



Marketing



Now

then

BELOW This was the look of Caltex service stations in the 1950s when the car started to become a powerful force in shaping the Australian economy and lifestyle.

ABOVE A service station for the 21st century, Caltex Neutral Bay opened for business in March 2005 as a jointly branded Caltex Woolworths site after a \$2.7 million redevelopment. On a main artery near the Sydney Harbour bridge, it is one of Caltex's busiest sites.



In 2005 Caltex continued to deliver fuel sales growth and further increases in non fuel income



ABOVE LEFT Teamwork and attention to detail make Caltex franchisees Di and Mark Patterson consistent top performers in Caltex's All Stars performance management program. Pictured at their site in Wamberal on the NSW Central Coast they have four sites and their four children have joined them in the business.

RIGHT "I insist that the place be kept clean. I also insist on first-class service to my customers, most of whom I know personally," said service station owner Ron Gates, seen here in 1966 polishing the pumps in his driveway. Ron ran the Gordonvale station on the Bruce Highway 15 miles south of Cairns, Queensland, with the help of his mother and sister Irene.

The Marketing department promotes and sells Caltex fuels, lubricants, specialities, convenience store goods and a branded StarCard through a national network of over 1,800 Caltex branded service stations and over 60 branded resellers. Marketing also sells directly to a large number of commercial customers. All these customers are supported by Marketing's extensive network of terminals and depots across the country.

Key points for 2005

- Over 30% reduction in treated injury frequency rate
- Record transport fuel sales and Marketing earnings
- Consolidated position as number one convenience retailer
- New brand directions and momentum
- Infrastructure – enhancing capabilities
- StarCash growth
- Biofuels commitment

Caltex's marketing business has continued to improve performance with further growth in key segments as the company consolidates its position as the largest marketer of petroleum products in Australia and the leading convenience store retailer.

Strategies introduced in 2004 to improve performance across the marketing business and strengthen customer focus are now adding value, with employees delivering excellent results and demonstrating our brand tagline of *We put more in.*

Fuel sales

In 2005, Caltex continued to deliver record fuel sales with growth of 4.2% in transport fuels sales volumes in a market that grew



ABOVE Premium fuels are now the fastest-growing fuels sector: Caltex's premium unleaded petrol Vortex 98 was launched in 2004.
RIGHT In South Australia this truck toured the Adelaide metropolitan area in 1960 to advertise Caltex Butane Boosted petrol.

around 1% nationally. The 3% increase in petrol sales was supported by the Caltex Woolworths venture with shopper docket redemption purchases by Woolworths' customers accounting for a growing percentage of Caltex petrol sales. Diesel volumes were up by 5.3% and jet fuel rose by 6%.

Caltex is continuing the rollout of premium, high octane fuels, under the Vortex and Vortex 98 brands. Sales of premium unleaded fuels increased by 19.8% during 2005 with the visibility of Vortex in TV and print advertising helping delivering the Vortex message – *Bring out the best in your car*, to a growing Caltex customer base.

Business-to-business e-commerce solutions for Caltex's commercial and industrial customers were increasingly used in 2005, with online system improvements delivering better customer service and operating efficiencies for Caltex business partners. Approximately 50% of all orders for fuels and lubricants were managed electronically, providing savings to the company in the cost of processing orders and delivering efficiencies to our customers.

Direct sales channels

Finished lubricants growth of 3.1% was supported by increased sales to the automotive, industrial, mining and transport sectors together with the rollout of Caltex lubricants into Woolworths and BIG W outlets nationally.

Increases in marine, bitumen and petrochemicals sales volumes resulted in a 12.5% growth in specialty product sales volumes.

Convenience store network

Caltex continued to strengthen its position as Australia's leading convenience store retailer with a market share of around 30% and a network of nearly 500 Star convenience stores. Total average shop sales in 2005 were 4.6% higher than in 2004.

Caltex's retail success is driven by working with key business partners such as franchisees, company-operated store managers and suppliers to lift benchmarks under the All Stars performance management program. The focus on feedback and improvement continued to drive retail performance from good towards great with performance scores across the network in 2005 the highest to date.

The strong retail performance is also due to consistency and excellence in business performance driven by the All Stars quality retail program, support from suppliers in retail promotions and improvements in the overall convenience offer that ensures customers' needs are being met. Work was done in 2005 on future innovations for Caltex convenience stores, with new features to be trialed in 2006.

Caltex's venture with Woolworths is now in its second year with a network of over 470 jointly branded sites, 125 of them contributed by Caltex. The relationship is delivering synergies in a number of areas. This includes the establishment of an arrangement in 2005 which will enable the Caltex retail sites to benefit from Woolworths' buying expertise for convenience store goods purchases such as confectionery and drinks.

