in line with our stated policy of declaring ordinary dividends of 20-30% of the RCOP profit after tax and excluding significant items. This is the level set while the company met the higher costs of the Clean Fuels Project.

**[SLIDE 18– DIVIDENDS OVER PAST FIVE YEARS]**

Our share price continues to be very good news. In 2005, it opened the year at \$10.86 and ended at \$19.38, giving a total shareholder return of 82%. This put Caltex in the top tier of share market performers for the third year in a row.

**[SLIDE 19– SHARE PRICE FROM JANUARY 2005 TO WEEK OF AGM]**

This slide shows how the share price moved last year and how it has performed to 24 April 2006. Yesterday it closed at \$20.40.

**[SLIDE 20– SHARE PRICE OVER PAST FIVE YEARS]**

It is worth noting the steady rise in the share price in the past five years from when it was under \$1 and how steep the climb has been in the past two years.

The celebration of our 50 years of refining fuel for Australia and recent global trends in our industry have been a reminder of the crucial role our products play in keeping the nation’s industry, commerce and motorists on the move.

The market is changing rapidly. The surge in demand for fuel from China and other fast-growing economies means that regional refining capacity is not keeping up with demand. This trend is happening in the Australian domestic market, where we now need to import nearly 25% of our petroleum product supplies, and expect to import an even higher proportion in the coming years.



**[SLIDE 21– AUSTRALIAN IMPORT REQUIREMENTS]**

There are also statutory requirements for cleaner fuels, a higher demand for premium fuels and a move by car manufacturers to introduce diesel engine vehicles.

Caltex is Australia’s largest refiner and marketer of transport fuels and we have an important commitment to meeting the changing needs of our customers. Our growth in sales volumes of transport fuels continues to be well ahead of Australian market growth.

**[SLIDE 22– CALTEX SERVICE STATION]**

This requires ongoing investment in projects to improve the productivity of our refineries as well as investment in our distribution and retail networks.

On the production side, three of our four new plants are onstream with the Kurnell diesel plant expected to be producing fuel to the new standard next month. The new plants produce petrol with less benzene and diesel with less sulfur. We are also increasing our production of high octane petrol, which is what our customers want. Our sales of unleaded premium fuels increased by almost 20% in 2005 and will continue to grow.

**[SLIDE 23– VORTEX ADVERTISEMENT]**

We are also investing to improve the reliability and flexibility of our supply chain, including equipping our terminals to handle a larger volume of imports. We launched a number of infrastructure projects in 2005.

**[SLIDE 24 – GLADSTONE TERMINAL CONSTRUCTION]**

On the screen now is a photo of the new 15 megalitre diesel tank at our Gladstone terminal in Queensland which was built last year.

To help achieve these goals, in 2005 we more than doubled capital expenditure to \$530 million, which was higher than our replacement cost of sales profit and represented 86% of our operating cash flow

The largest expenditure in 2005 was the Clean Fuels Project, which over four years has cost around \$500 million to complete.

**[SLIDE 25– CLEAN FUELS PLANT]**

The project involved building four new process plants - two at each refinery - to enable them to meet the new fuel standards required by the Australian Government that came into effect on 1 January. These cleaner fuels are reducing air pollution from vehicle emissions because there’s less benzene in petrol and less sulfur in diesel. Australian motorists are now using some of the cleanest fuel in the world.

This has been a very big and complex exercise. We have had disappointing cost overruns and delays, mainly as a result of late delivery of materials and equipment and a shortage of skilled labour. However, there has been an outstanding commitment by our employees and contractors to overcoming the problems, and the company has made every effort to get the plants on stream as quickly as humanly possible.

We have a detailed review under way of why and how the problems occurred and the lessons we learn from this will be applied in our future projects.



These delays made it necessary for us to seek short-term variations of the fuel standards and the government has agreed to these variations.

**[SLIDE 26–DIESEL HYDROTREATER AT KURNELL]**

We have told the market that the delay has meant we will have lower refinery production and have needed to increase imports of 2006-standard products, which will have a one-off negative impact on our earnings in this half.

This will not affect the underlying strength and direction of the company, and as in 2005 we expect to see continued sound results from our strategies to increase refinery production, improve our supply chain and achieve ongoing growth in expanding markets.

We have a lot to be proud of and celebrate in our 50th anniversary of refining fuel for Australia as we honour the past, celebrate the present and look forward to a bright future. When we built the Kurnell refinery 50 years ago it was the biggest project in New South Wales at the time. Our role in fuelling this country’s economy and Australians’ way of life has expanded and evolved in the last five decades and will continue in the future.

**[SLIDE 27 – HISTORIC PHOTOS]**

We thank you as shareholders for being our partners on this journey as we continue to build Caltex as the Australian oil company most admired for its people, partnership and performance.

