CALTEX

2003 Full Year Results

Strong performance Lays foundations for future growth

[Dave Reeves] [Managing Director & CEO]

Caltex Australia Limited ACN 004 201 307

- Good morning, welcome everybody and thank you for coming here today. I would especially like to welcome those who are participating via link in Brisbane and Melbourne.
- You will have received a package this morning containing our full year results, media release and Australian Stock Exchange announcement, together with the powerpoint overheads I will talk through this morning.

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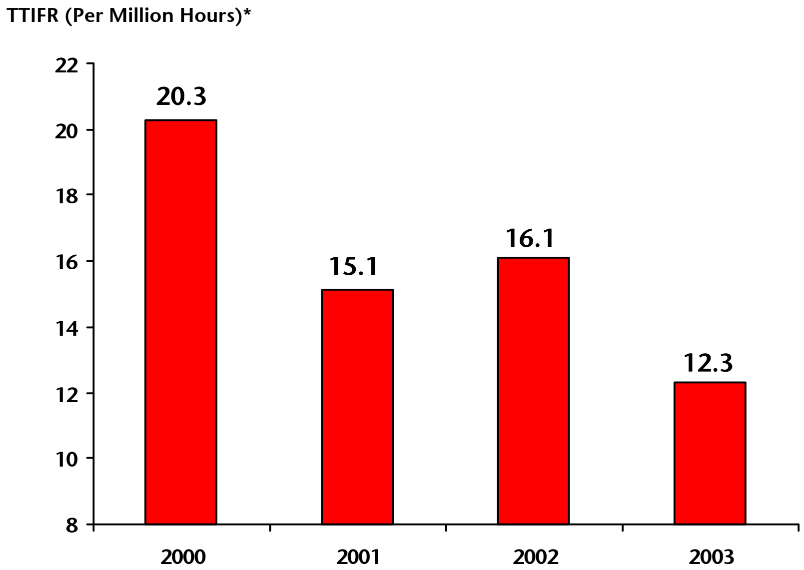
- I plan to run through the major highlights of 2003 set out on these slides which will take about 35 minutes, then I will open up the floor for your questions.

- I propose that we start with some questions from Sydney, before rotating to both Brisbane and Melbourne.

Total Treated Injury Frequency Rate (TTIFR) is declining



* Includes employees of Caltex 100% owned distributors

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•It is the custom at Caltex to commence every meeting with 5 or more people with an Incident Free Operations Topic.

•At the August half year results discussion, I made the point that a culture that can produce excellent safety performance also has a higher likelihood of reliable and efficient operations.

•This chart shows the Total Treated Injury Frequency Rate for Caltex core operations, which is all employees <u>and</u> contractors except our retail store operation.

•I am very pleased to report a 24% reduction in our injury rate 2003 v 2002, and it gives me some confidence we are beginning to turn the corner. For reference, we need to cut the 2003 rate by over 50% to approach best in class. Of course, our goal must be zero.

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•On slides 5-10 I intend to take you through the financial highlights that made 2003 a "Great Year" for Caltex Australia.

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Caltex delivers a strong underlying 2003 result

Replacement cost (excluding significant items)

	2003	2002	2003 vs 2002
EBIT ($ Millions)	$ 339.8 *	$ 215.2*	Up 57.9%
NPAT ($ Millions)	$ 199.7 *	$ 106.1*	Up 88.2%
EPS (cps)	74.0 *	39.3 *	Up 88.2%

Replacement cost (including significant items)

	2003	2002	2003 vs 2002
EBIT ($ Millions)	$ 327.3	$ 203.2	Up 61.1%
NPAT ($ Millions)	$ 188.4	$ 94.1	Up 100.2%
EPS (cps)	69.8	34.9	Up 100.2%

* The 2003 result excludes a write down for certain land, buildings and plant & equipment assets for $12.5 million before tax ($11.3 million after tax), and the 2002 results excludes payments of $12.0 million before tax ($12.0 million after tax) to Hanson Australia, (formerly Pioneer International) relating to the purchase of its 50% interest in Caltex Australia in 1997.

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•For the year ended 31 December 2003, Replacement Cost EBIT, excluding Significant Items, was $339.8 million, which represents a 58% improvement on 2002.

•Replacement Cost Net Profit After Tax, excluding Significant Items, was $199.7 million, representing an improvement of 88% over 2002.

•The Significant Item in the 2003 result relates to a write down of certain land, buildings and plant & equipment.

•In 2003, we undertook an external valuation of our property portfolio. Overall, our portfolio is valued approximately $400m more than book value. Accounting standards, however, required a small number of sites to be written down to recoverable amount. This write down did not have any cashflow impact.

•That explains the Significant Item. However, the most important takeaway on this slide is the extraordinary improvements in after tax profit.

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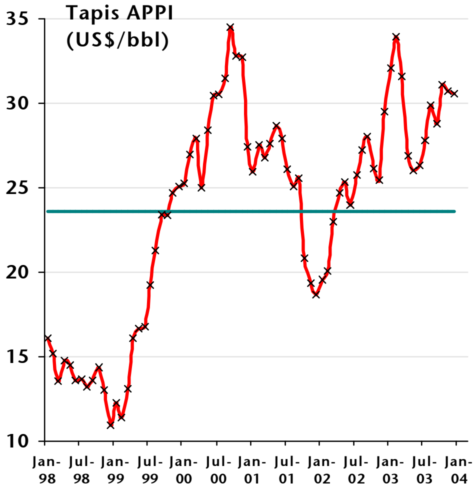
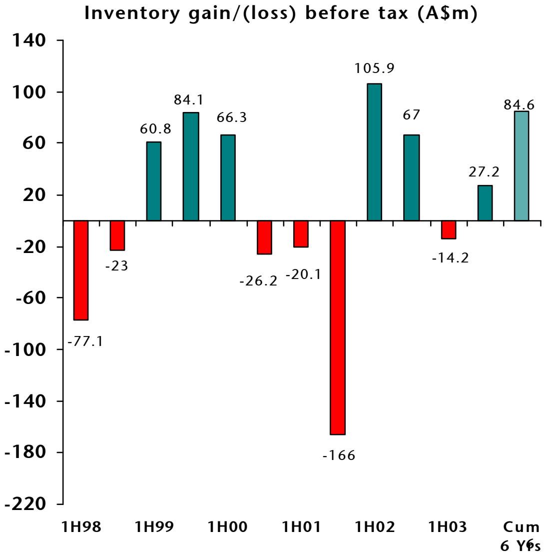
2003 Historic result and inventory gains and losses

