2005 Full Year Results – Another Strong Performance

CALTEX

Good morning, welcome everybody and thank you for attending today. I would also like to welcome those who are taking a feed via webcast. Please note that an archive copy of the webcast should be available on caltex.com.au by close of business today or Monday at the latest.

For those of you here in Sydney, you will have received a package this morning containing our full year results, media release and Australian Stock Exchange announcement, together with the slides I will talk through this morning. For those taking the feed via webcast the same material is available now from both our website, caltex.com.au, or the ASX website.

I am joined in the auditorium by the Caltex management team and would like to thank the Caltex staff members who assisted with the logistics this morning.

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I plan to run through the major highlights of 2005, and in the “Outlook” section, I will discuss our focus for 2006 and the following years. This will take about 30 minutes, then I will open up the floor for your questions. Those taking part via webcast, you can submit questions either during the webcast or during the Q&A session.

Incident Free Operations Topic

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

The photo shows the scale of the work being undertaken in the Clean Fuels Project. One of the key risk management issues we needed to address in this project was the maintenance of a secure and reliable supply chain to our customers. A great deal of work has been done to ensure this occurs:

- Although we would have preferred not to have applied for a variation to the Fuel Standard, we commenced negotiations with the Federal Government in August last year to ensure supply reliability.
- On top of that, the people throughout our Supply group have worked extremely hard to maximise our refinery production rates within the variation conditions, while simultaneously managing a significant increase in import and export volumes.

The outcome of this has been continuous supply of fuel to our customers, with a great deal of this work being completely invisible to the public.

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Slides 3 – 9 summarise the 2005 highlights.

2005 – Key Points

- Strong operating performance captured the benefits of strong global petroleum markets
- Refinery production in line with last year, despite extensive planned shutdown periods and extended construction on clean fuels
- Marketing continued to perform in all areas
- Total Shareholder Returns of 82%

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Here are the key points for 2005:

- Our focus on execution and reliability is working, and it allowed us to convert a strong global market into earnings for our shareholders and for reinvestment
- Our refineries are improving utilisation through focus on fundamentals and capital investment
- We are the largest marketer of petroleum products in Australia and the nation's largest convenience retailer. Progress continued in all our key marketing segments
- Execution and strong external markets combined to produce the highest level of earnings in the history of Caltex. Investor confidence in our performance resulted in a total return of 82%, which makes it 3 successive years where we have significantly outperformed the ASX.

Summary financial results

Replacement Cost	2005	2004
EBIT ($M)	583	536
NPAT ($M)	414*	350*
EPS (cps)	153*	130*

	31 Dec 2005	31 Dec 2004
Debt ($M)	429	447
Gearing (%)	17	21
Gearing (Lease Adjusted %)	26	32

Historic Cost	2005	2004
EBIT ($M)	811	687
NPAT ($M)	574*	457*
EPS (cps)	213*	169*

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* Both the replacement cost and historic cost results exclude a significant credit to earnings of $113.5 million for 2004 and $20.9 million to 2005 which occurred on entry into the new tax consolidation regime.

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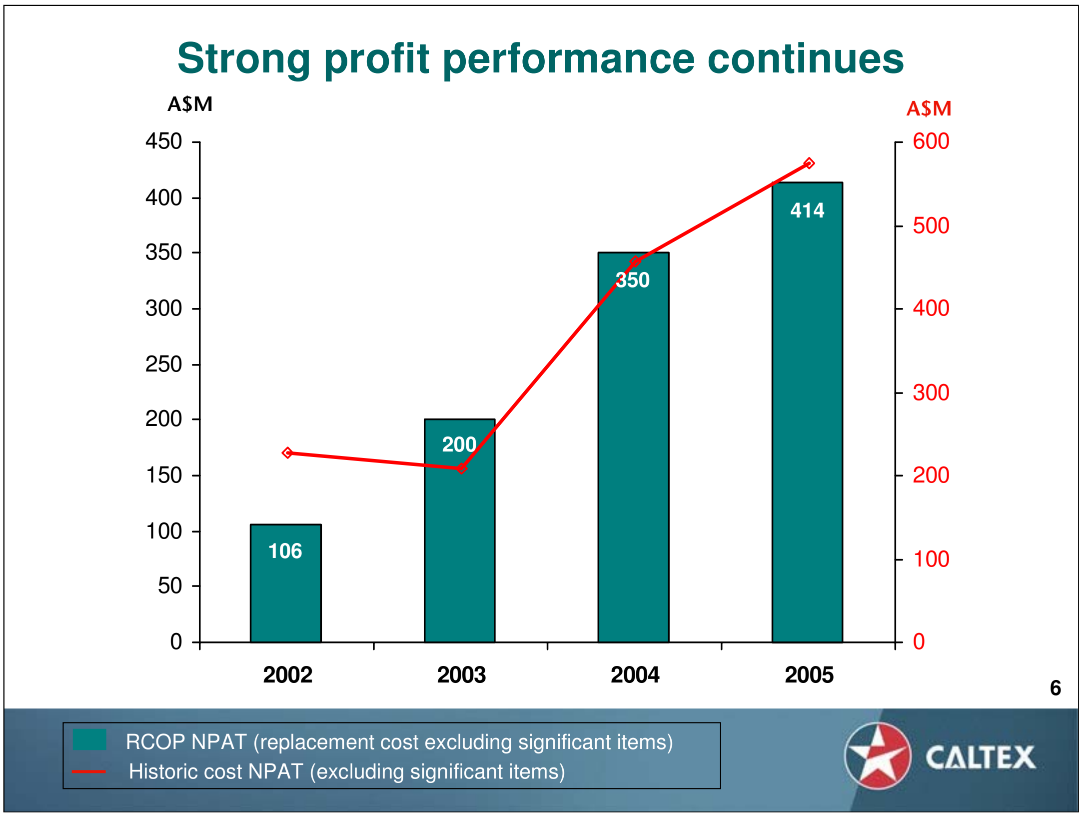
For the period ended 31 December 2005, Replacement Cost EBIT, excluding significant items, was $583 million.

