2004 Full Year Results

we put more in

CALTEX

Good morning, welcome everybody and thank you for attending today. I would especially like to welcome those who are participating via link in Brisbane and Melbourne.

I would also like to welcome those in Perth, Hong Kong and Singapore who are taking a feed via webcast. Please note that a copy of the webcast should be available on www.Caltex.com.au by close of business next Tuesday at the latest.

You will have received a package this morning containing our full year results, media release and Australian Stock Exchange announcement, together with the PowerPoint slides I will talk through this morning.

Contents

I plan to run through the major highlights of 2004, and in the outlook section, I will set out our plans for the next few years. This will take about 30 minutes, then I will open up the floor for your questions

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

Newport Terminal Hazardous Facility Licence

CALTEX

It is the custom at Caltex to commence every meeting involving 5 or more people with an Incident Free Operations Topic. You may have heard me say before that a company with strong a safety record is also highly likely to have reliable and efficient operations.

In 2004 we started to see some results from our focus on safety and operational excellence. Our Injury Frequency Rate declined over 20% from 15.1 in 2003 to 12 in 2004. Since 2000 our performance in this area has improved by 48% on our way towards a time when nobody gets hurt at Caltex.

Pictured here are Tina Howie and Ruth Luckock who were instrumental in our main terminal facility in Melbourne gaining a Major Hazard Facility Licence from the government agency, WorkSafe. Caltex produces and handles hazardous product every day and incident free operations are critical to our ongoing success. Obtaining this Major Hazard Facility Licence took the team over 1,500 workhours to secure, and is a great example of the high levels of effort and commitment needed to ensure that we reach our ultimate goal of Zero Incidents.

Contents

CALTEX

On slides 5-8 I intend to take you through the financial highlights that made 2004 a record year for Caltex Australia.

Profit up 77%: debt in target range

Replacement Cost	2004	2003	2004 v 2003
EBIT ($M)	544.2	339.8	Up 60 %
NPAT ($M)	352.5*	199.7	Up 77 %
EPS	130.6	74.0	Up 77 %

	31 Dec 2004	31 Dec 2003	2004 v 2003
Debt ($M)	447	624	Reduced 177
Gearing (%)	20.6	33.8	Reduced 13.2

Historic Cost	2004	2003	2004 v 2003
EBIT ($M)	696.0	352.8	Up 97 %
NPAT ($M)	458.8*	208.8	Up 120 %
EPS	169.9*	77.3	Up 120 %

* Both the replacement cost and historic cost result excludes a significant credit to 2004 earnings of $113.5 million which occurred on entry into the new tax consolidation regime.

CALTEX

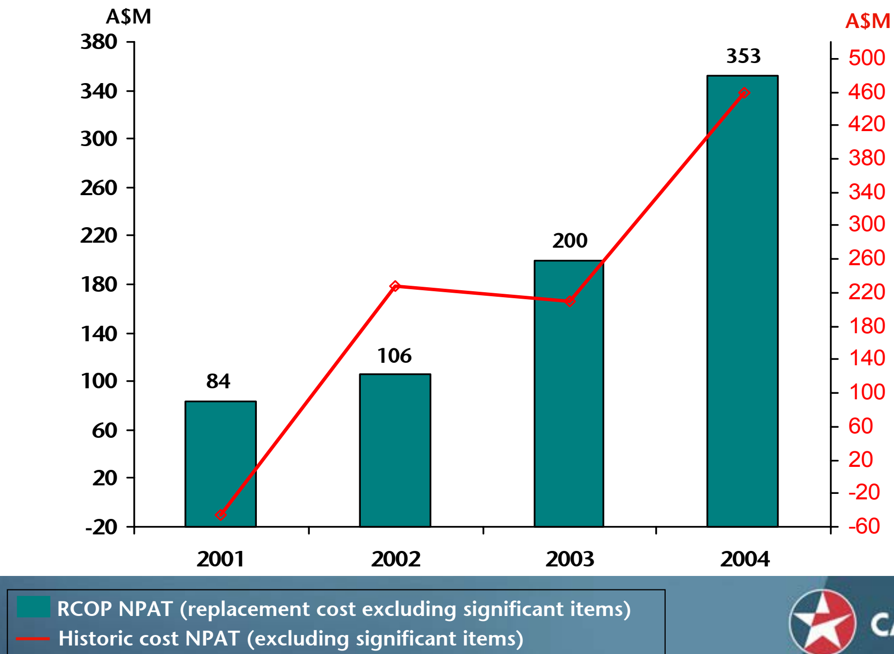
For the period ended 31 December 2004, Replacement Cost EBIT, excluding significant items, was $544.2 million, which represents a 60% improvement over 2003.

Replacement Cost Net Profit After Tax, excluding significant items, was $352.5 million, an improvement of 77% over 2003.

The significant item in 2004 relates to a $113.5 million gain from our entry into the new tax consolidation regime.

Historic cost profit after tax, excluding the significant tax item was $458.8, an improvement of 120% over the prior year.

Positive profit trend continued



CALTEX

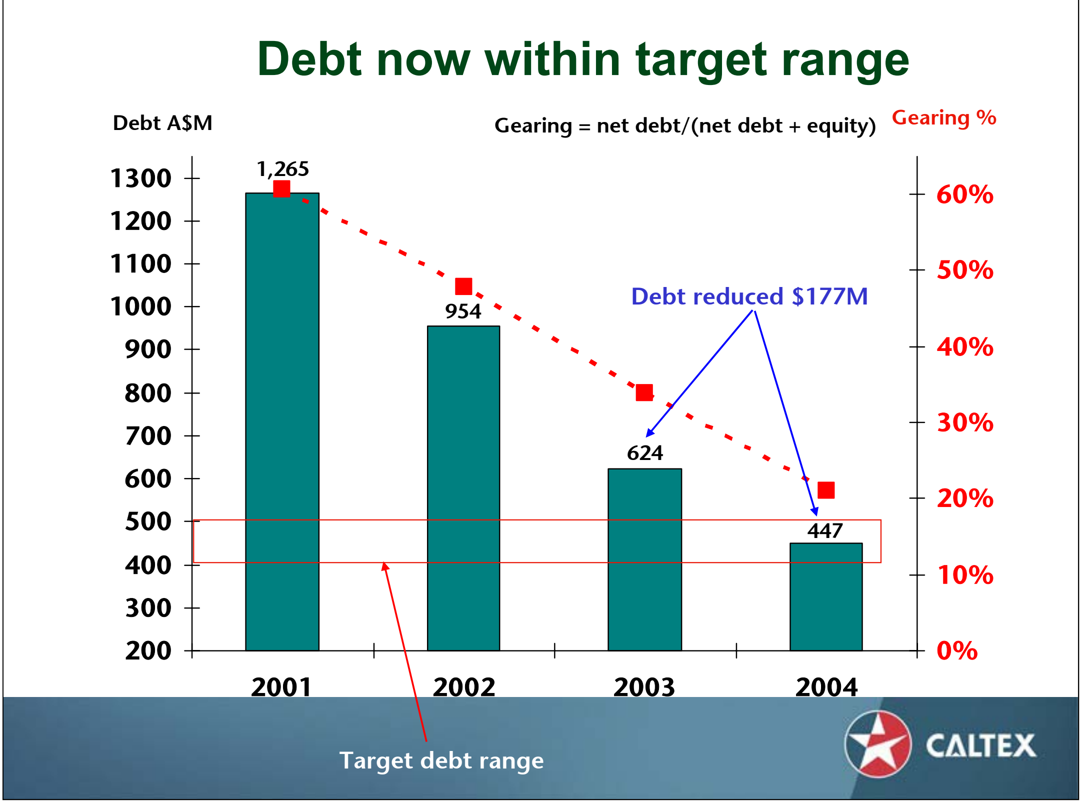
The Replacement Cost Net Profit after tax represented here by the green bars shows that the underlying performance of the business has improved substantially over each of the last 3 years.