Historic Cost	2003	2002	2003 vs 2002
NPAT ($ Millions)	$ 197.5	$ 215.2	Down 8.2%





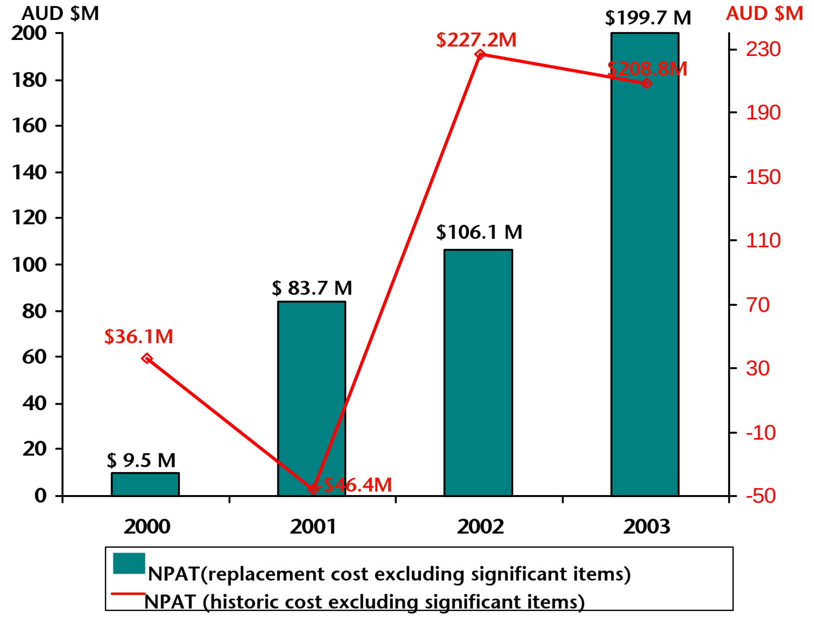
•Many of you have seen this chart before.

•Including Significant Items, Historic Net Profit after Tax was down 8.2% from $215.2M in 2002 to $197.5M.

•The bar chart on the right illustrates how the price of crude causes volatility in our earnings. However, this slide also shows that these gains and losses as seen over a 6 year period affect the company's earnings by a relatively small amount. Over that period, net inventory gains were $84.6 million, compared with a total EBIT in excess of $1.3 billion.

•During 2003 we experienced a net inventory gain of $13 M ($9.1 M after Tax). This is the difference between the RCOP figure of $199.7 M and the Historic amount of $208.8 M. Both these figures exclude significant items.

RCOP NPAT continues to improve



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•As you can see, the Replacement Cost Net Profit after Tax shown here by the green bars shows that the underlying performance of the business has improved quite substantially over the last 4 years.

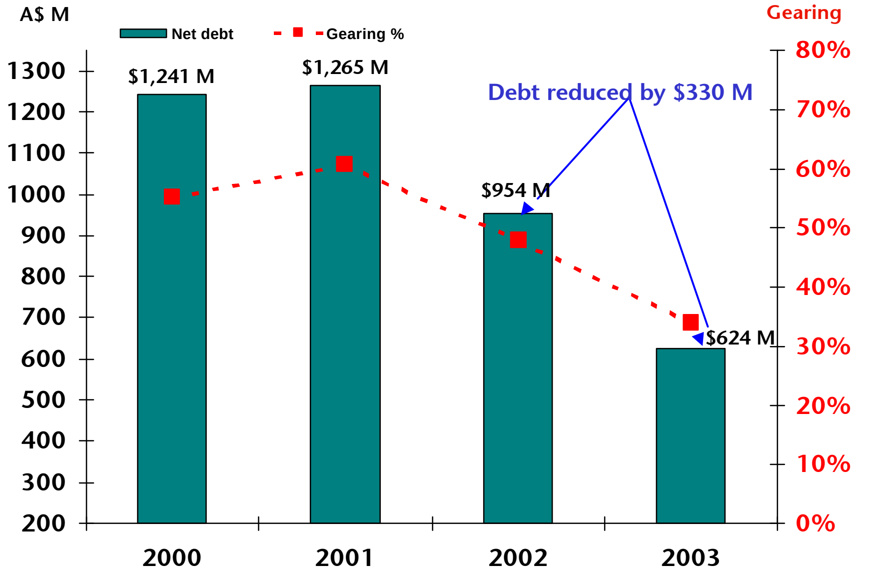
•2003, however, saw a major step up in profitability and this was due to a number of positive external drivers that I will talk to in some depth later in this presentation.

•The changes in crude prices result in the volatile historic cost net profit after tax shown here by the red line.

•This volatility is why Replacement Cost Operating Profit is a more appropriate measure in understanding the company’s underlying performance.

•The last point, and probably the important point for investors to understand, is that cash flow is similar under both accounting conventions.

Debt reduction in 2003 was impressive



Gearing = net debt/(net debt + equity)

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•Net debt ended the year at $624 M and gearing was reduced from 48% in 2002 to 34% at the end of 2003. On a lease adjusted basis, gearing was reduced an impressive 11% from 57% in 2002 to 46% in 2003.

•In the last 12 months Caltex has reduced its net debt by $330 million. Since 2001, during which debt peaked at nearly $1.3 billion, the company has made enormous strides in debt reduction. In the last 24 months, Caltex has reduced net debt by $641 M.

•It is expected that free cash flow during 2004 and 2005 will be largely applied to clean fuel investment, upgrading of the retail network and payment of consistent and reliable dividends.

Caltex pays a final dividend of 14 cps for 2003, including a special dividend of 6 cps

- In August, Caltex returned to paying dividends with an interim dividend of 4 Cents per share
- The Board has declared a final dividend in respect of 2003 of 14 cents per share, including a special dividend of 6 cents per share
- The special dividend reflects the very strong debt reduction and robust 2003 RCOP performance
- All dividends will be fully franked

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•In August, Caltex returned to paying dividends with an interim dividend of 4 Cents per share.

•The Board has declared a final dividend in respect of 2003 of 14 cents per share, including a special dividend of 6 cents per share.

•The special dividend reflects the very strong debt reduction and robust 2003 RCOP performance.

•All dividends will be fully franked.

Caltex dividend statement

- Consistent and reliable dividends, without impacting on the company's ability to achieve:
  - a strong long term capital structure, and
  - successful completion of the required clean fuel investment by 2005
- Replacement Cost Operating Profit (RCOP) will be a key determinant in establishing the level of dividend payments
- The Board expects all foreseeable future dividends will have an attached franking credit of 100%
- Upon finalisation of clean fuels investment in 2005, Caltex will be in a position to review its dividend policy

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•I'd like to remind people that in August last year we outlined our view on dividends. Our position has not changed since that time, but we are pleased to note the ability to pay a special dividend to our shareholders in respect of 2003. Just to reiterate:

•We intend to pay consistent and reliable dividends, without impacting on the company's ability to achieve :

•a strong long term capital structure, and

•successful completion of the required clean fuel investment by 2005.

•Replacement Cost Operating Profit (RCOP) will be a key determinant in establishing the level of dividend payments.