Replacement Cost Net Profit After Tax, excluding significant items, was $414 million.

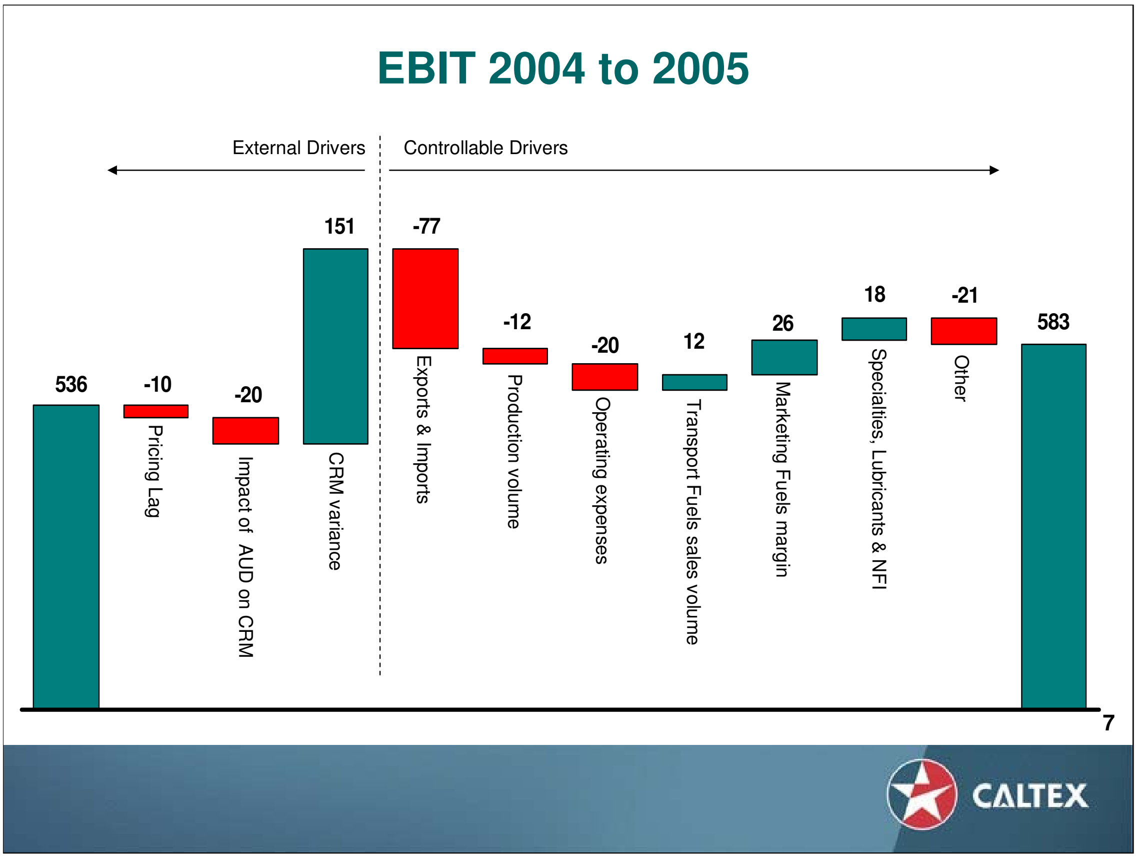
Historic Cost Net Profit After Tax, excluding the significant tax item, was $574 million, reflecting an inventory gain of $160 million, after tax.