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

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

Investors should understand that cash flow is materially similar under both accounting conventions .

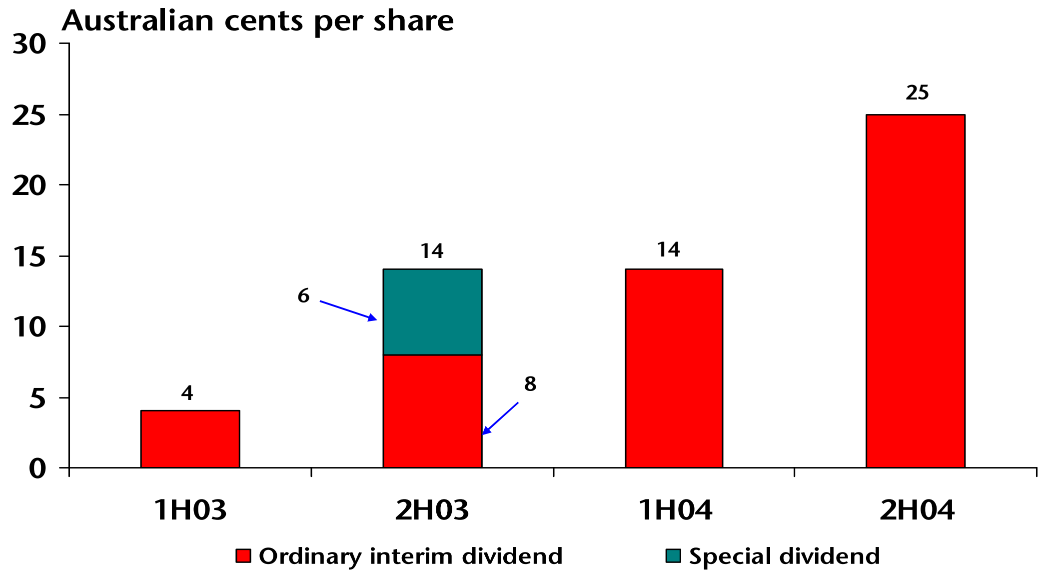
I will discuss the movement in the fundamental drivers behind this performance a bit later.



Net debt ended the year at $447 million and gearing on a non lease adjusted basis was reduced from 34% at the end of 2003 to 21% at the end of 2004.

From its peak in 2001 at $1.3 billion, net debt has been reduced by $818 million, which is roughly a two thirds reduction.

Caltex declares final dividend of 25 cps



In light of our strong performance, and consistent with our dividend policy, the Board has approved a 25 cent per share final dividend to be paid in respect of 2004. This will be fully franked and brings the total dividend amount declared in 2004 to 39 cents per share and represents 30% of RCOP NPAT.

Shareholders have again enjoyed substantial growth in Total Shareholder Returns, given both the share price performance and dividends

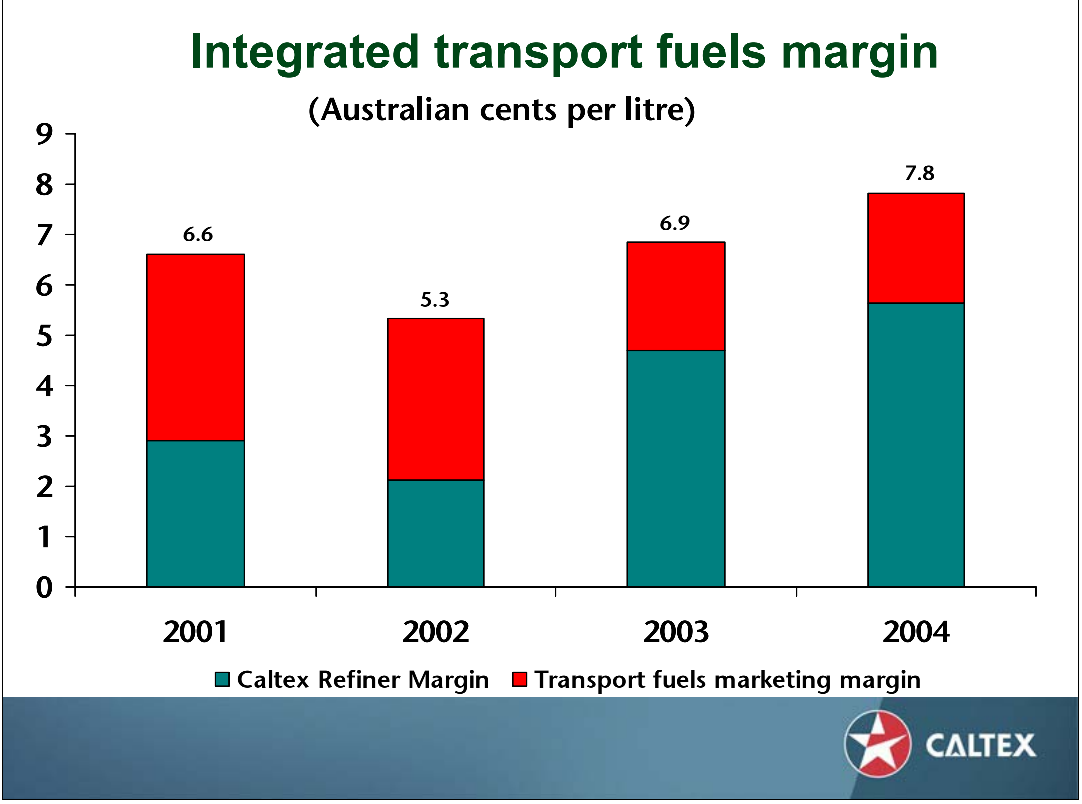
Since 1 January 2003, TSR = 420 %

In the 12 months to 31 December 2004 = 140 %

Contents

CALTEX

In slides 10-13 I will outline the performance of the key profit drivers of the company.