•The Board expects all foreseeable future dividends will have an attached franking credit of 100%.

•Upon finalisation of our clean fuels investment in 2005, Caltex will review its dividend policy.

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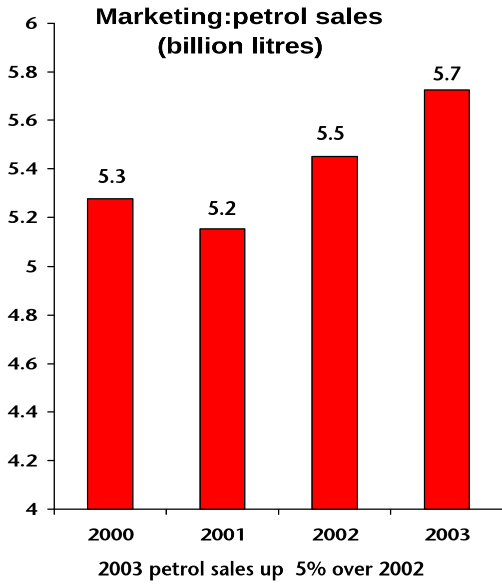
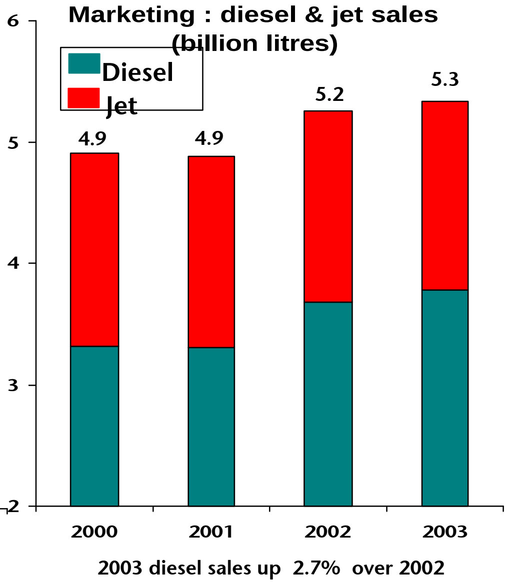
•On slides 12-22, I will go through the key profit drivers that helped Caltex Australia achieve our strong 2003 result.

Petrol and diesel/jet sales remain robust





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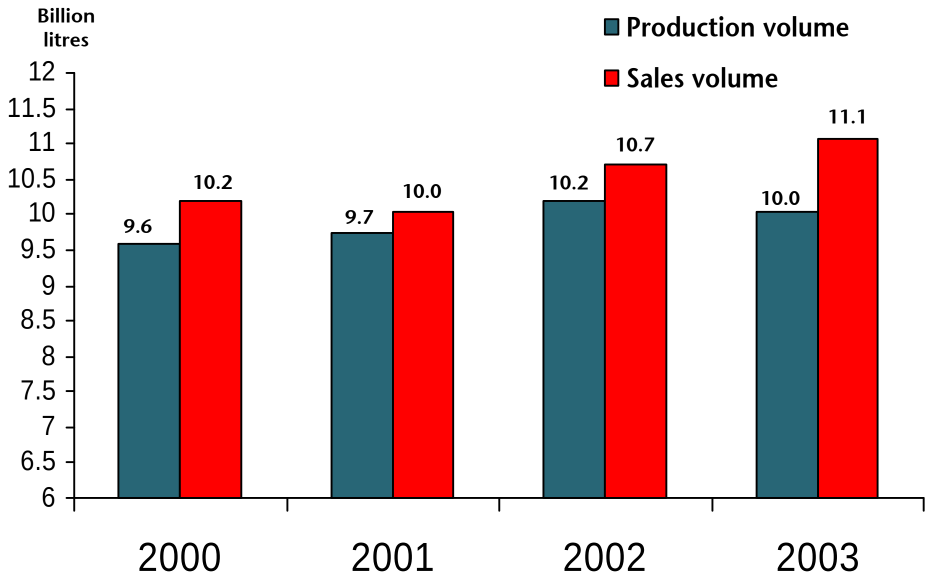
- The graph on the left sets out the Total Marketing Petrol sales achieved in 2003, mainly in our Retail and Wholesale business areas. Overall, petrol sales were up 5% over 2002 volumes. The majority of this growth was in our Independent Reseller channel which includes sales to Woolworth's via our largest Independent Reseller partner, Liberty.
- Retail sales volumes remained in line with 2002 at 2.7 BL. This was a relatively strong performance given the competition from new supermarket entrants that came to the fore in 2003.
- Diesel sales were up 2.7% on 2002 volumes at 3.8 BL. There were two main reasons for this growth.
- Continued demand from a robust mining and transport customer base; and
- Rural farm demand uplift in 2003 as the farming community benefited from the abatement of the drought.

Transport fuels production and sales



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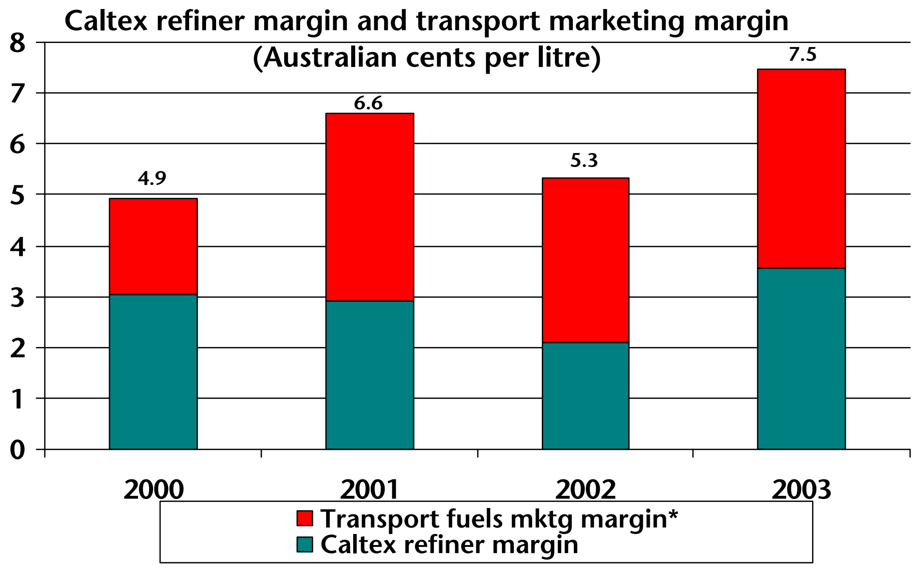
- This slide is new to you all and sets out both the sales and production of transport fuels, comprising petrol, diesel and jet.
- You should note that Caltex enjoys both the Caltex Refiner margin and the marketing margin on production. However, on the purchases made by Caltex we only enjoy a marketing margin.
- As can be seen, we have always been a net purchaser of transport fuel. This net purchase is made from domestic refiners under buy/sell arrangements and also imports of finished product.
- In 2003, we purchased a net 1.1 Billion Litres due, in part, to an extended crude unit turnaround at our Kurnell refinery.
- Our challenge is to increase refinery utilisation so that we capture the maximum refiner margin.