Both the Replacement Cost and Historic Cost results exclude a significant credit of $20.9 million relating to our entry into tax consolidation following the passing of new legislation in 2005.



The Replacement Cost Net Profit After Tax represented here by the green bars shows the underlying performance of the business by removing the effects of crude oil price fluctuations, which is an external factor over which we have no control.

Historic cost profit including those price effects reflected an increase in the price of Tapis crude oil over the year of $US18/bbl from December 2004. Crude moved from a price of $US39/bbl in December 2004 to close 2005 at around $US57/bbl, with the average for the year of $57/bbl.



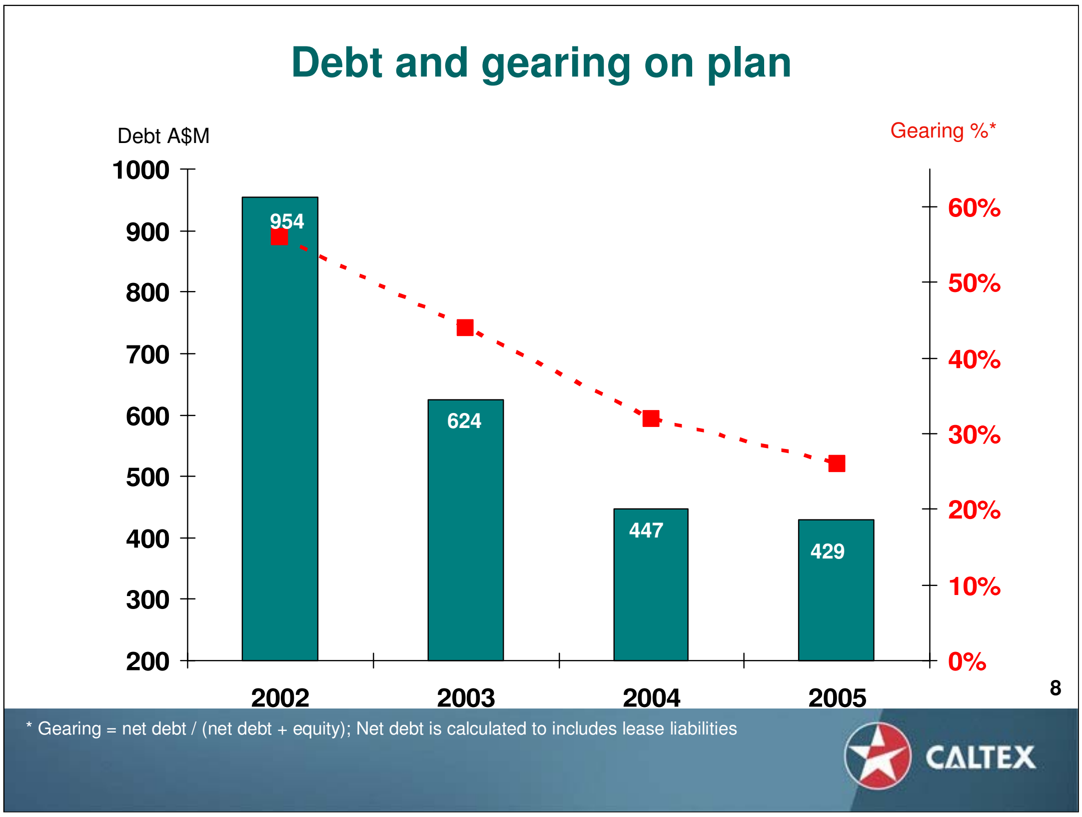
Our EBIT in 2005 was up by $47m over 2004. As mentioned, the tight global market for refined products resulted in an increased refiner margin, especially in the third quarter in response to the impact of the US hurricanes. This is the single largest contributor to our increased earnings. We cannot control external drivers such as these in any period.

In the areas we do control, we were able to capture about $56m in Marketing EBIT benefit.

However, other impacts, primarily refinery construction and planned turnarounds, compared to normal operations meant we missed an additional earnings opportunity of approximately $89M – this is shown here as the "Exports & Imports" and "Production Volume" bars.