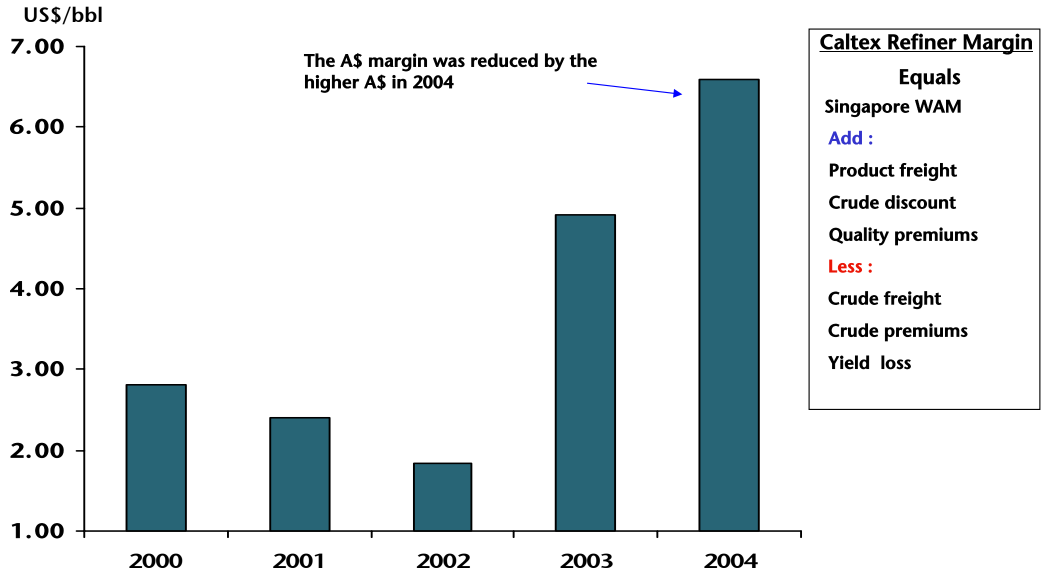


This slide shows the integrated transport fuel margin realised by Caltex in Australian cents per litre. 2004 saw a further improvement in the integrated margin to 7.8 CPL from 6.9 CPL in 2003.

The integrated margin increase was primarily driven by higher Singapore refiner margins. Marketing margins were consistent with 2003.

The higher average Australian dollar during 2004 compared to 2003 has compressed the US dollar denominated refiner margin. Using the average 2003 exchange rate, EBIT would have been higher by approximately $70 million.

2004 Caltex Refiner Margin was US$6.60

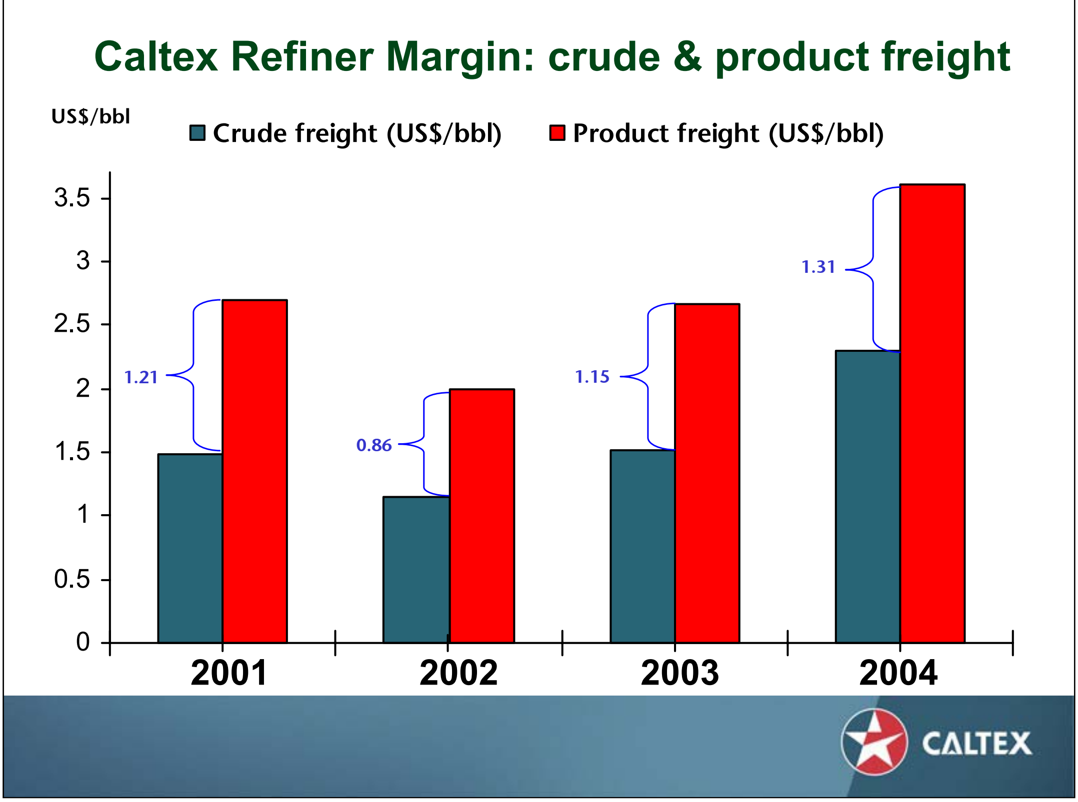


*The Caltex Refiner Margin (CRM) represents the difference between the cost of importing a standard Caltex basket of products to Eastern Australia and the cost of importing the crude oil required to make that product basket. The CRM calculation represents: average Singapore refiner margin + product quality premium + crude discount/(premium) + product freight - crude freight – yield loss

CALTEX

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, product quality premiums and the average product yield at our particular refineries.

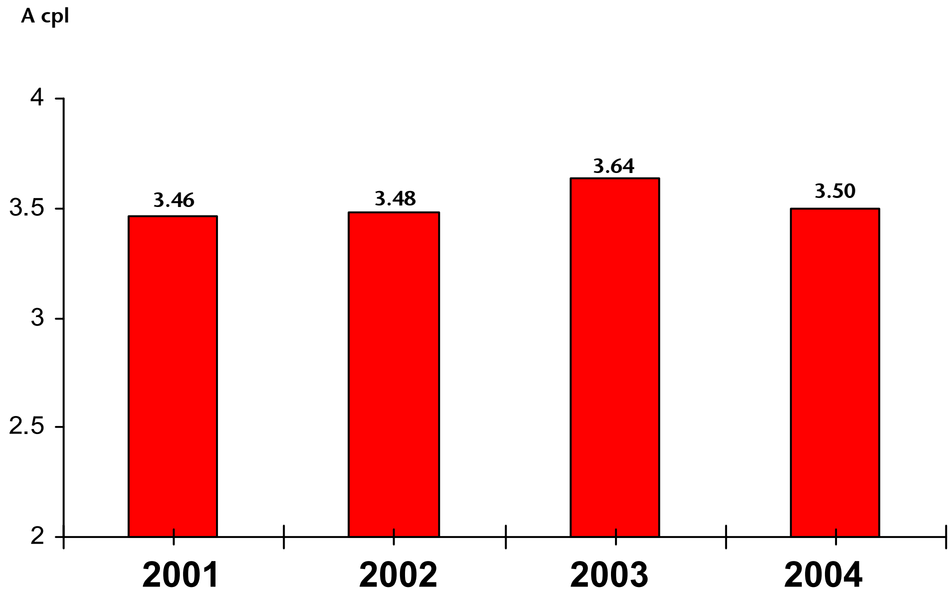
The average Caltex refiner margin for 2004 was US$6.60 compared to US$4.91 for 2003.



The differential between crude freight and product freight, which is a net contributor to the Caltex Refiner Margin, expanded in 2004 by US16 cents per barrel over 2003.

Another part of the Caltex refiner margin is crude discounts or premiums, relative to our benchmark crude, Tapis. This figure is commercially sensitive, and we have decided not to disclose the exact value. What I can say, is that in 2004, Caltex enjoyed a discount relative to Tapis. This discount in crude, effectively expands our Caltex Refiner Margin. You should note that crude discounts/premiums will vary depending on supply and demand for the crudes used by Caltex.