Integrated transport fuel margins also expanded in 2003



* Transport fuels comprises Petrol, Diesel and Jet. The transport fuels marketing margin is the achieved average net margin over deemed Import Parity Price (IPP) into Australia

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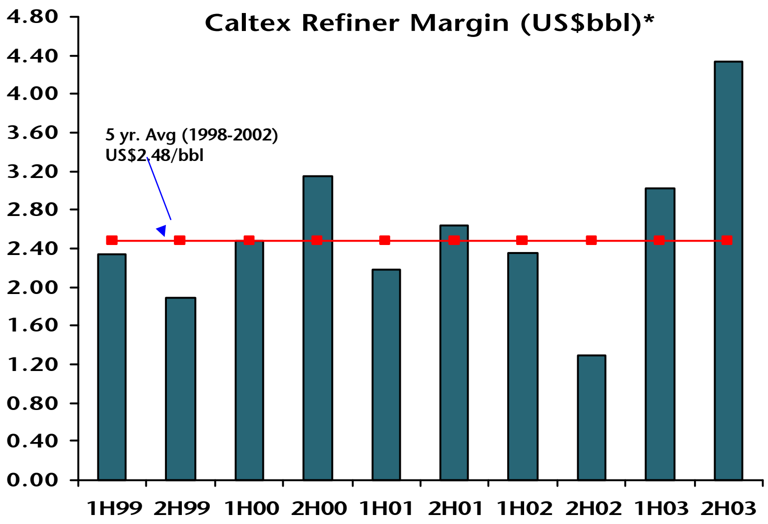
- This slide shows the integrated transport fuel margin realised by Caltex in Australian cents per litre.
- In 1H03, we introduced the investment community to the Caltex refiner margin. I intend to cover the Caltex refiner margin and its components in the next few slides rather than go into detail here.
- The appreciation in the Australian dollar during 2003 has compressed the US dollar denominated refiner margin. Compared with the average 2002 exchange rate, this compression reduced EBIT by approximately $70 million.
- 2003 saw a major improvement in the integrated margin to 7.5 CPL from 5.3 CPL in 2002. I will talk about some of those economic drivers later on.
- The last point I want to make on this slide is that the marketing margin component has firmed over the years reflecting the changing market conditions as Australia has moved into a net import situation, and improved execution by Caltex in our key retail and commercial markets.

In both 1H03 and 2H03 Caltex Refiner Margin was above the previous 5 year average



Caltex Refiner Margin

Equals

Singapore WAM

Add :

Product Freight

Crude Discount

Less :

Crude Freight

Crude Premiums

Yield Loss

*CRM represents the difference between the cost of importing a standard basket of products to Eastern Australia and the cost of importing the crude required to make that product basket. It is a proxy for the gross margin available to refineries in Eastern Australia before processing costs. Because it is based on a standard basket of products it does not include any premiums that might be paid for product that complies with specific state or national quality regulations.

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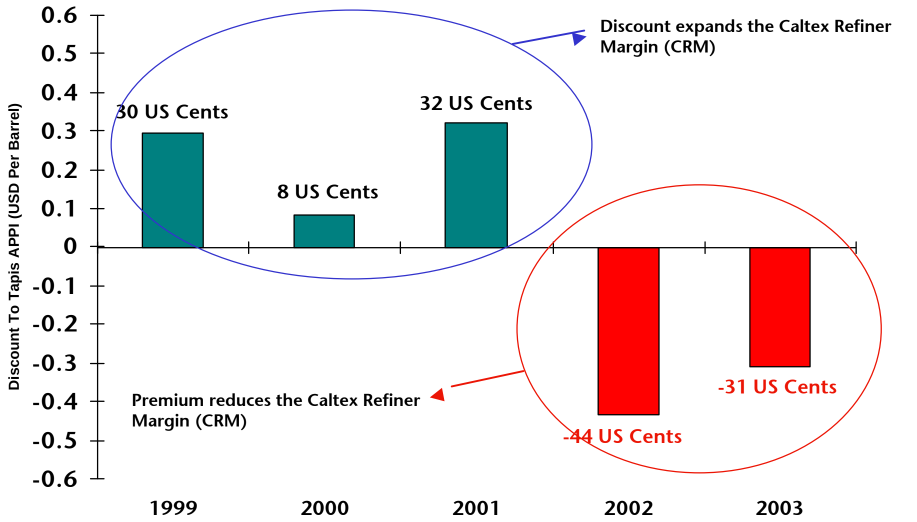
- The Caltex Refiner Margin is a proxy for the margin realised by Caltex's refineries. The margin is based on the Singapore weighted average refiner margin, adjusted for product freight, crude freight, crude premiums or discount and the average product yield at our refineries.
- The average Caltex refiner margin for 2003 was US$3.68 per barrel, compared to US$2.35 per barrel in 2002. Note that the Caltex Refiner Margin was higher in each half of 2003 than the average for the previous 5 years.

Caltex Refiner Margin:Crude premiums in 2003 improved US$0.13/bbl from 2002



2003 crude premiums were affected by regional demand, especially from China in 2H03.

