CALTEX AUSTRALIA LIMITED

ACN 004 201 307

2008 AGM – MANAGING DIRECTOR & CEO'S ADDRESS

WELCOME & OPENING

[SLIDE – MANAGING DIRECTOR & CEO'S ADDRESS]

Thank you Elizabeth.

I'd like to spend some time to recap the operational highlights from 2007 that underpinned the results that you have just heard. I'll quickly update you on our performance in the first three months of 2008 before providing some detail on our outlook for the rest of 2008.

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I'll start with a brief overview of our operational performance last year.

[SLIDE – CONSISTENT MARKETING MARGINS DAMPEN CYCLICAL REFINING MARGINS]

You can see from this slide, the integrated margin – that is the Refining and Marketing margin we earn on petrol, diesel and jet fuel – declined in 2007. This was caused by a fall in the Caltex Refiner Margin, primarily as a result of external factors. The main impacts were:

- A decline in the underlying Singapore margins, primarily as margins for diesel and jet fuel eased from their 2006 levels.
- The strengthening of the Australian dollar. As refiner margins are denominated in US dollars, the appreciation of the Australian dollar reduced our earnings.
- Rising crude prices negatively impact on the yield loss – this reflects the higher cost of crude oil that is used as fuel in the refining process.

The fall in the refiner margin is in contrast to the Transport Fuels Marketing Margin which remained consistent with 2006. The stability in our marketing margins helps to offset the volatility experienced in our refinery earnings.

[SLIDE – TRANSPORT FUEL SALES UNDERPINNED BY STRONG DIESEL GROWTH]

Marketing transport fuel sales volumes increased by 3.6% to 13.8 billion litres in 2007. This increase was largely driven by strong growth in our diesel sales volumes, which were up by 11.5% over 2006. Overall petrol volumes increased in line with the market, however sales of our Vortex premium fuels increased by over 10% to exceed 1 billion litres for the first time. Jet fuel volumes eased as we shed low margin business in the first half of the year, which we worked to place at stronger margins in the last six months.

[SLIDE – SOLID GROWTH IN NON-FUEL INCOME AND STORE SALES]

Non-fuel income continued to grow, increasing by 3.5% to $152 million in 2007. The growth was underpinned by continued increases in convenience shop sales, and Caltex remains the leading convenience store operator in Australia.

[SLIDE – CONTINUED IMPROVEMENTS IN REFINING PRODUCTION AND UTILISATION]

Our refineries produced a record volume of transport fuels – petrol, diesel and jet fuel – in 2007, at 10.9 billion litres which was 6% higher than 2006. Utilisation for 2007 averaged 84%, with both refineries achieving similar results. Outside of planned shutdowns, both of our refineries operated reliably following the commissioning of the clean fuels plants in the first half of 2006. This high reliability continued for almost 18 months through to the end of 2007, when we unfortunately had some unplanned outages. This record shows that we are capable of achieving extended periods of safe and reliable plant operation.

[SLIDE – UNIT OPERATING EXPENSES TIGHTLY MANAGED IN A HIGH COST ENVIRONMENT]

Like all capital intensive industries, we are facing increased cost pressures, in particular on labour and materials. In 2007 our operating costs, on a cents-per-litre basis, were held through good cost control management to an increase of 4%. This is broadly in line with inflation.

Caltex operates in a low margin industry, and so cost control will remain a key priority for management. We are actively pursuing initiatives to control our costs, and I reiterate the statement I made in February that we will aim to hold cost increases in 2008 to no more than inflation, on a cents-per-litre basis.

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I will now turn to our performance in the first three months of 2008.

[SLIDE – REFINER MARGINS HAVE REMAINED ROBUST IN 2008 TO DATE]

US-dollar refiner margins for the first three months have been quite strong. However the impact of the strong Australian dollar has meant that the average margin in AcpL for the first quarter is down slightly compared with the same period in 2007. The 15% appreciation of the Australian dollar in the first quarter has resulted in the margin averaging 7.2 AcpL, compared to 7.6 AcpL in 1Q07.

We have successfully completed a planned shutdown at our Kurnell refinery. This shutdown occurred in February and March, which impacted production and therefore restricted our ability to fully capture the margins shown on the charts. In addition, as we discussed at our full year results release in February, there was also a negative $40 – 50M EBIT impact on our 1Q08 earnings arising from unplanned refinery outages in late 2007 to early 2008.

[SLIDE – TRANSPORT FUEL SALES CONTINUE TO GROW]

Marketing sales volumes have continued to grow through the first 3 months, particularly for diesel. Jet fuel has also seen solid growth over the same period, while petrol volumes have remained steady in the face of rapidly increasing crude oil prices.

Margins for transport fuels have remained strong in 2008 to date.

[SLIDE – 1Q08 EBIT LOWER LARGELY DUE TO MAINTENANCE ACTIVITY]

Our unaudited first quarter EBIT was $131 million, which is $67 million lower than the same period in 2007. Marketing earnings have been stronger, driven by higher sales volumes. In contrast Refining earnings were lower as a result of the stronger AUD compressing higher USD refiner margins and lower production volume due primarily to the planned shutdown at Kurnell in February and March. The 'Other Refiner Margin' consists primarily of the impact of unplanned refinery outages in late 2007 and early 2008. This resulted in EBIT loss due to the export of low value product and the import of finished products to keep customers supplied. This was partially offset by a realised gain on the payment for crude oil due to the appreciating Australian dollar. Additionally, the loss due to the refiner margin timing lag caused by rising crude oil prices was greater than in 2007.