Unit operating costs declined in 2004



* Operating expenses (cents per litre)
Excluding inland distribution costs recovered in pricing
Based on total volumes, including volumes sold to competitors under buy/sell arrangements

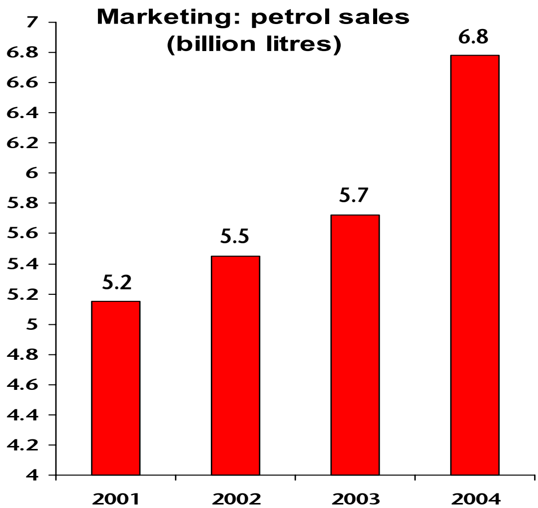
As discussed previously, in the long term unit costs must decline for the Australian industry to remain competitive. We have been making progress in 2004. The impact of costs to implement the Clean Fuels Project along with production impacts from construction are likely to keep unit costs this year roughly in line with 2004.

Contents

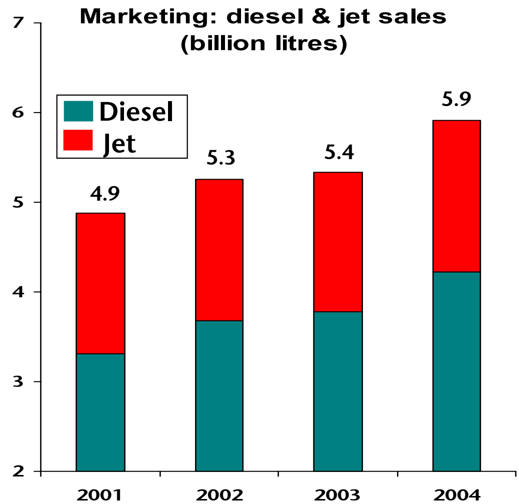
CALTEX

On slides 15-20 I will outline our Marketing performance.

Record marketing petrol and distillate sales



2004 petrol sales up 18.5% over 2003



2004 distillate sales up 10.7% over 2003

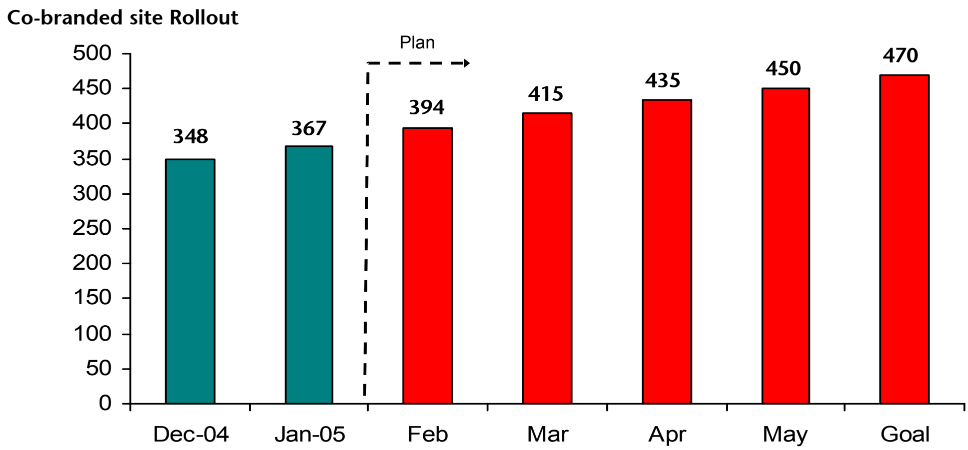
Petrol sales saw an increase of 18.5% vs. 2003, from 5.7 to 6.8 billion litres. Petrol volumes have increased in the retail channel primarily due to our venture with Woolworths.

Diesel sales reflect a continued strong economy with volume up 11.7%. Improved agricultural conditions and a strong mining and transport sector accounted for this rapid growth. In addition, jet volume was up 8.3%.

This volume growth gave Caltex its best overall transport fuels sales in its history.

Woolworths

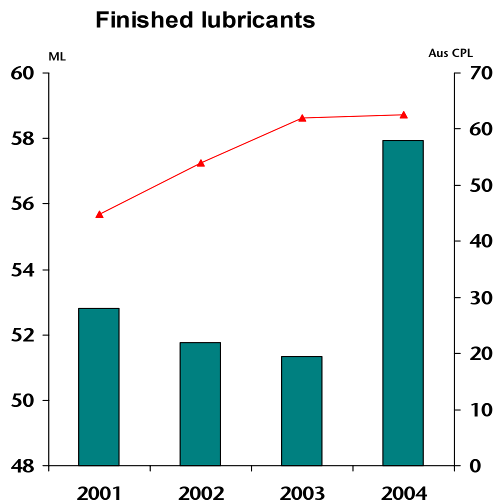
- Fuel volume at converted Caltex venture sites has seen an average increase of 80% over the same period last year.



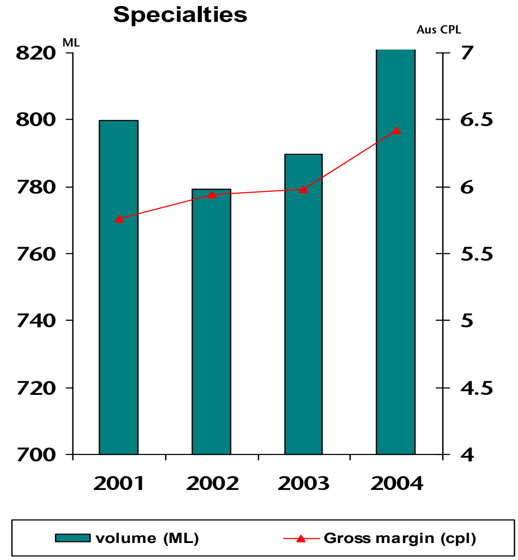
Woolworths and Caltex finalised arrangements back in April of last year for the national expansion of the Woolworths fuel discount redemption offer to around 470 sites.

The rollout of venture sites is on track, and volumes at converted Caltex venture sites continue to experience average increases of 80%.