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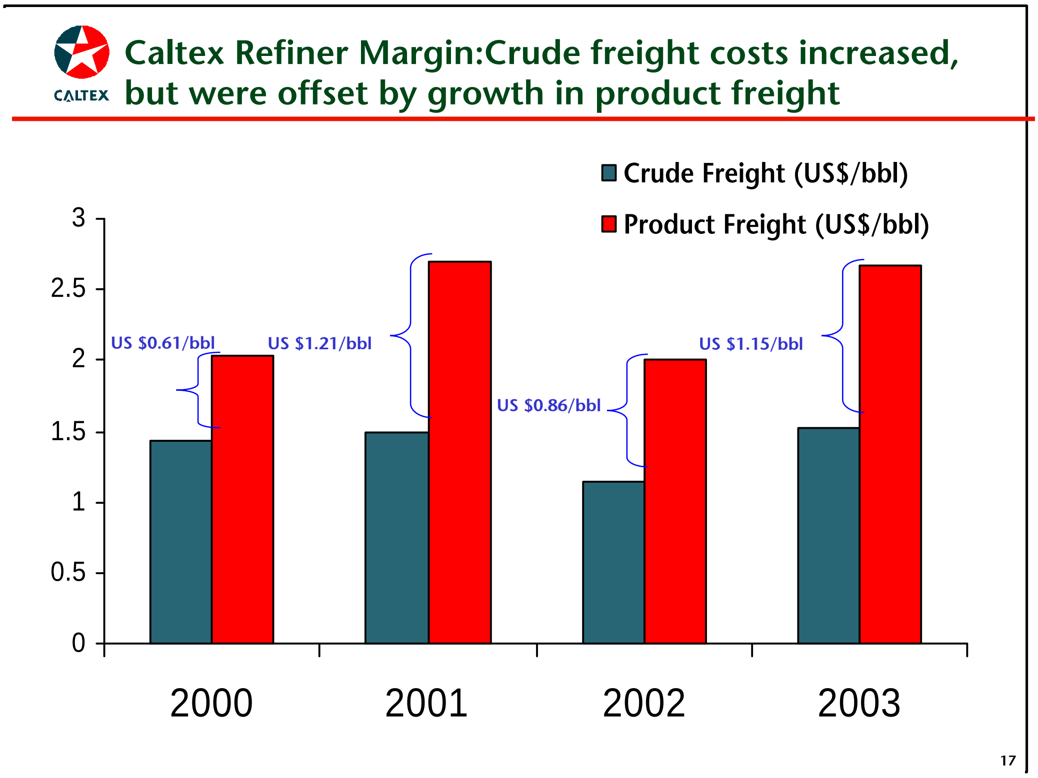
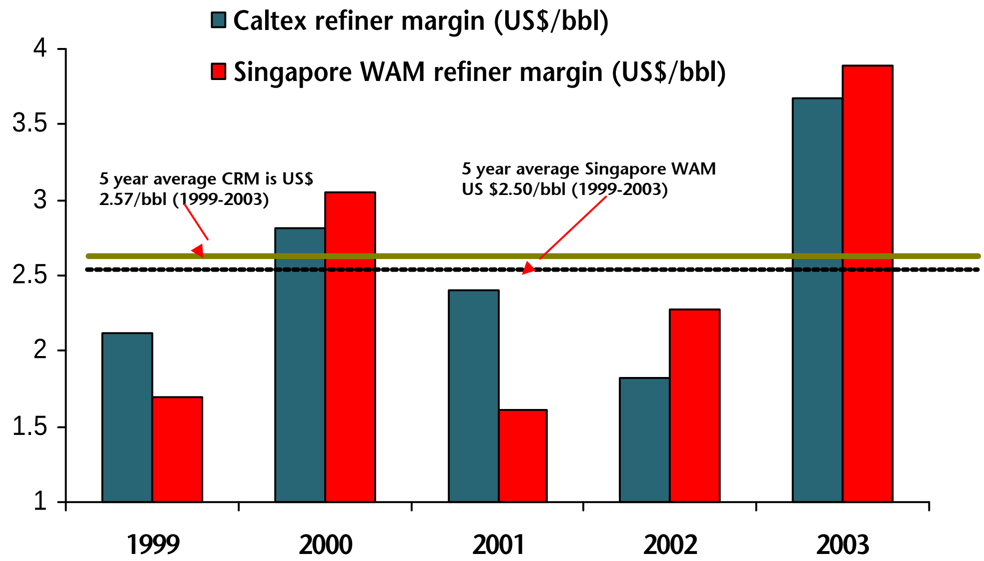
- One component of Caltex refiner margin is the premium or discount we pay on our crude slate relative to Tapis, which is the Asian region's benchmark light low sulfur crude .
- For clarity, let me emphasise "Premium" means we paid more for our crude oil. This premium above the benchmark Tapis price is shown by the red bars and this premium REDUCES the Caltex Refiner Margin.
- Continuing higher premiums is being supported by high demand for regional crude, especially from China. The market remains quite volatile, with regional crude demand likely to keep premiums relatively high.



- Another component of the Caltex refiner margin is the differential between the cost of crude freight (a major cost input for Caltex) and product freight (which is reflected in product import parity pricing).
- The differential of US 86 cents in 2002 between product freight and crude freight widened to US $1.15 in 2003. This, therefore, improved the Caltex refining margin by US 29 cents bbl in 2003.
- As you can see, while crude freight and product freight markets can be quite volatile, over the long term they do tend to follow a similar pattern.

Over 5 years the difference between Caltex refiner margin and Singapore refiner margins is only US 7 cents



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- The components that make up the Caltex refiner margin can result in short term volatility.
- However, as you can see, the difference between the Singapore margin and the Caltex refiner margin, over the long term is only US 7 cents per barrel. This indicates that, over the long term, the non Singapore margin components of crude premiums, freight and yield components have had a tendency to offset.
- We decided to take you through the major components to give you a better understanding of why Caltex performance varies from Singapore margin and why our results in each period may not move directly in line with the Singapore margin.

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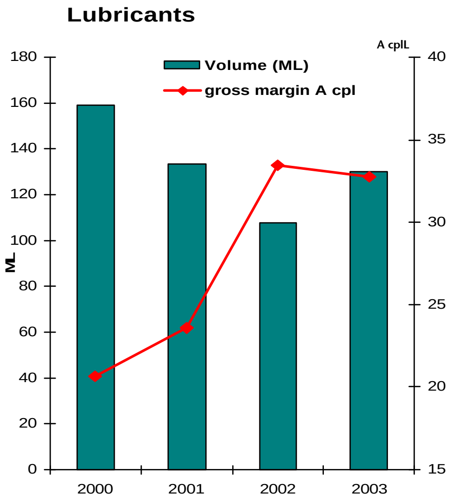
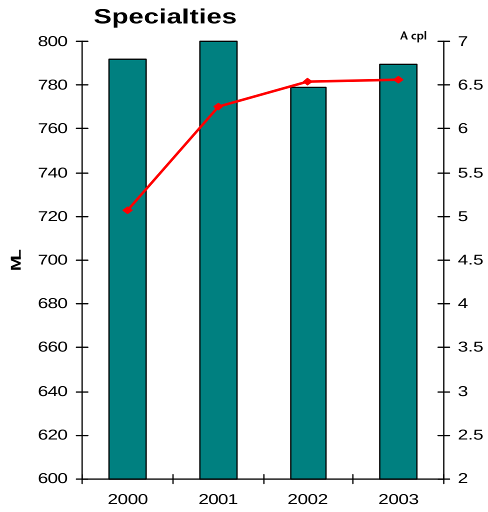
Lubricants & Specialties delivers both volume & margin





