



CALTEX AUSTRALIA LIMITED
ACN 004 201 307

2008 AGM – CHAIRMAN’S SPEECH

WELCOME & OPENING

[SLIDE – CALTEX AUSTRALIA AGM]

Ladies and Gentlemen, I would like to welcome you to the 2008 Annual General Meeting of Caltex Australia Limited.

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

[SLIDE – ELIZABETH BRYAN]

Let me introduce myself. My name is Elizabeth Bryan. I was elected Chairman of Caltex from 1 October 2007 in preparation for the retirement today of Dick Warburton. Dick has been the company’s Chairman for the past six years. I will return to Dick’s contribution to Caltex later in the meeting.

I have been on the Caltex Board since July 2002 and during that time have served on a number of the Board’s standing committees. It is a great honour for me to become the Chairman of your company and I look forward to working on your behalf with my colleagues on the Board and in the management team.

FORMAL MATTERS

[SLIDE – FORMAL MATTERS]

This is my first occasion to chair your Annual General Meeting, so let me turn to the formal matters:

- The first thing to note is that, in the event of an evacuation, you can exit through the main door at the back or at the exit points towards the front of the stage.
- Secondly, the meeting today is being web-cast and recorded, so your presence at the meeting may be transmitted or recorded as part of the meeting.
- The third matter is that copies of the minutes from last year’s AGM have been made available from the Shareholder Information table. The table is set up outside the auditorium.
- And, lastly, as a courtesy to other shareholders, would you please check that your mobile phone has been turned off.

SHAREHOLDER ISSUES

The AGM is an important forum for shareholders. It is your opportunity to ask questions about Caltex’s performance and management over the last year.

To encourage shareholder participation at the AGM, shareholders were invited to submit questions to Caltex prior to the meeting.

As part of my address to you today, I will discuss a number of the key issues that have been raised by shareholders. I will then invite questions from you about these issues.



Later in the meeting, you will also have an opportunity to ask questions about the items of business that are to be put to shareholders for approval.

And at the conclusion of the formal business, I will open the meeting to general questions and comments.

Anthony Jones, a partner from KPMG on the Caltex audit, is attending today’s meeting. Anthony will respond to any questions about KPMG’s external audit, its audit report, and issues of independence.

INTRODUCTION TO PEOPLE ON STAGE

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

[SLIDE – DES KING]

Desmond King

On my immediate left is Des King, Managing Director and Chief Executive Officer. Des has served as your Managing Director since May 2006.

[SLIDE – GREIG GAILEY]

Greig Gailey

Greig Gailey is seated next to Des.

Greg was appointed as a director in December 2007. He is the Chairman of the Board’s Human Resources Committee. He is also a member of the Occupational Health and Safety & Environmental Risk Committee and the Nomination Committee.

[SLIDE – BRANT FISH]

Brant Fish

Your next director is Brant Fish.

Brant was appointed as a director in July 2006. He is a member of the Human Resources Committee and the Nomination Committee.

[SLIDE – TREVOR BOURNE]

Trevor Bourne

Trevor Bourne is seated next to Brant.

Trevor was appointed as a director in March 2006. He is the Chairman of the Occupational Health and Safety & Environmental Risk Committee. He is also a member of the Audit Committee and the Nomination Committee.

[SLIDE – HELEN CONWAY]

Helen Conway

Helen Conway, Company Secretary and General Counsel, is seated on my right.

[SLIDE – RICHARD WARBURTON]

Dick Warburton

Dick Warburton is seated next to Helen. Dick is well known to you as the previous Chairman.



[SLIDE – JOHN THORN]

John Thorn

Your next director is John Thorn.

John was appointed as a director in June 2004. He is the Chairman of the Audit Committee. He is also a member of the Occupational Health and Safety & Environmental Risk Committee and the Nomination Committee

[SLIDE – PETER WISSEL]

Peter Wissel

Peter Wissel is seated next to John.

Peter was appointed as a director in August 2005. He is a member of the Audit Committee and the Nomination Committee.