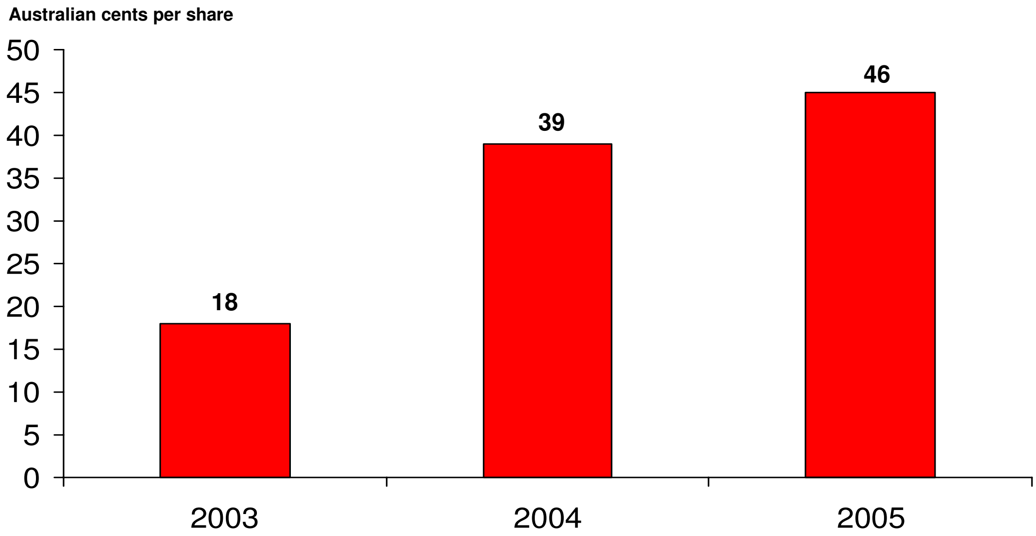
We have routine maintenance and turnaround activity every year. However, 2005 was unique in that it reflected very high levels of planned turnarounds, combined with the construction impacts of our Clean Fuels project. This caused us to import higher levels of transportation fuels and export more low value products like fuel oil and cycle oil. As a result, we were not able to capture all available margin.

This underscores the benefits of increased utilisation, especially once our Clean Fuels construction is complete. More on that later.



Net debt ended the period at $429 million, with a gearing level of around 25% on a lease adjusted basis. It should be noted that lower crude purchases prior to year end due to Clean Fuels constraints resulted in net debt being artificially low at 31 December, 2005. Increased product imports in the first quarter of 2006, together with higher Clean Fuels construction costs, will result in net debt rising to over $600 M in the short term, with lease adjusted gearing remaining in the 25% to 35% Range.