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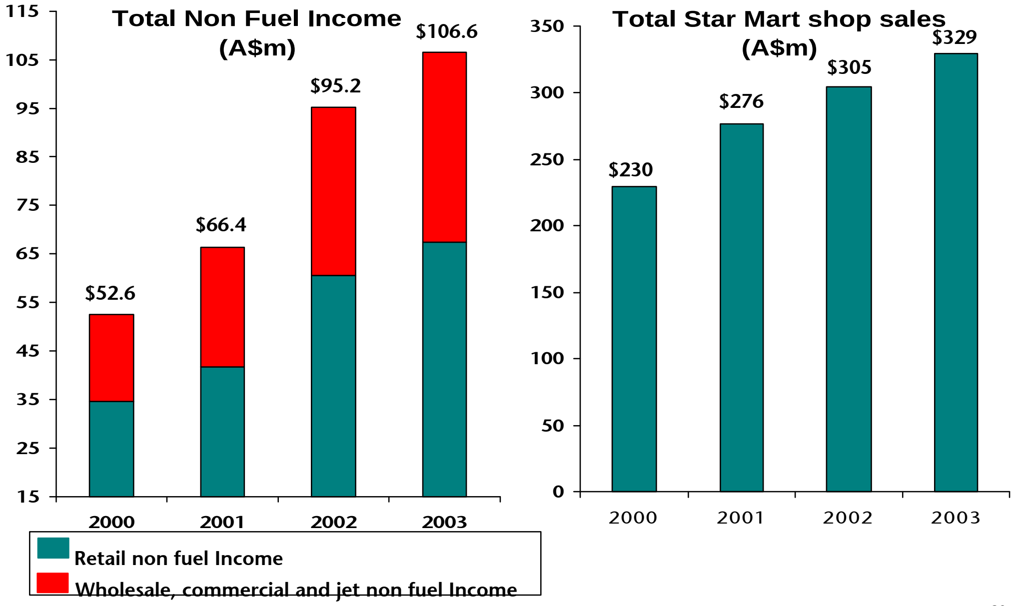
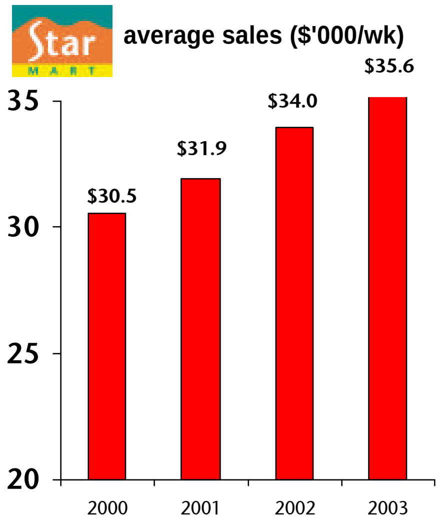
- I will turn now to the Marketing side of the business.
- Lubricants gross margin is showing strong growth as we continue to focus on more profitable business.
- The total gross margin before operating expense allocation was $88 million for both lubricants and specialities in 2003, which was 8.5% up on 2002.
- Overall sales of higher margin products such as Delo 400, our premium lubricant for diesel engines, have contributed to higher margins.
- Specialty products including bitumen, LPG and wax have maintained healthy margins, while volumes tend to vary with refinery fuels production & crude throughput.

Continued improvement in both retail non fuel income and convenience store sales

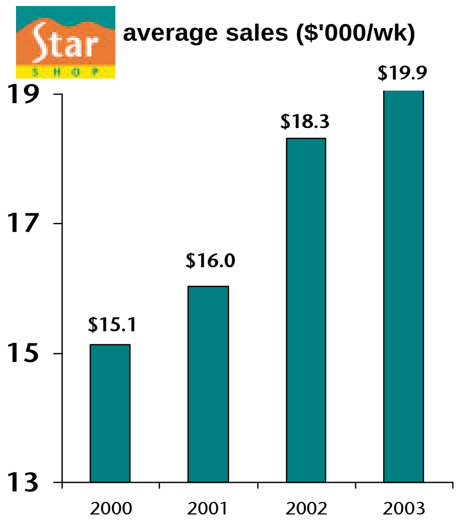


- The convenience store program represented by the green bar contributed $67.5 m to Retail non-fuel income, up 11.4% from 2002.
- Main contributor is growth in royalty income from increased store sales and site numbers.
- Total StarMart shop sales, which are our large stores, were $329m for 2003, up $7.9% on 2002.
- Most of the growth in Non fuel income has come from Retail. However, the red bar shows non fuel income generated by channels other than Retail. This comprises revenue from our fleet card, pipeline and airport refuelling assets.

Continued growth in average weekly sales for both StarMart and StarShop



Like for like sales were up 5.4%



Like for like sales were up 6.4%

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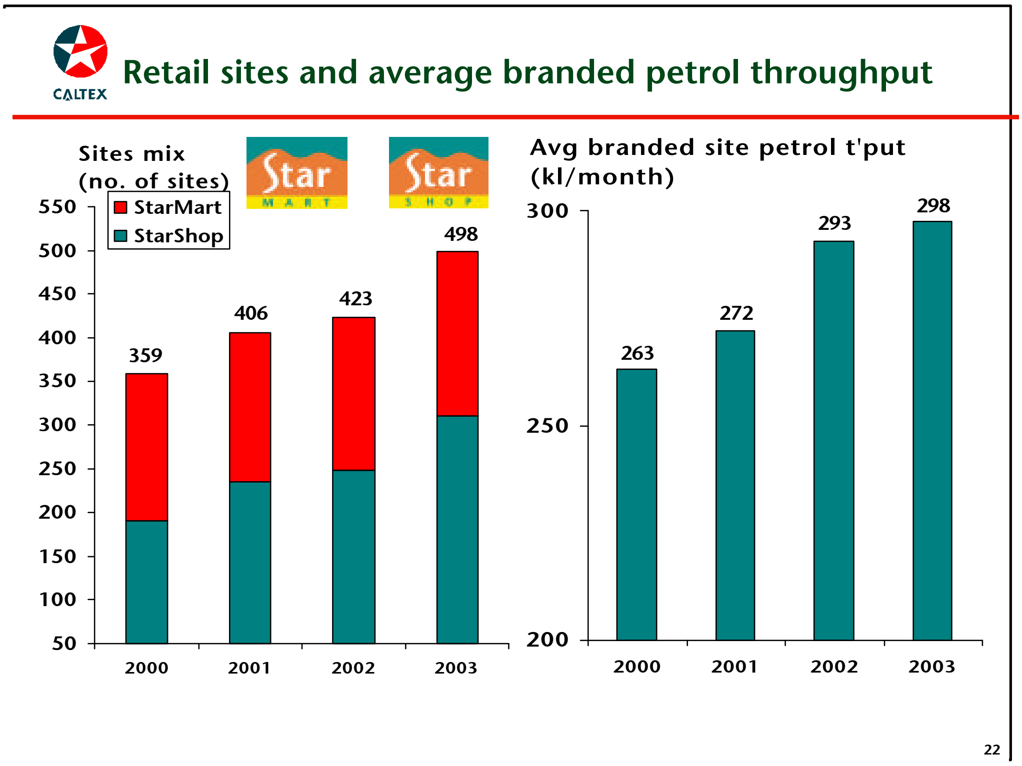
- **Average sales through StarMart stores increased by 4.7% compared to the corresponding period, with average shop sales of $36k per week.**
- **Sales through our StarShops, our smaller store format, were up 8.7% compared with the corresponding period, with average shop sales of just under $20k per week.**
- **In terms of like for like sales, the average Star Mart grew 5.4% and the smaller Star Shop grew 6.4%.**



- At the end of 2003 Caltex had 187 Star Marts.
- The StarShop network saw quite rapid expansion in 2003 with 63 conversions. Caltex finished the year with 311 StarShops.
- Average site petrol throughout continues to grow and is now just under 300,000 litres per month. Although it does not affect the 2003 numbers, I want to mention that our venture with Woolworths is now up to 39 sites and we are more than meeting our sales expectations. We are hoping to conclude final arrangements soon to allow further expansion.