Lubricants & Specialties



Base oil sales up 40.2% over 2003

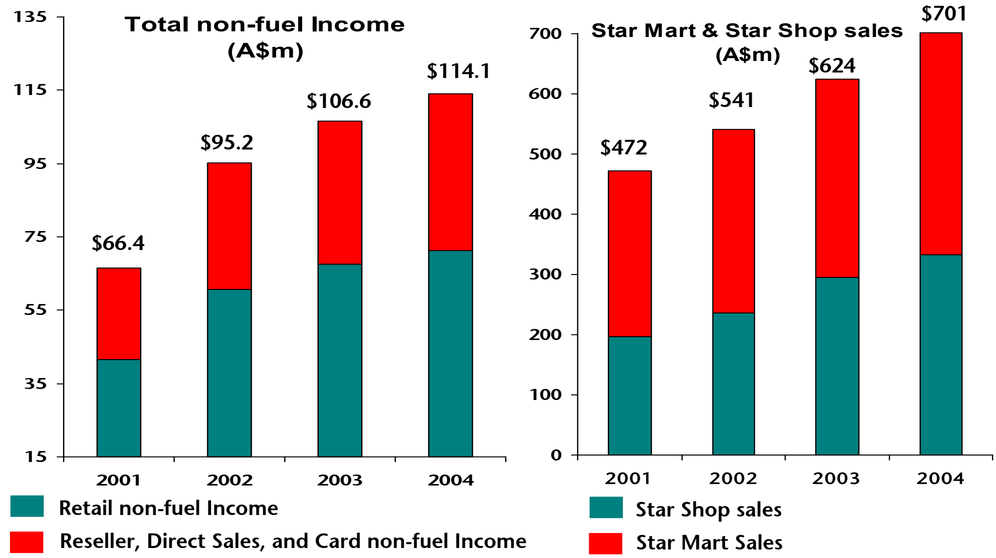


Finished lubricant volumes were up 12.8%. Our leading diesel engine oil brand, Delo 400 saw sales grow over 60% due to strong demand from the mining sector, while Havoline petrol engine oil grew 10% due to increased penetration of the independent retail sector and Retail channel growth. Margins were similar to 2003.

Sales volumes of base oils grew an impressive 40.2% over 2003. This was due to greater market opportunities following Australian refinery rationalisation. Caltex is now the only local producer of base oils in Australia.

Specialty volumes & margins grew 4% & 7% respectively in 2004 over 2003.

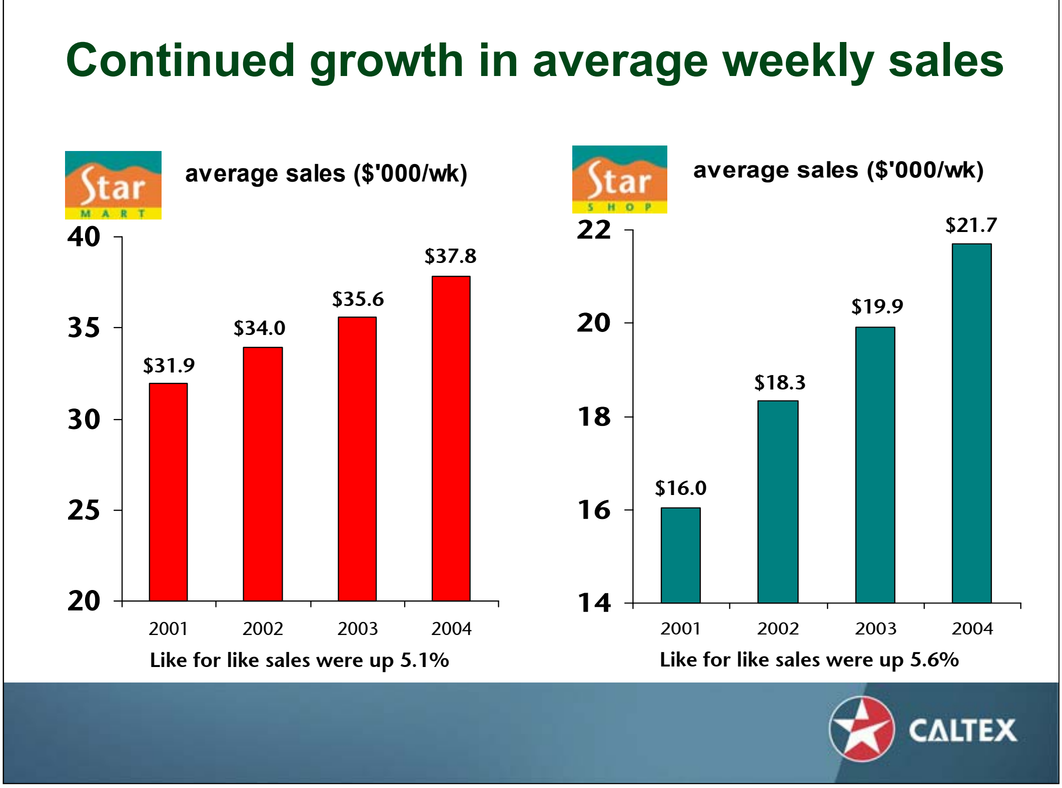
Non fuel income and store sales



Total non-fuel income represented here by the chart on the left was up 7% from same period last year. The main contributor to growth came from Retail royalty income, which is represented by the green bar in the chart on the left.

The Red bar on the chart on the left shows non-fuel income generated by channels other than Retail. This comprises revenue from our equity distributors, card products, pipeline and airport refuelling operations.

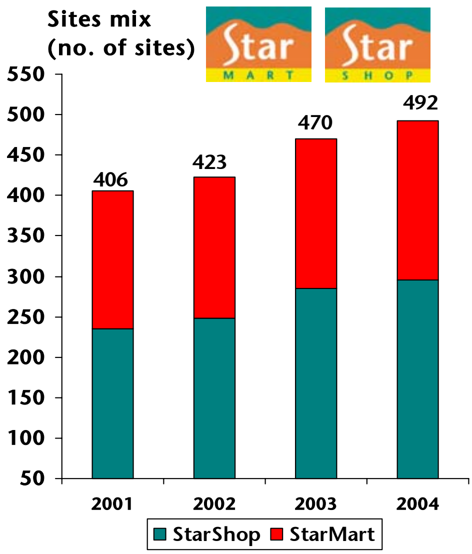
The chart on the right shows total sales of both our Star Mart and Star Shop convenience stores at $701 million, up 12.3% over 2003. Caltex remains the largest convenience retailer in Australia.

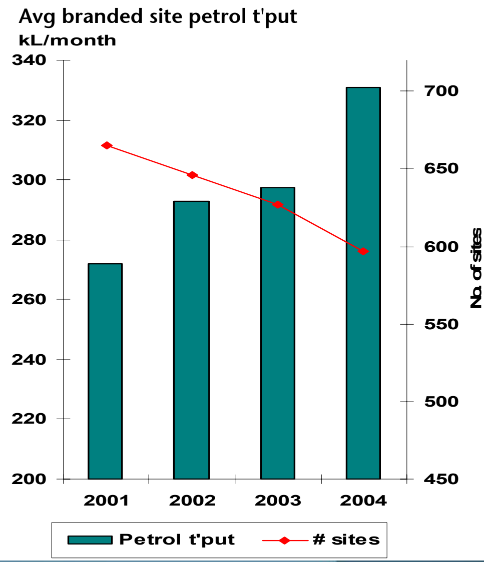


Star Mart and Star Shop “Like for Like” sales grew by over 5%, demonstrating our focus on retail execution that continues to deliver results. These increases are due to our focus on merchandising, relationships with our supplier network and the continuing success of our “All Stars” quality assurance program.

Primary growth categories included telecommunications with a focus on mobile and long distance phone cards. Sales of bottled water and new age beverages such as sports and energy drinks also featured.