Dividends per policy



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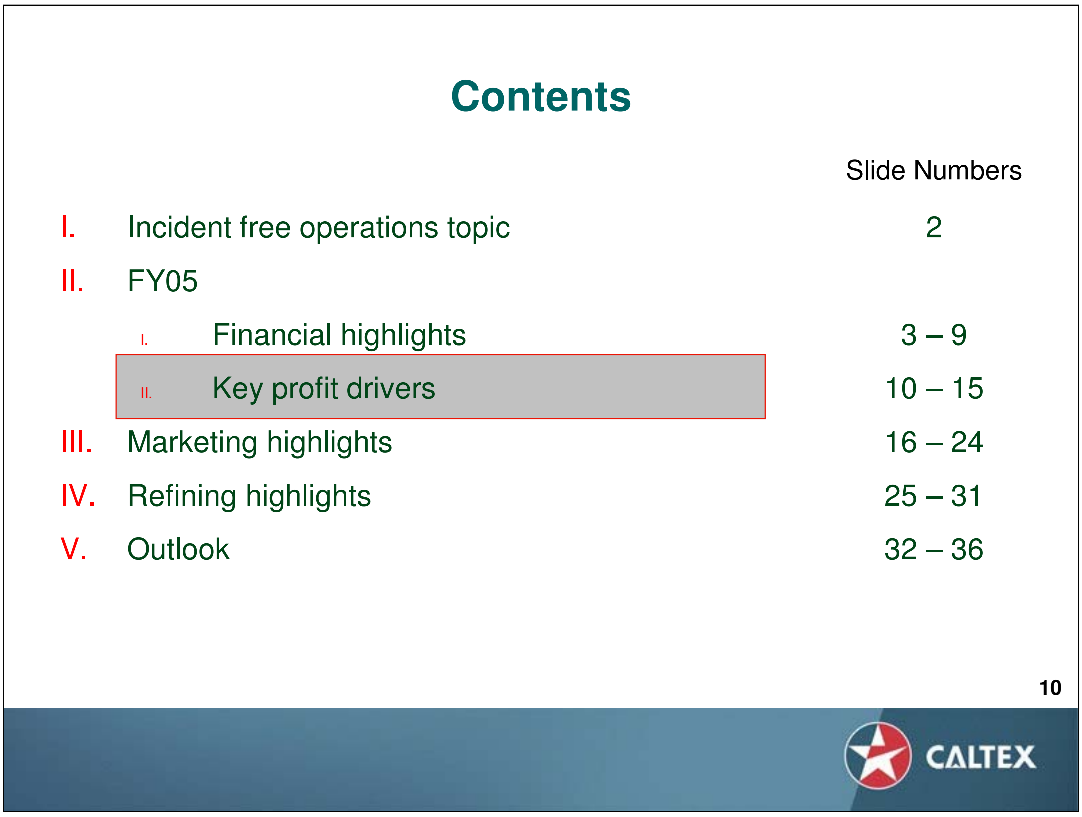
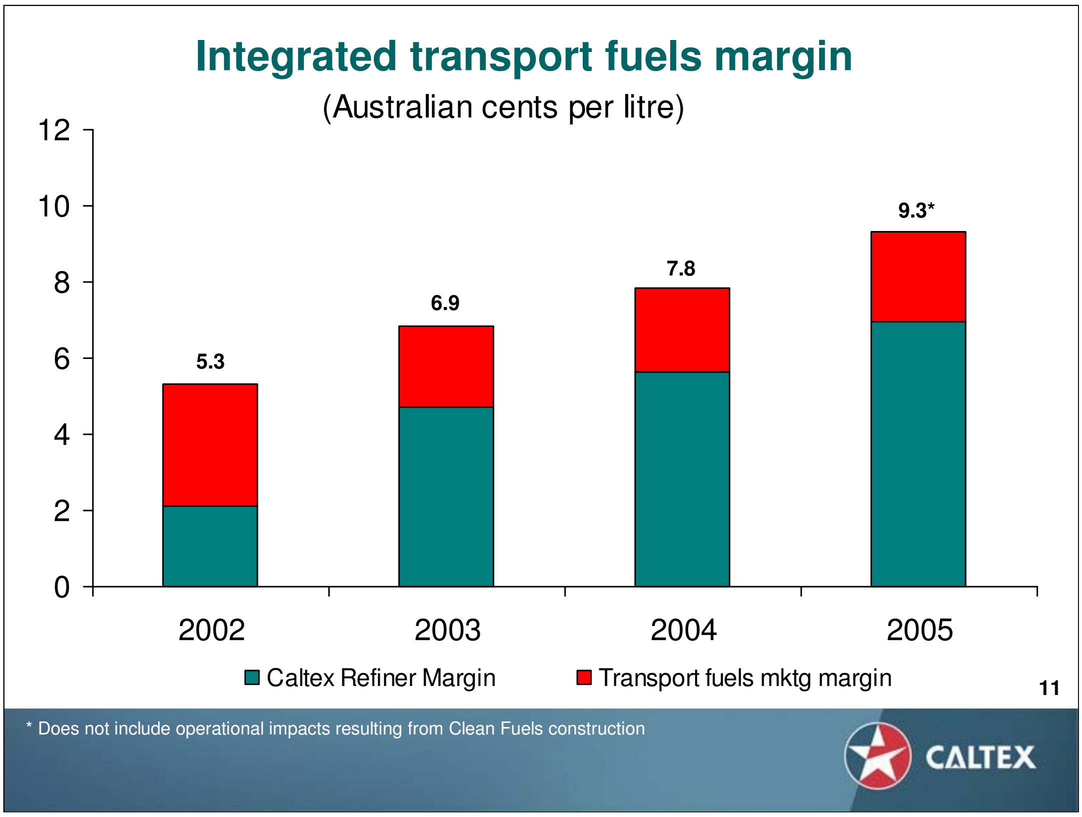
In light of our performance, and consistent with our dividend policy, the Board has approved a fully franked 31 cents per share dividend to be paid as the final dividend for 2005.

This represents a full year dividend of 46 cps, fully franked, which is 30% of our RCOP NPAT for 2005 and at the high end of the policy range.



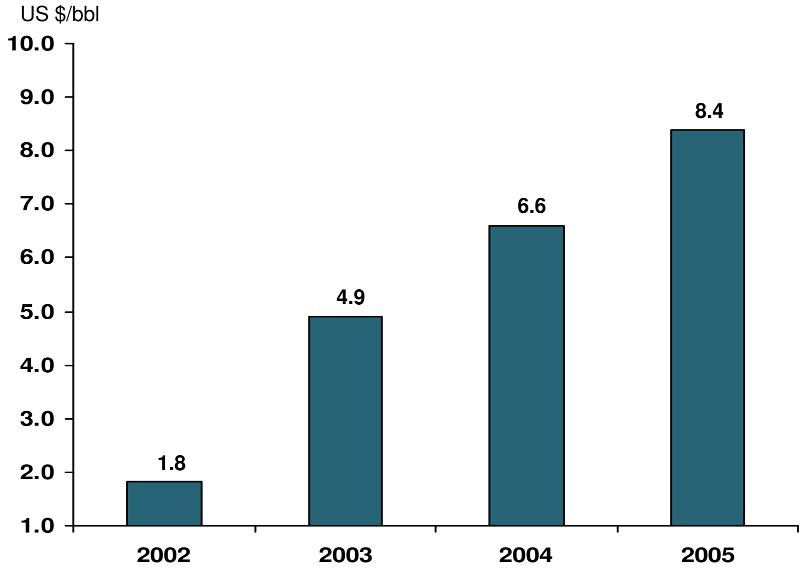
Slides 10-15 give more detail on the performance of the key profit drivers.