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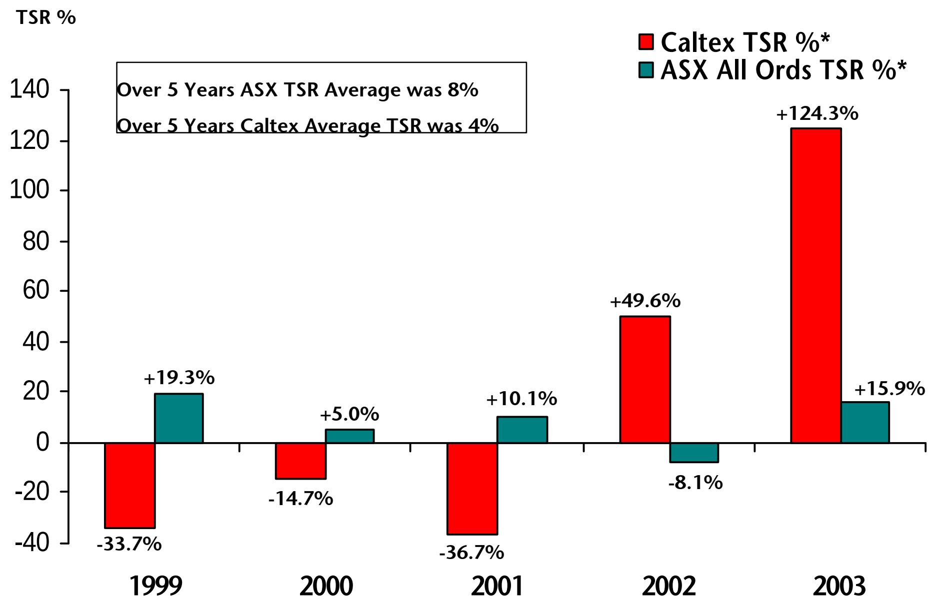
•I want to now turn to some of the industry and Caltex specific drivers that impact our performance.

Industry fundamentals have improved, so have Caltex returns to shareholders



*TSR=Total Shareholder Return: (capital gains+dividend income)

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- This chart sets out the Total Shareholder Return for the 5 years ended 31 December, 2003 for both Caltex and the ASX All Ords index.
- The lean years of low refiner margins, depressed marketing margins and high debt are poignantly represented by the years 1999-2001. However, the turn around we witnessed in 2002 accelerated in 2003 as both margins improved and debt was brought under more control. This was recognised by the market and the resultant growth in share value, especially over the last 15 months, has gone some way to compensate shareholders for those rather lean years.

Key drivers

- The key drivers of our future performance are:
  - to benefit from:
    - investment in clean fuels combined with;
    - tightening of supply/demand balance in Australia/Asia
  - Investment in refinery reliability improvement
  - Expansion of sales volume and refinery utilisation
  - To decrease unit operating costs beginning in 2004

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The key drivers of our future performance are:

- to benefit from:

•investment in clean fuels combined with;

- Investment in refinery reliability improvement.

- tightening of supply/demand balance in Australia/Asia.

•Expansion of sales volume and refinery utilisation.

•To decrease unit operating costs beginning in 2004.

The Clean Fuels Project

- The Board approved on February 25, 2004, the decision to go ahead with the clean fuels project
- The scope of the project has been expanded to enable possible early production of 10 ppm sulfur diesel and 50 ppm sulfur Premium Unleaded Petrol, provided that Government incentives make such production economic
- A total of $295 million (+/- 10%) will be incurred by the time production begins on 1 January 2006
- Expenditure to date is $43 million (including $10 million in 2004);
- 2004 expenditure will be about $100 million;
- 2005 expenditure will be about $160 million

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•On Wednesday, we announced our decision to move forward with the Clean Fuels Project.

•The scope of the project has been expanded to enable possible early production of 10 ppm sulfur diesel and 50 ppm sulfur Premium Unleaded Petrol, provided that Government incentives make such production economic.

•A total of $295 million (+/- 10%) will be incurred by the time production begins on 1 January 2006.

•Expenditure to date is $43 million (including $10 million in 2004);

•2004 expenditure will be about $100 million;

•2005 expenditure will be about $160 million.

Petrol in Australia has firmly shifted from surplus to deficit and Caltex is well positioned in the main growth states

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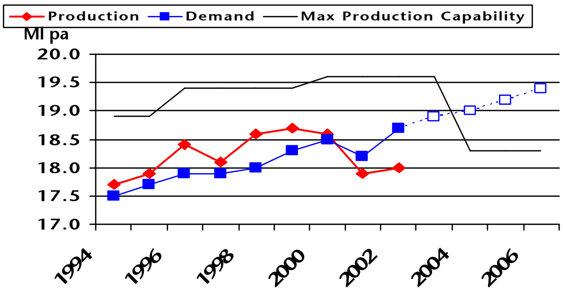
- In early 1990's refinery margins encouraged investment to increase production capability
- In 2001/2 poor/negative gasoline margins slowed production
- Consistent demand growth has worked to reduce the surplus
- Closure of Stanvac in 2003 has reduced production capability, by approx 9%



2003	Market Size	Surplus/(Deficit)	
	Mlpa	Mlpa	% of Market
QLD	4100	200	5
NSW	6200	(1200)	(20)
Total Market Demand	19,000	(600)	(3)

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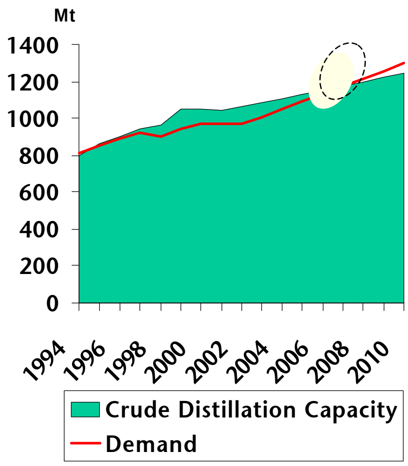
•This is a slide that many of you may well have already seen. This slide sets out the recent history of both supply and demand for petrol in Australia. Also in the boxed data in the bottom is a snapshot of 2003 setting out the both the Queensland and NSW supply and demand position.