[SLIDE – CALTEX LEADERSHIP TEAM]

Caltex Leadership Team

Ladies and Gentlemen, I would now also like to introduce the members of the Caltex Leadership Team to you:

- Simon Hepworth: Chief Financial Officer
- Alex Strang: General Manager – Supply and Distribution
- Brian Waywell: General Manager – Refining
- Andy Walz: General Manager – Marketing
- Mike McMenamin: Group Manager – Strategy, Planning & Development
- Richard Beattie: Group Manager – Policy, Public and Government Affairs
- Peter Wilkinson: Group Manager – Operational Excellence and Risk
- Simon Willshire: Group Manager – Human Resources, and
- Helen Conway: Company Secretary and General Counsel, who is seated on stage

NOTICE OF AGM

[SLIDE – NOTICE OF ANNUAL GENERAL MEETING]

It is now time to move to the formal business of the meeting.

I will take the Notice of Annual General Meeting as read.

ITEM 1: INCIDENT-FREE OPERATIONS TOPIC

[SLIDE – INCIDENT FREE OPERATIONS TOPIC]

At Caltex, we always open meetings of five or more people with an incident free operations topic. Today I'd like to talk about safety at the core of our business.

Every day Caltex handles millions of litres of crude oil and petroleum products. We focus on doing this without incident.



For us, this means keeping the hydrocarbons inside the tanks and the processing equipment in our refineries, and then safely transporting the products by pipeline, ship and road tanker.

One of the main ways we ensure we have safe and reliable operations is by making sure our tanks and our processing and transport equipment are in good condition. This work is a large part of our day to day operations.

[SLIDE – LYTTON REFINERY CRUDE OIL PIPELINE]

An example is the Lytton refinery pipeline project in Brisbane.

During 2007, we completed a \$22 million project to replace the 3-kilometre long crude oil pipeline.

The pipeline is the lifeline that supplies crude oil from the wharf to the tanks in the refinery.

Keeping the line in good condition is critical to our business and to protecting the wetlands under which it travels.

This project is an excellent example of monitoring assets well and investing to prevent the risk of an incident. The crude oil is transported safely, reliably and without environmental impact – and that’s to everyone’s benefit.

ITEM 2: ADDRESSES

Chairman’s Address

[SLIDE – CHAIRMAN’S ADDRESS]

I would now like to take you to my formal Chairman’s address. In my address, I will cover:

- a number of highlights from 2007; and
- some opportunities and challenges that lay ahead.

I will then hand-over to Des for his Managing Director’s address.

Let me take you to the highlights for 2007.

[SLIDE – REPLACEMENT COST OPERATING PROFIT]

Caltex recorded a solid financial performance with higher earnings in 2007 despite a difficult external environment for our refining business. In 2007 there was record production by the refineries and a strong contribution by the marketing business.

The full year profit after tax increased to \$444 million on a replacement cost of sales operating profit basis, up from \$430 million in 2006.

[SLIDE – CALTEX DIVIDEND HISTORY]

The Board declared a final dividend of 33 cents per share bringing the total dividends paid on 2007 earnings to 80 cents per share. This is the same level of dividend as last year.

The level of dividend has been set taking into consideration future cash flow requirements and the need to maintain a prudent level of debt.

[SLIDE – REFINERIES SET RECORDS]

2007 was a year which demonstrated Caltex’s strengths. We are in an industry where profits are affected by movements in refiner margins, the Australian dollar and crude oil and freight prices. These are all outside the control of Caltex.



The company last year recorded an increased profit due to a sound performance in areas we can control. We had higher refinery production, robust fuels sales and managed to keep unit operating expenses in line with inflation.

This helped offset the effects of a 17% drop in the Caltex refiner margin, and strong cost pressures for materials and skilled labour.

Caltex is Australia’s leading refiner and in 2007 both refineries continued to increase their output and set new records for production and throughput. They lifted their utilisation rate and produced a record 10.9 billion litres of high value transport fuels: petrol, diesel and jet fuel.

[SLIDE – SELLING MORE DIESEL, PREMIUM FUEL AND BIOFUELS]

The marketing business also performed well.

We retained our market leadership in fuels and convenience store retailing.

Our transport fuels sales volumes increased, with particularly strong growth in diesel sales and premium fuel sales.

In biofuels, Caltex more than met its commitment under the Australian Government’s Biofuels Action Plan. We exceeded our 2007 target by more than 50%. We have the largest biofuels network in the country and are continuing to expand the number of sites.

We also had further growth in non-fuel income with a strong increase in convenience store sales and revenue from the card business.

When Des King addresses you he will say more about the performance of our operations.