This slide shows the Caltex integrated transport fuels margin in Australian cents per litre. The 2005 integrated margin was 9.3 cpl, up from 7.8 cpl in 2004, largely driven by increases in the Caltex Refiner Margin.

The integrated margin is calculated on a typical yield profile from our refineries, plus the margin Marketing realises across all transport fuel sales. As I pointed out on Slide 7, the Clean Fuels construction caused us to alter our operating plans. This resulted in imports of petroleum products that would other wise have been manufactured at the Caltex refineries, and product exports that were unable to be processed to meet the regulated standards. The integrated margin of 9.3 cpl, therefore, was only fully realised on those products manufactured by Caltex which met the required specifications.

2005 Caltex Refiner Margin was US$8.40/bbl



Caltex Refiner Margin

Equals

Singapore WAM

Add :

Product freight

Crude discount

Quality premiums

Less :

Crude freight

Crude premiums

Yield loss

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*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

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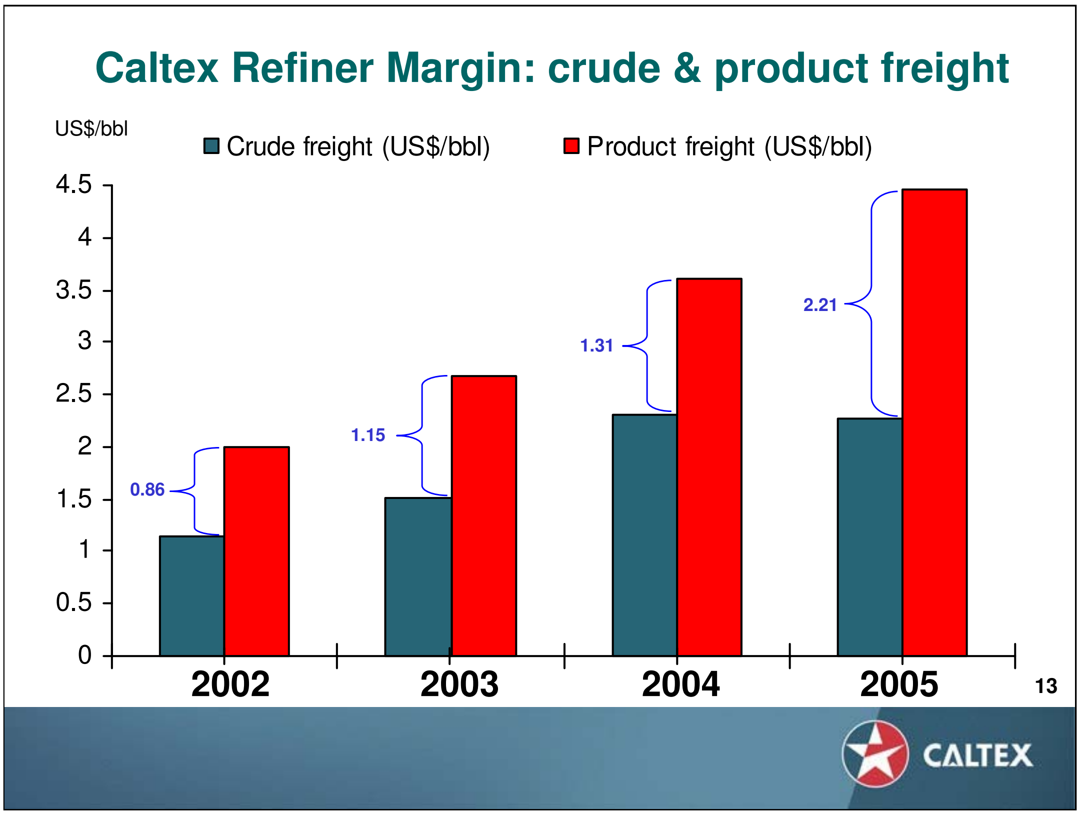
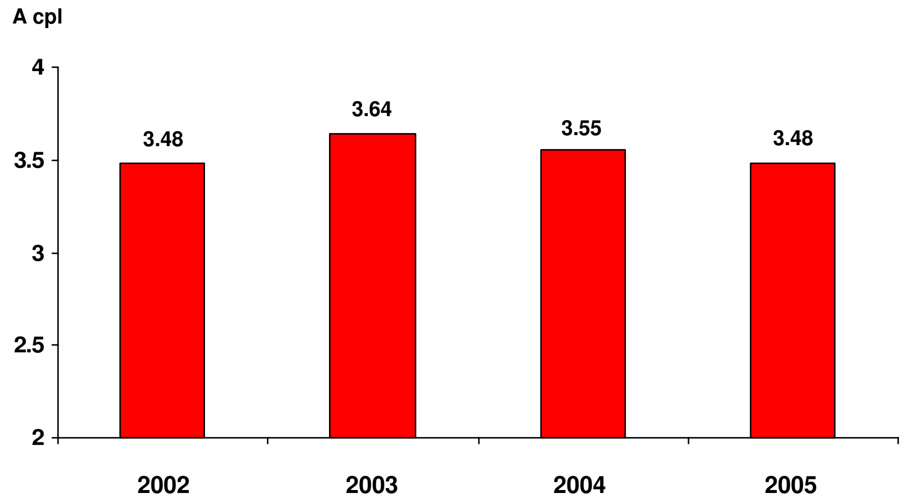
The Caltex Refiner Margin is a proxy for the margin realised by Caltex's refineries under normal operation. The margin is based on the Singapore weighted average refiner margin, adjusted for product freight, crude freight, crude premiums or discount, product quality premiums and the average product yield at our particular refineries.