Retail sites & average branded petrol throughput





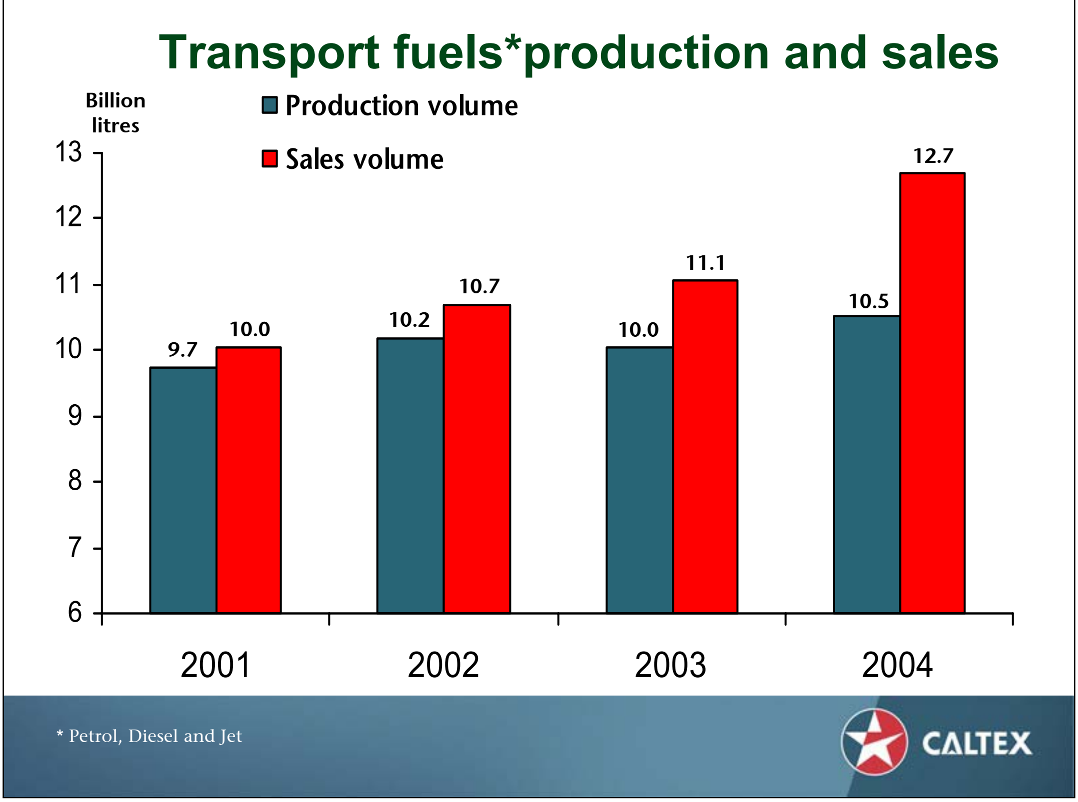
At the end of 2004 Caltex had 197 Star Marts and 295 Star Shops.

Investment will continue to be focused on long term sites with strong returns. ‘Tail’ sites, with low return on capital will continue to be divested. On a net basis we would expect our number of owned sites to decrease and achieve higher average sales growth.

The chart on the right sets out our average branded site petrol throughput and number of sites. Focus on our retail network optimisation and the Woolworths venture delivered an increase to an average 331 kL/mth in 2004.

Contents

Let me now turn to Refining.

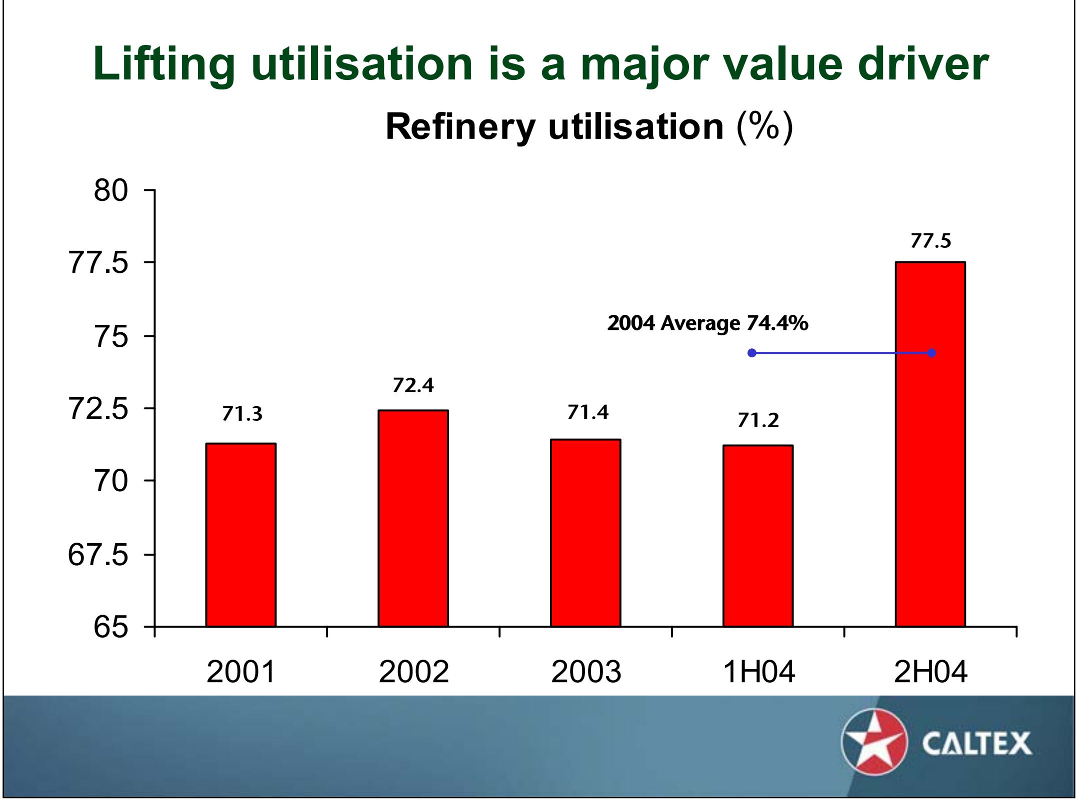


This slide sets out both the production and sales of transport fuels, comprising petrol, diesel and jet. You should note that Caltex enjoys both the Caltex Refiner Margin and the marketing margin on production volumes. However, on purchases made by Caltex, we only achieve a marketing margin.

We continue to be a net purchaser of transport fuel. This net purchase is made from domestic refiners under buy/sell arrangements, supplemented by imports of finished product.

In 2004, we purchased a net 2.2 billion litres, up significantly over 2003.

Our challenge is to economically increase refinery utilisation and decrease our percentage of imported fuel for resale. This is something I will talk to later in the presentation.



As seen in the previous slide, lifting refining utilisation and hence production, is a big opportunity for the company. Utilisation is a good measure of our operational effectiveness, but does not necessarily have a direct or linear relationship with actual production volumes.

The first 6 months of 2004 saw utilisation fall slightly over 2003. This was mainly as a result of shutting down the crude distillation unit at Kurnell to enable cleaning of the furnace to improve throughput.

In 2H04 we were able to demonstrate progress which saw utilisation increase to an average 77.5% . Our entire team is focused on lifting performance in this area.

Update on Clean Fuels Project

- Construction began at both refineries in September 2004. The project is on track to meet the compliance date of 1 January 2006
- Capex spend in 2004 was $81M and 2005 spend will be approx $180M
- 2005 production will be affected by project tie-ins at both refineries
- Aiming to achieve a 2005 transport fuel production level in line with 2004 production

CALTEX

Turning now to the progress on our Clean Fuels Project

Construction began at both refineries in September 2004. The project is on track to meet the compliance date of 1 January 2006.