[SLIDE – PETROL PRICING – THE FACTS]

Caltex has continued to make every effort to get a consistent, factual message out about petrol prices and to stimulate well-informed discussion.

The reality about our petrol prices is that Australia has the fourth lowest prices for petrol among the world’s developed economies.

Oil refining and marketing is a very high volume, very low margin business and we operate in a highly competitive market.

Petrol prices are rising, and are expected to continue to rise, but not because of collusion or price gouging as our critics suggest.

The cost of crude oil, our main input which we have to buy on the open market, has rocketed from US\$10 a barrel to well over US\$100 a barrel in the last ten years. Caltex does not explore for or produce any crude oil. We have to pay whatever the world price is for it.

There is long-term upward pressure on petrol prices and Australians, like motorists around the world, can expect to pay more.

We wish crude oil prices were not so high. We wish motorists did not have to pay high prices. It would be better for Caltex if there was a lower crude oil price – working capital for our inventories of crude and products would be lower. Debt requirements would be lower. Interest costs would be less.

But unfortunately the outlook remains for rising crude oil prices. Factors such as the ongoing increases in demand in the Chinese and Indian economies show no signs of letting up. Oil exploration and production costs are increasing significantly and environmental regulation to minimise emissions is also going to increase petrol costs.



In Australia, for example, from 2010 the Government intends to introduce a carbon cost to the economy via an emission trading scheme. If this is applied to transport fuels it will be another contributor to increased petrol prices.

[SLIDE - NEW KURNELL REFINERY DIESEL TANK]

Safe and reliable performance is a major priority at Caltex. This new diesel storage tank at the Kurnell refinery is a good example. The big new tank will help ensure we maintain a reliable supply of diesel to the market even when the refinery has to stop processing to undertake major maintenance.

In 2007 a number of projects were launched which will bring ongoing improvements to our business.

The company invested \$319 million last year in programs that strengthened our supply chain network and improved performance in our refining and marketing operations. Over 2008 to 2010 we plan to invest more than \$1 billion on our core operations across the business to ensure the company remains strong and positioned for future growth.

[SLIDE - MARKETING GROWTH OFFSETS CYCLICAL REFINING EARNINGS]

Our strong balance sheet and sound operating performance in 2007 have helped put the company in good shape.

Caltex is a diversified business with earnings from refining and marketing influenced by different factors. Strong earnings in Marketing help offset any cyclical softening in refining earnings. We will continue to grow earnings from our marketing business where on average the margins are less volatile than those for refining.

In 2007 the Marketing business accounted for about 50% of our total earnings. We expect to see strong ongoing returns from this part of our business.

During 2008 our focus will be on ensuring a strong balance sheet is maintained and debt kept to sustainable levels while building on the company’s strengths and successes.

[SLIDE – RICHARD WARBURTON AO RETIRES FROM THE CALTEX BOARD]

Before I hand over to Des King, on behalf of the Board I would like to acknowledge the strong contribution of Dick Warburton who retired as Chairman of Caltex last September and will be retiring from the Board after this meeting.

Dick was a member of the Caltex Board for nine years and served over six years as Chairman. He brought a lot of knowledge and wide business experience to the Board. During those years Dick was involved in some of the most important decisions and developments in the company’s history. The Board is very appreciative of his leadership performance.

End of speech:

I will now hand over to Des to present his Managing Director’s address.

Managing Director’s Address

At the end of Des’s speech:

[SLIDE – KEY SHAREHOLDER ISSUES]

Thank you Des.



ITEM 3: KEY SHAREHOLDER ISSUES

[SLIDE – ITEM 3 - KEY SHAREHOLDER ISSUES]

I will now turn to the following four key shareholder issues:

- Issue 1: The recent performance of Caltex’s share price
- Issue 2: The level of dividends paid for 2007
- Issue 3: The proposed increase in the Board’s remuneration pool for non-executive directors, and
- Issue 4: The impact of a carbon trading system on Caltex.

[SLIDE – THE CALTEX SHARE PRICE]

Let me first deal with the performance of the company's share price.

As you can see on the chart, since the start of 2008 the Caltex share price has fallen about 30 per cent.

The market has clearly judged that Caltex is facing tougher times than in the past few years.

At the time of the release of the company's 2007 financial results on 22 February, we advised the market that refiner margins were expected to be lower in 2008 due to the projected slowdown in the United States. We also advised that planned shutdowns during 2008 would reduce refinery production, and that earnings would be impacted by supply issues resulting from the unplanned refinery shutdowns in late 2007 and early 2008.