•For many years post the Asian crisis, Australia had been long in petrol. This long position combined with depressed refiner margins in Singapore has prevented Australian refiners from earning a decent return on refining assets.

•However, the combination of consistent petrol demand growth in Australia and the closure of Mobil's Adelaide refinery has caused Australia to be a net importer of petrol.

•We are fortunate at Caltex to have two refineries located in both Queensland and NSW, which on balance are currently about 1 Billion litres short in petrol. These two states also enjoy above average demographic and GDP growth.

Asia Pacific demand set to catch up with refining capacity



Source: Wood Mackenzie 2002

- Asia Pacific demand had been rising rapidly through the 1990's until the Asian crisis of 1997
- High demand growth in China is boosting regional demand, especially for petrol
- Refinery utilisation rates will reach maximum levels and new capacity (creep, expansion or grassroots) is unlikely to come on stream until post 2006

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•Again many of you may well have seen this information from Wood McKenzie. The chart was produced in 2002 and maybe a little dated especially given the growth we have witnessed recently in China. However this chart goes some way to explain the robust refiner margins of 2H03 and the beginning of 2004.

•In 1998 the Asian crisis hit. Capacity additions already under way were completed, creating an oversupply situation and depressing margins.

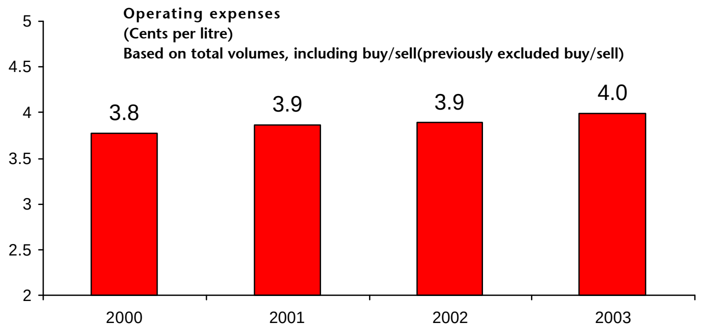
•Today much of that capacity is being used and supply and demand is closer to balance.

•The effect, especially the impact on petrol refiner margins, has been quite dramatic, with Singapore petrol margins in 2003 averaging US$4.33, compared to US $2.26 in 2002.

•It is more important than ever we focus on refinery reliability under these circumstances.

2004 is the year to lower unit operating costs

- Unit operating cost increases in 2003 have been mainly in line with inflation, with specific increases related to:
  - Increased contribution to the Company's defined benefit scheme as equity markets fell;
  - Higher planned maintenance costs, a critical investment in refinery reliability;
  - Establishment of a remediation provision relating to the roll out of a Tank Replacement Program throughout our Retail network
- Unit costs are to be reduced by:
  - Refining operating cost reductions;
  - Sales volume increases and utilisation improvement. Here, our proposed venture with Woolworths would bring higher volume



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Unit operating cost increases in 2003 have been mainly in line with inflation, with specific increases related to:

•Increased contribution to the Company's defined benefit scheme as equity markets fell;

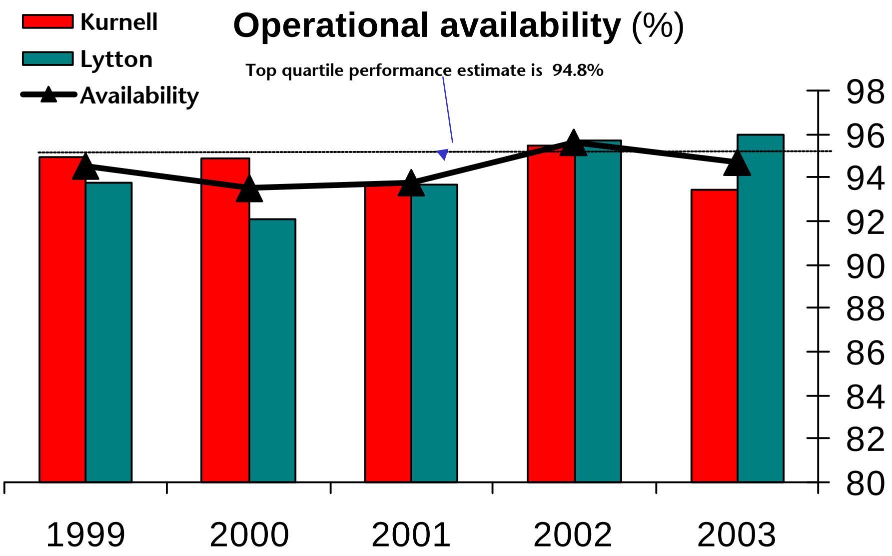
•Higher planned maintenance costs, a critical investment in refinery reliability;

•Establishment of a remediation provision relating to the roll out of a Tank Replacement Program throughout our Retail network.

•Refining operating cost reductions;

•Sales volume increases and utilisation improvement. Here, our proposed venture with Woolworths would bring higher volume.

Lytton very strong, Kurnell a setback in 2003



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- Consistent with the key objective of our refining group, we have come a long way to eliminate unplanned incidents. However, in 2003 our Kurnell plant did experience some problems which impacted operational availability. There was minimal impact on profitability.
- Once again, this is a key operating area that we must improve in order to take advantage of the improving market conditions in Australia.

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•2003 performance has been very good. The first two months of 2004 have seen Singapore margins averaging about US$7.50 per barrel.

Outlook

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- Debt is under control and we are now financially stable
- Refiner margins in Asia have recovered as demand for petroleum products catches up with supply
- Australia imports products to meet growing demand
- We will pay for Clean Fuels investments out of operating cash flows and maintain consistent and reliable dividends
- Regardless of the more positive outlook for external drivers, ultimate long term success will be driven by our focus on:
  - continued improvement in safety;
  - successful implementation of clean fuels project;
  - reduction in unit operating cost;
  - superior refinery operational availability and utilisation
- And a culture which will allow us to achieve our vision to be the Australian Oil Refining and Marketing Company most admired for its people, partnership and performance

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•Debt is under control and we are now financially stable.

•Refiner margins in Asia have recovered as demand for petroleum products catches up with supply.

•Australia imports products to meet growing demand.

•We will pay for Clean Fuels investments out of operating cash flows and maintain consistent and reliable dividends.

•Regardless of the more positive outlook for external drivers, ultimate long term success will be driven by our focus on:

•continued improvement in safety;

•successful implementation of clean fuels project;

•reduction in unit operating cost;

•superior refinery operational availability and utilisation.

•And a culture which will allow us to achieve our vision to be the Australian Oil Refining and Marketing Company most admired for its people, partnership and performance.

•Thank you, now I will take questions from our Sydney audience before moving to Melbourne and Brisbane for questions.

CALTEX

Great Performance Through Great Execution