The average Caltex Refiner Margin for 2005 was US$8.40/bbl, compared to US$6.60/bbl for 2004. Again, this margin was only fully realised on those products manufactured by Caltex and which met the required specifications.



The differential between crude freight and product freight is a component of the Caltex Refiner Margin. This expanded by $US 0.90/bbl in 2005 as clean product freight costs rose in relation to crude freight. Again, this reflects the underlying tightness in shipping markets which were stretched to cope with the refining production shortages in the US. These differentials began to ease in October to more normal levels.

Unit operating expenses continued to decline



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* 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
2004 comparative has been adjusted for the translation to A-IFRS

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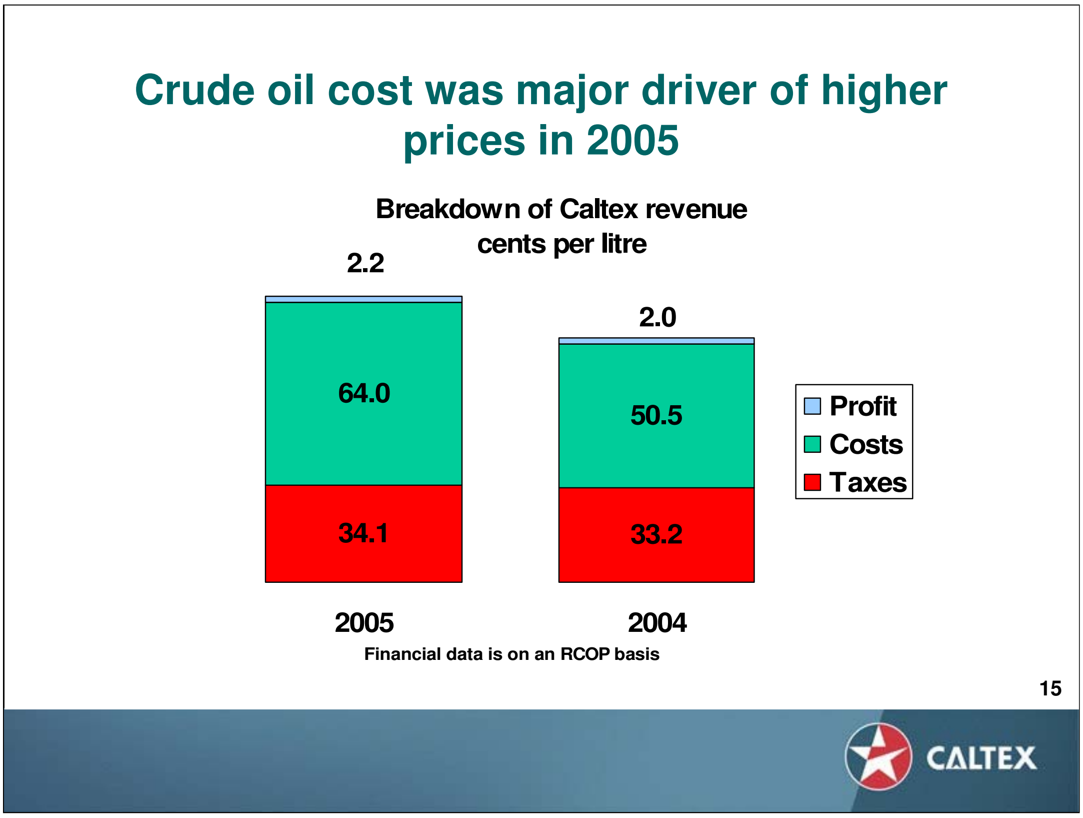
As I have stressed previously, Caltex must continually drive for lower unit costs in order to remain competitive in a regional and global refining market. We continued to reduce unit costs in 2005.