I will now hand over to Dave Reeves to present his Managing Director’s address and talk about some of our key strategies that will underpin our performance going forward.

*End of speech:*

**Managing Director’s Address**

**MANAGING DIRECTOR’S ADDRESS**

*At the end of Dave’s speech:*

**[SLIDE 45 – DICK & DAVE]**

Thank you Dave.

**KEY SHAREHOLDER ISSUES**

**[SLIDE 46 – KEY SHAREHOLDER ISSUES]**

In seeking to address some key issues that have been raised by shareholders before the AGM, I will respond on the following subjects:

- Whether Caltex profits are linked to the rise in petrol prices
- How the Caltex brand is currently performing against competitors
- Caltex’s attitude to alternative fuels



## PRICES AND PROFITS

### **[SLIDE 47 – CRUDE OIL COST WAS MAJOR DRIVER OF HIGHER PRICES IN 2005]**

Last year there was a great deal of media comment on the increase in fuel prices, and with even higher crude oil prices today the price of fuel continues to be in the spotlight around the world.

Were these increases due to increased petrol company profits?

The short answer is no, and the chart here tells the story.

This chart was published in our 2005 profit announcement in February and shows where the money goes for all petroleum products.

The average price of all petroleum products sold by Caltex increased by **14.6** cents a litre to just over \$1 a litre.

The biggest part of this, around 14 cents a litre, came from higher costs, mainly the price of crude oil.

The increase in Caltex profit accounted for only 0.2 cents a litre.

Crude oil prices in 2005 averaged US\$57 a barrel, which was \$16 a barrel higher than in 2004 and almost double the average price in 2003.

The oil price situation is not getting any better. So far this year prices have averaged over US\$68 a barrel, Caltex does not have any oil exploration or production interests. We are refiners and marketers and have to purchase crude oil on the international market.

So while costs have risen and continue to rise, Caltex profit accounts for only about, 2 cents per litre.

## CALTEX’S PERFORMANCE AGAINST COMPETITORS

### **[SLIDE 48 – SERVICE STATION]**

Caltex is doing very well against its competitors. This can be measured in a number of ways.

Our brand strength has continued to grow, with surveys showing that in 2005 we moved to number 2 position in consumer preference. The latest survey results show that we are continuing to close the gap on our main competitor, Coles Shell.

Our transport fuels sales tell another positive story. We are starting to show our heels to our competitors. In 2005 we again had record sales, increasing our volume by over 4% in a market that grew only around 1, increasing the gap between us and our competitors.

The other big success measure is our convenience store network which is now Australia’s number one convenience retailer with around 30% of the market. We are ahead of Shell, which has 25% of the market and 7 Eleven with 20%, according to the AC Nielsen survey.



It’s worth noting that our nearest competitor, Shell, has less market share than us but more stores – about 590 Coles Express stores compared with our 496 Star stores.

### **CALTEX’S ATTITUDE TO ALTERNATIVE FUELS**

Caltex is committed to the increased use of biofuels, which are fuels made from organic material. We market this in the form of ethanol blended petrol and biodiesel blends.

We have a number of products already in the market.

#### **[SLIDE 49 – ETHANOL PUMPS AT CAIRNS SERVICE STATION]**

Caltex sells its own E10 Unleaded which is 10% blend of ethanol in petrol in selected sites in Queensland. We first launched this in 2003. In addition to this, our 100% owned NSW reseller Access Energy has one of the longest traditions in Australia of selling unleaded petrol containing 10% ethanol, which it has been selling at Bogas branded sites in central and northern NSW since 1996. These sites are now being rebranded as Caltex sites.

#### **[SLIDE 50 - FLOWER POWER GARBAGE TRUCKS]**

Our biodiesel business is growing, with our sales of B5, a 5% blend of biodiesel in diesel fuel, to two Adelaide bus companies and B20, a 20% blend supplied to customers such as the Newcastle City Council for its garbage truck fleet.

As Australia’s leading fuels refiner and marketer, Caltex will play an important role in meeting the Australian Government’s national target for 350 megalitres a year of biofuels production by 2010.

Caltex sales of biofuel blends are targeted to exceed 1 billion litres a year by 2010, containing about 100 million litres of ethanol and biodiesel.

A full list of the issues raised by shareholders prior to the meeting, and Caltex’s response, is available from the Shareholder Information table.

I would now like to open the meeting to questions and discussion on the three key issues. If you would like to ask a question or make a comment on these key issues, please raise your hand and wait for a microphone. Please then announce your name before asking your question or making your comments. To give all shareholders an opportunity to participate in the discussion, I also ask you to initially limit your questions to two.

If you have a question or comment on other matters, would you please hold your question or comments until later in the meeting, when the AGM is opened for discussion on the items of business for consideration at today’s AGM or until the shareholder forum for questions and comments at the end of the formal business of the meeting.