So far refiner margins have held up. In the year to date, refiner margins have remained at a similar level to last year.

Des has already discussed the influences on refiner margins and the fact that we have very little control over them. They are hard to predict but we continue to prepare for a softening.

It is important to remember that marketing margins, and our marketing business in general, is not affected by external influences in the same way that our refining business is. This year to date Marketing has continued to perform strongly with continued growth in both fuel sales volumes and non-fuel income.

Robust marketing earnings are a major strength of the Caltex business.

The share price has recovered several dollars from its low in mid-March as the market has continued to assess the outlook for our business.

Ultimately the share price reflects the financial and operational performance of the company.

While in the refining industry external factors will always influence our results, the Board and management are committed to continuing to operate the company to maximise the value to shareholders.

The share price improvement from what it was last month appears to reflect in part the actual recent refiner margins and growing recognition of the importance and strength of our Marketing operations.

[SLIDE – CALTEX DIVIDEND HISTORY]



The next issue is the level of dividends paid for 2007.

The total dividends paid in respect of 2007 were the same as for 2006. The difference between the interim and final dividends in 2007 reflects the difference in earnings between the first and second halves of the year.

The payments in both years were in line with our dividend policy to pay out between 40 to 60 per cent of the Replacement Cost of Operating Profit after tax and significant items. In 2007 the dividends that were declared were around 50 per cent for both the interim and final dividends.

The dividend policy has been deliberately framed around a payout ratio rather than a dividend payment, in recognition that Caltex operates in a cyclical industry.

The policy enables the Board to continue to pay shareholder dividends while ensuring that the financial strength of the company is maintained.

[SLIDE – THE INCREASE IN THE BOARD’S REMUNERATION POOL]

The third issue raised by shareholders relates to the proposed increase in the Board’s remuneration pool.

In 2007 and 2008 the Board has been in a period of transition. When Dick Warburton stepped down as Chairman in October 2007, he agreed to remain on the Board until today. In preparation for Dick’s retirement we temporarily increased the numbers on the Board by bringing in a new director prior to Dick’s departure.

The additional remuneration involved in this was considered appropriate in the interests of Board continuity and succession.

In the absence of these transitional arrangements it would not have been necessary to seek approval from shareholders for an increase in the Board’s remuneration pool.

[SLIDE – THE IMPACT OF A CARBON TRADING SYSTEM]

The final key issue raised by shareholders relates to the implications for Caltex of the Australian Government’s intention to address climate change with the introduction of an emissions trading scheme.

Under the proposed scheme, permits to emit greenhouse gases in a particular year will be auctioned, with the revenue going to the government. Emitters must purchase permits each year equal to their emissions.

Caltex could be affected in two separate ways.

The first relates to payment for emissions from our refineries.

Companies that face import competition from countries that do not impose carbon costs may be classified as "emissions intensive trade exposed" and receive free permits.

As the big export refineries in Singapore and India will bear no carbon costs, Caltex must receive a free allocation of emission permits for its refinery emissions.

This policy is still under consideration by the Government. It has however expressed support for the general principle of protecting “emissions intensive trade exposed industries” until overseas competitors impose carbon prices comparable to Australia.

The second issue for Caltex relates to emissions from the vehicles and equipment of fuel users.

The Government proposes that Caltex should be responsible not only for our own emissions but also for our customers' emissions.



We are putting proposals to Government suggesting that because higher petrol and diesel prices have little effect on the fuel needed to be used by motorists, Australia could adopt the European policy and not impose a carbon cost on motorists. We are suggesting that at the same time the rules could require large commercial users to acquire permits for their own emissions.

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That concludes my remarks on the key shareholder issues raised for the AGM. I would now like to open the meeting to your questions and discussion on these few issues I have just spoken about.

If you would like to ask a question or make a comment on any of these key issues, please make your way to the microphone located at the front of your aisle. The Caltex staff member at the microphone will ask your name and then announce you to the meeting.

If you have other questions or comment on other items of business would you please hold them until later.

To give all shareholders an opportunity to participate in the discussion, would you please initially limit your questions to two. If there are no further questions from other shareholders, you should feel free to ask further questions now or later in the meeting.

Are there any questions?

At the end of questions and comments on the key issues:

Thank you for your questions and comments.