Capital spend in 2004 was $81M and 2005 spend will be approx $180M.

2005 production will be affected by project tie-ins at both refineries, and will be roughly in line with 2004 production.

Contents

In the past I have highlighted both the regional and Australian industry developments that would impact on our future. These developments are now better understood by both the Australian investment community and the larger global investment community. I would now like to shift to a forward focus and discuss what Caltex wants to achieve over the next several years, given the more favourable market outlook.

Marketing: we put more in

- Marketing delivered approximately 50% of the company’s EBIT in 2004
- The role played by Marketing:
  - To serve customers with excellence where we make a solid return
  - To provide our refineries with rateable demand to allow stable operations and higher levels of production
  - To provide a diversified and stable earnings stream that is not buffeted by the international energy markets
  - To manage the company’s infrastructure across Australia
  - To underpin our reputation and brand with excellence in execution

Recent investment community focus has been on the favourable shift in the Asian markets that have lifted refiner margins. I wanted to emphasise that although the refining outlook has much improved, you should not overlook the achievements of our Marketing business.

In 2004 Marketing delivered approximately 50% of the company’s EBIT. Marketing fulfils key roles in our strategy:

-To serve customers with excellence where we make a solid return

-To provide our refineries with rateable demand to allow stable operations and higher levels of production

-To provide a diversified and stable earnings stream that is not buffeted by the international energy markets

-To manage the company’s infrastructure across Australia

-To underpin our reputation and brand with excellence in execution

Marketing review: capturing the potential

- Significant opportunities remain in our 3 main business channels:
  - *Retail*
    - Woolworths
    - Vortex Premium Fuels
  - *Reseller*
    - Realise value through integration, process enhancements and economies of scale
  - *Direct Sales*
    - Growing our lubricants sales, shelf presence eg BIG W
    - Industrial sales volumes
  - Infrastructure initiatives with selective building/upgrading of facilities will underpin our growth and secure supply chain

CALTEX

The changes in the Australian domestic fuels market over the last 2 years in particular, leads us to the conclusion that there are still opportunities to capture growth in our 3 main business channels within Marketing

Retail - Here our venture with Woolworths is delivering exceptional volume growth and brand presence. Our focus on Premium Fuels, eg Vortex 98 which was launched in the latter part of 2004 will deliver both volume and margin growth over the coming years

Reseller - Consolidating our reseller business and achieving synergies will offer growth opportunities. Caltex will seek to acquire branded resellers where it is economically attractive and the acquired business complements an existing 100% owned equity reseller.

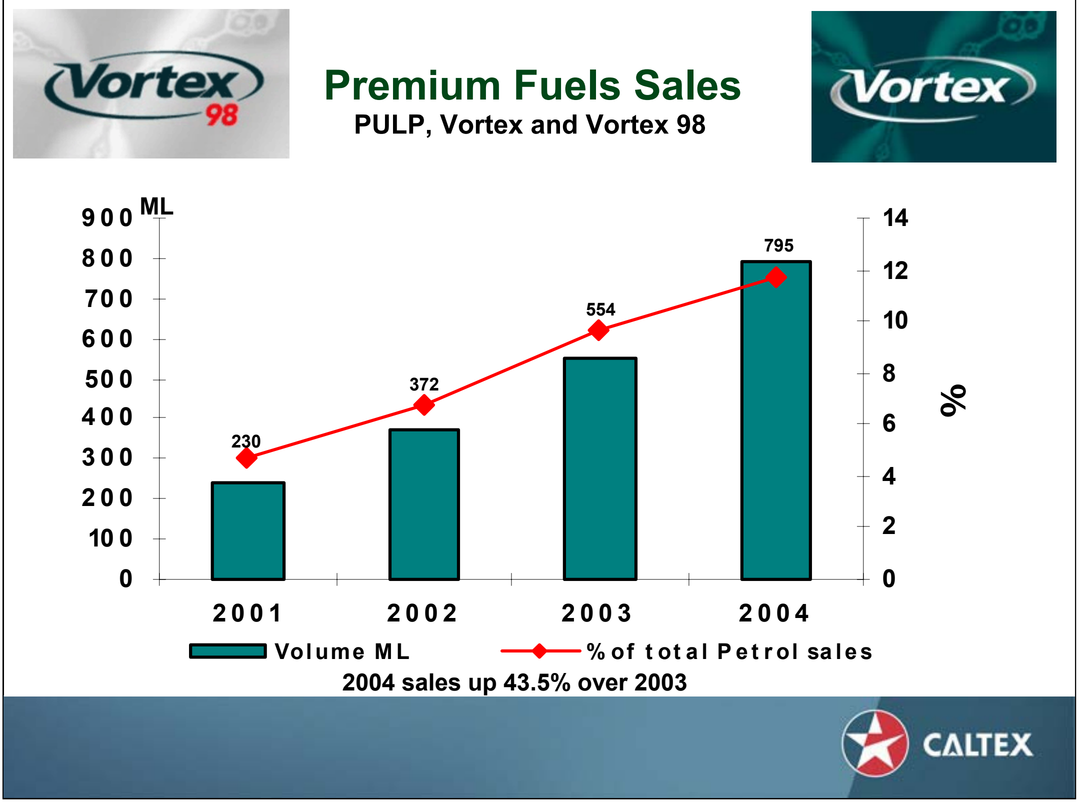
Direct Sales - Growing our lubricants sales via enhanced shelf presence, for example BIG W and also the continued support of our industrial customers.

Supporting the above will be infrastructure initiatives, including the selective upgrade of our facilities to underpin growth and secure our supply chain

Brand positioning: update & focus

One area of particular effort will be the focus on our brands. A new brand essence was established in 2004 ***Great performance from people you like***. This essence is supported by our new advertising tagline that you may have already seen ***we put more in***.

Since the merger in 1995 with Ampol, we have been slow to consolidate around a coherent brand strategy through our retail channel. We have made the decision to singularly focus on our Caltex brand, including our jointly branded sites with Woolworths. Supporting the umbrella Caltex brand will be Vortex fuels, including our new Vortex 98 high octane petrol, as well as the Star Mart store offering.

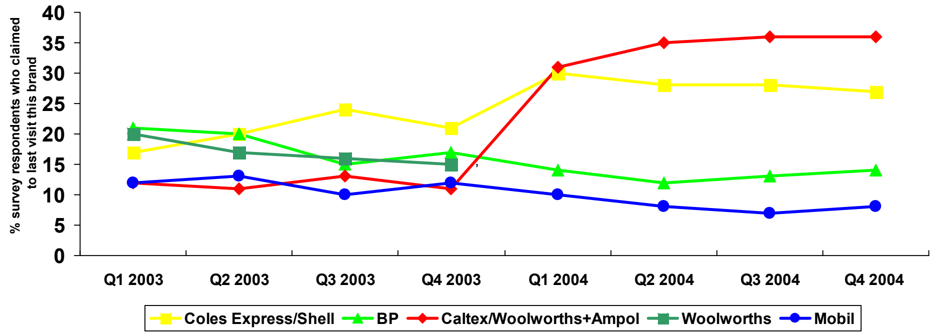


2004 saw our premium fuels sales increase by 43.5% over 2003. Advertising of Vortex during the year was followed by the launch of Vortex 98, our 98 Octane premium fuel, in November. The volume growth of Vortex 98 is exceeding our expectations.