BELOW Photographed in 1958, these 44-gallon drums containing Caltex RPM Delo were destined for the lubrication of diesel-electric locomotives throughout Australia.



BELOW LEFT Fred Freeman, General Manager of Caltex-owned reseller Access Energy at the Newcastle, NSW terminal. Fred manages a company that distributes fuel and lubricants throughout the northern part of the State.

RIGHT With military precision, drivers and their tanker trucks line up for this photograph at Caltex's Banksmeadow terminal in southern Sydney in the 1950s.



New directions for the brand

Caltex's brand strength continued to grow in 2005 with increased consumer preference scores in surveys.

Vortex premium fuel advertising and StarCash promotions led the way in State of Origin television broadcasts, Perisher Blue Ski Resort outdoor advertising, Harvey Norman promotional catalogues and Qantas in-flight programming.

A program of consistent branding of the service station network continued with the progressive removal of the Ampol brand and old Caltex signage. The number of sites with the new Caltex Delta brand increased from 914 in 2004 to 1,135 in 2005 with 80% of sites in major markets completed.

Motor racing performance has also enhanced Caltex brand awareness with a clean sweep of the podium in the 2005 V8 Supercar Championship with the Caltex-sponsored Stone Brothers Racing and Team Beta Electrical/Triple Eight Race Engineering, and retention of the number one position in the Globalstar Australian Rally Championship with Subaru Rally Team Australia.

Caltex is committed to increased use of ethanol and biodiesel blends

StarCash grows in popularity

The increased use of Caltex branded cards delivers benefits not only in sales, but also in enhanced Caltex brand awareness.

During 2005, Caltex StarCash delivered outstanding results with a significant growth in sales as a result of its wider availability throughout the Caltex service station network and its use in promotions by many high visibility customers. StarCash featured in highly advertised promotional campaigns for customers that included Harvey Norman, Nissan and *The Daily Telegraph* newspaper, and was used in a large number of credit card rewards programs.

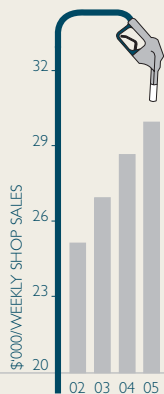
The StarCard fleet business has also been an outstanding performer in 2005 with sales growth of around 17% and expectations of increasing growth.

Building for the future

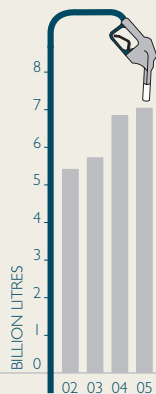
Building up our supply chain capability is a key priority for supporting future market growth, and a number of infrastructure projects were launched in 2005. This included an expansion and restructuring of the east coast operations of ALMC (Australasian Lubricants Manufacturing Company Pty Ltd), the 50:50 lubricants manufacturing joint venture between Caltex and BP. Work commenced on fuels terminal upgrade projects in Far North Queensland and Newport, Victoria and Caltex significantly expanded its terminal capacity in Darwin in the Northern Territory.

Caltex's 100% owned reseller business was expanded in 2005 with the purchase of three reseller businesses: Dunning Petroleum, the largest private reseller in Victoria has become part of the Caltex-owned Victorian reseller Access Fuel & Lubricants; Auer Petroleum in Bundaberg, central Queensland; and, Petro Fuel and Lubricants which operates in the Longreach to Goondiwindi area of South East Queensland.

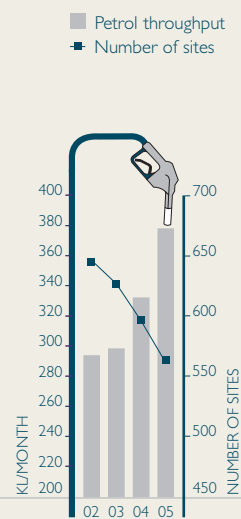
SHOP SALES



PETROL SALES



AVERAGE PETROL THROUGHPUT AT CALTEX BRANDED OWNED/LEASED SITES



Biofuels

Caltex is committed to the increased use of ethanol and biodiesel blends. The company is gearing up to meet its commitments under the Australian Government's Industry Action Plan for biofuels which will require Caltex to produce and sell around one billion litres a year of biofuel blends by 2010.

The company is presently selling E10 Unleaded, its 10% blend of ethanol in petrol at selected sites and expanding the biodiesel offer to customers in parts of our network. We are also selling B5 (a 5% blend of biodiesel in diesel fuel) and B20 (a 20% blend) to a number of transport fleets.

Like all Caltex products, E10 Unleaded, B5 and B20 diesels carry the Caltex quality guarantee. Car manufacturers indicate that E10 Unleaded is suitable for the overwhelming majority of vehicles and it has been endorsed by all local automobile manufacturers. Caltex has a list of vehicles for which E10 is suitable available at www.caltex.com.au.

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