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I'd like to now spend some time to discuss the outlook for the next 12 to 18 months.

[SLIDE – CALTEX PLANS TO MAINTAIN A STRONG BALANCE SHEET]

Most people will be aware that the external environment for credit has tightened significantly in the past 6 months. Interest rates have increased and availability has become constrained.

Caltex operates in a cyclical industry, where management of cash flow has always been important. We have maintained a prudent level of debt over the past 4 years, which has positioned the company well. Looking forward, we will continue to actively manage our cash flows to ensure we preserve our balance sheet strength. We will sustain our focus on operating costs – as we have said before, Caltex operates a high volume but low margin business, and so close control on these costs will remain a high priority. As crude oil is now around $US 120 per barrel, we will increase focus on working capital.

[SLIDE – REFINING OUTLOOK LINKED TO REGIONAL AND GLOBAL ECONOMIC CONDITIONS]

The Caltex Refiner Margin is underpinned by the global and regional supply and demand for petroleum products. New refineries are scheduled to come on stream in Asia in the second half of the year. Regional demand, in particular for diesel, remains strong, led by the growth in China. There is potential for global demand growth to soften if the US moves into recession. The combination of additional capacity and softening global demand creates the potential for margins to ease, with the greatest impact likely to be on petrol margins in the second half of the year. However these forecasts are uncertain, and margins may prove to be resilient.

Caltex will continue to closely monitor the external environment and adjust our operating plans as necessary.

[SLIDE – CALTEX WILL OPERATE REFINERIES TO MAXIMISE CASH]

Recognising these changes in the external environment, management has focused more heavily on cash management. For our refineries, this includes an increased emphasis on working capital as we operate to maximise our cash. Consequently we will optimise the trade-off between working capital costs and incremental production. Our stated guidance for production to be in line with 2007 is still achievable; however we may consciously choose to reduce production should margins not outweigh the working capital costs. We still anticipate production volumes to be strong relative to recent years.

Following the completion of the major planned Kurnell shutdown, we have two moderately sized shutdowns planned in the second half of the year. Additionally, there are two unplanned maintenance 'pitstops' in the second quarter – the first on our Lytton diesel hydrotreater is now complete, while the second involves one of our Kurnell cat crackers. The anticipated impact of these two 'pitstops' on 2Q08 EBIT is approximately $30 – 35 million.

[SLIDE – MARKETING – AUSTRALIAN OUTLOOK REMAINS ROBUST]

The outlook for our Marketing operations remains robust. We still anticipate growth in domestic demand, although there will be differences between the various products. Demand for petrol will likely remain relatively flat, with growth less than 1% - however demand for our premium Vortex fuels is forecast to be stronger.

In contrast, diesel demand growth is heavily influenced by the resource and mining industries, which are anticipated to continue to grow strongly. Additionally, demand from the agricultural sector on the East Coast will rebound after the recent rains. Jet fuel is also set to increase, supported by new airline entrants into Australia.

To support our growth in fuel volumes, we will be working to strengthen our supply chain network. Primarily, this will focus on our chain of seaboard terminals to enable Caltex to better serve our markets.

We will continue to improve our convenience store offer to reinforce our market leading position. We have 5 trial '21st century convenience stores' operational in NSW, with the early responses quite encouraging.

[SLIDE – CALTEX IS ACTIVELY ADDRESSING SUSTAINABILITY ISSUES]

Sustainability is becoming an increasingly important part of business, and Caltex has been actively addressing these issues.

On the environment, climate change is a key emerging issue for Caltex. We have been active in the debate on the introduction of a carbon cost to help address climate change, and in 2007 the Board endorsed a climate change policy and action plan.

We are the leading biofuels marketer in Australia amongst the majors, with over 300 sites in our network selling biofuel blends. Caltex will continue to work to achieve government mandates, meet our commitments and fulfil community expectations.

Our two refineries are engaged with the NSW and Queensland state governments to reuse treated water in the refinery operations. This will significantly reduce our demand for fresh drinking water in Sydney and Brisbane.

More broadly in society, fuel pricing is a significant community issue. We engaged with the ACCC for the petrol price inquiry in 2007, which found no evidence of collusion in the industry, and I quote from the foreword of the inquiry report:

"Those who say that the ACCC or the government must do something about petrol prices are simply ignoring the reality that petrol prices are set according to the international marketplace."

We look forward to working with the new ACCC Petrol Commissioner, Patrick Walker, to roll out FuelWatch across Australia. Caltex has successfully operated as a wholesaler and retailer in Western Australia for many years under the state FuelWatch regulations. This experience should enable Caltex to continue to successfully operate under a national FuelWatch scheme.

We have a significant and longstanding relationship with the Starlight Children's Foundation, which is dedicated to brightening the lives of seriously ill children and their families. Caltex employees volunteer for the major fundraising events including the annual Star Day – this year set for May 2 – while 2007 saw the completion of the '50 towns in 50 weeks' program, which was a major success.

[SLIDE – CALTEX WILL REMAIN STRONG FOR THE LONG TERM]

Caltex can trace its roots in Australia back to the RW Cameron Company, which was founded in 1900. In over a century of operations, Caltex has succeeded by managing its business for the long term. That focus on the long term will continue – Caltex remains a strong business and we will continue to manage Caltex to stay that way.

End of speech:

Thank you, and I will now hand back to Elizabeth.