Marketing: we put more in

We are the largest marketer and refiner of petroleum products in Australia…our goal is to be the best in the eyes of our customers

Retail Service Station Brand
Most Recently Used



Source: Retail Service Station Brand Tracking 2004: Consumer Market Research (TNS on behalf of Caltex)

This chart represents market research of the % of respondents who last purchased a particular fuel brand. As you can see our venture with Woolworths has lifted our overall rating to the number 1 spot by the second quarter of 2004.

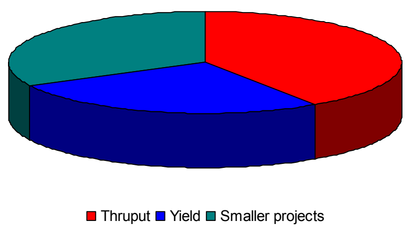
Refining & Supply: the opportunity

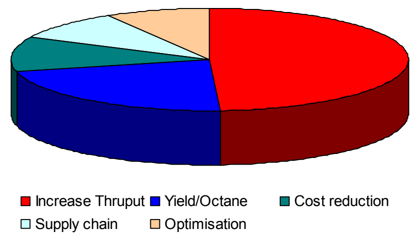
Capital required +/- $300M

- 130 projects from small ideas to major projects
- 8 major projects account for nearly 65% of spend
- Largely cashflow neutral during implementation

EBIT uplift +$150M pa

- 20% uplift in production of transport fuels by 2008
- Focus on higher value products
- Average payback of all projects less than 2 years





CALTEX

As I flagged in August last year, we have recently concluded a comprehensive review of our Refining & Supply operations. Significant opportunities exist to drive substantial EBIT improvement of at least $150 Million per annum, confirming our previous estimates. These opportunities exist in the following areas:

-Increasing both petrol & diesel production post clean fuels

-Upgrading lower value product to higher octane petrol

-Unblocking production constraints in our refinery

-Investing in tools and our people to lift our supply chain expertise

We are still in the early stages of costing these projects. Our initial estimates indicate capital investment of around $300 million over the next 3 years is required. However, further detailed scoping is required and I will give you a more precise figure later in the year. To give you some sense of what the program involves:

-there are approximately 130 individual projects

-8 projects alone account for approximately two thirds of the projected spend

You are aware 2005 is already a busy year for our two refineries as we complete our Clean Fuels upgrades. We will therefore front load the improvement effort by undertaking the smaller projects first, with the major projects being completed over the 2006-2008 timeframe.

This program will be largely cash flow neutral during implementation as the achieved uplifts offset the capital outlays.

Paybacks are typically within 2 years, and are profitable under any reasonable refiner margin scenario.

Refining & Supply opportunity

- Our strong focus on the balance sheet has positioned us to take advantage of market opportunities
- Key takeaways:
  - Dividend policy will not be impacted
  - Net debt may temporarily exceed target range
  - An aggressive but disciplined approach to project management to capture value in the shortest practical timeline
  - Safety and stable operations will always take precedence

CALTEX

Demand for petroleum products is growing both in Australia and regionally. Our strong management of the balance sheet over the last 3 years has positioned us to take advantage of these opportunities.

The key points for you to takeaway are:

- Our announced dividend policy will not be impacted

- Net debt may temporarily exceed our target range, however, we expect it to be within target levels during 2006

- Caltex will adopt an aggressive, but disciplined approach to project management with the objective of capturing value in the shortest practical timeline

- Safety and stable operations will always take precedence

Caltex- summary

- ☑ Caltex is the market leader in Australia
- ☑ Caltex is investing to maintain its leadership, clean fuels
- ☑ Clear dividend policy is now in place

Our focus remains:

- ☐ On Safety: incident free operations
- ☐ Being the best in the markets we choose
- ☐ Crude and fuels supply chain
- ☐ Lower unit costs
- ☐ Returns to our shareholders/capital discipline
- ☐ Low risk, high return growth investments

CALTEX

To put our results in context, we have been putting in place the fundamental steps for a healthy growing company. Here are a few facts

Caltex is the market leader in Australia

Caltex is investing to maintain its leadership

Clear dividend policy is now in place

Our Focus remains:

Incident free operations

Being the best in the markets we choose

Crude and fuels supply chain

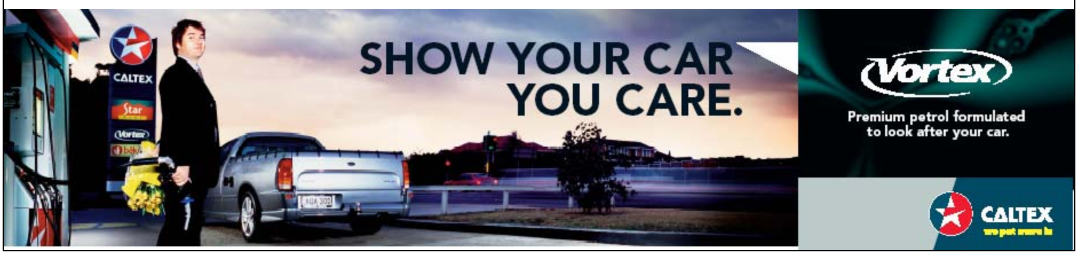
Lower unit costs

Returns to our shareholders/capital discipline

Low risk, high return growth investments

I want to end on two important points, capital discipline and project discipline. Both these are necessary in a capital intensive cyclical industry. While it is tempting to rush forward to capture the many attractive opportunities we see, the correct path for Caltex is to plan this work carefully and make sure we do not lose sight of the underlying requirement to run the business well every day. Our industry will need to invest to meet the growing demand for transport fuels. Margins are likely to be strong enough to make those investments attractive. Caltex is well positioned to participate in the growth of the industry, but will only do so taking account of what is best for our shareholders and continued discipline on both decision making and execution.

We put more in



We will now start with some questions from Sydney, before rotating to both Brisbane and Melbourne.

END. Once again thanks for your interest in Caltex today and we look forward to seeing you all again at the end of August 2005 when we will announce our half year results for 2005.

Important Notice

This presentation for Caltex Australia Limited is designed to provide:

- **an overview of the financial and operational highlights for the Caltex Australia Group for the year ended 31 December 2004; and**
- **a high level overview of aspects of the operations of the Caltex Australia Group, including comments about Caltex's expectations of the outlook for the first half of 2005 and future years, as at 25 February 2005.**

References in the presentation to assumptions, estimates and outcomes and forward-looking statements about assumptions, estimates and outcomes, which are based on internal business data and external sources, are uncertain given the nature of the industry, business risks, and other factors. Also, they may be affected by internal and external factors that may have a material effect on future business performance and results. No assurance or guarantee is, or should be taken to be, given in relation to the future business performance or results of the Caltex Australia Group or the likelihood that the assumptions, estimates or outcomes will be achieved.

While management has taken every effort to ensure the accuracy of the material in the presentation, the presentation is provided for information only. Caltex Australia Limited, its officers and management exclude and disclaim any liability in respect of anything done in reliance on the presentation.

You should make your own enquires and take your own advice in Australia (including financial and legal advice) before making an investment in the company's shares or in making a decision to hold or sell your shares.