In the Clean Fuels environment this will be more challenging, as depreciation and processing costs at our refineries will be higher. Much of our success in the past few years has been on the basis of increasing sales (with better integrated margins).

We remain confident that the premiums attracted by the new clean fuels will more than offset the higher costs associated with more intense processing in Refining.

I will address our Refining Performance Improvement Program later, but here I would like to point out that part of its benefit will be to allow lower unit production costs as the projects come to completion.



Our customers paid much higher prices for refined products in 2005. The attached chart shows that for an average increase of 14.6 cpl across ALL products, only 0.2 cpl represented incremental profit to Caltex. The primary driver of higher prices for our customers is the higher cost of crude oil, which ultimately is reflected in prices for petrol, diesel and jet.

Caltex, of course, has no investments in exploration or production assets for crude oil and must accept the global market price for the crudes we process as an input cost.

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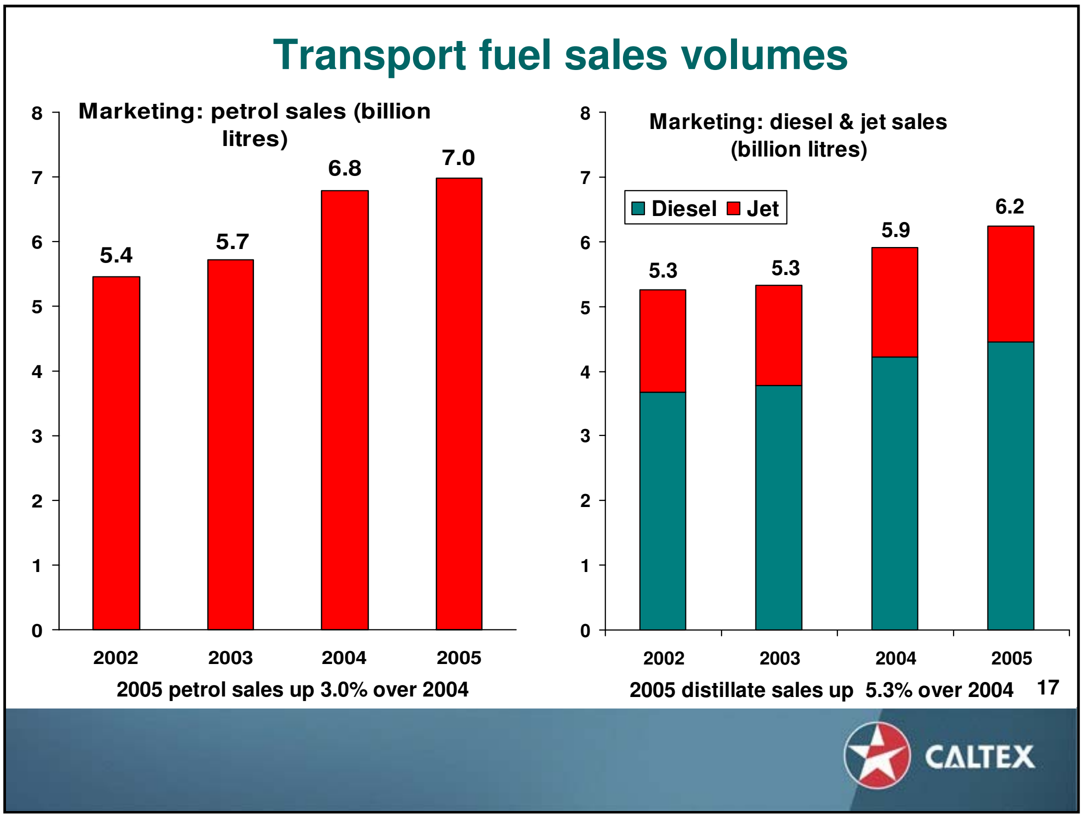
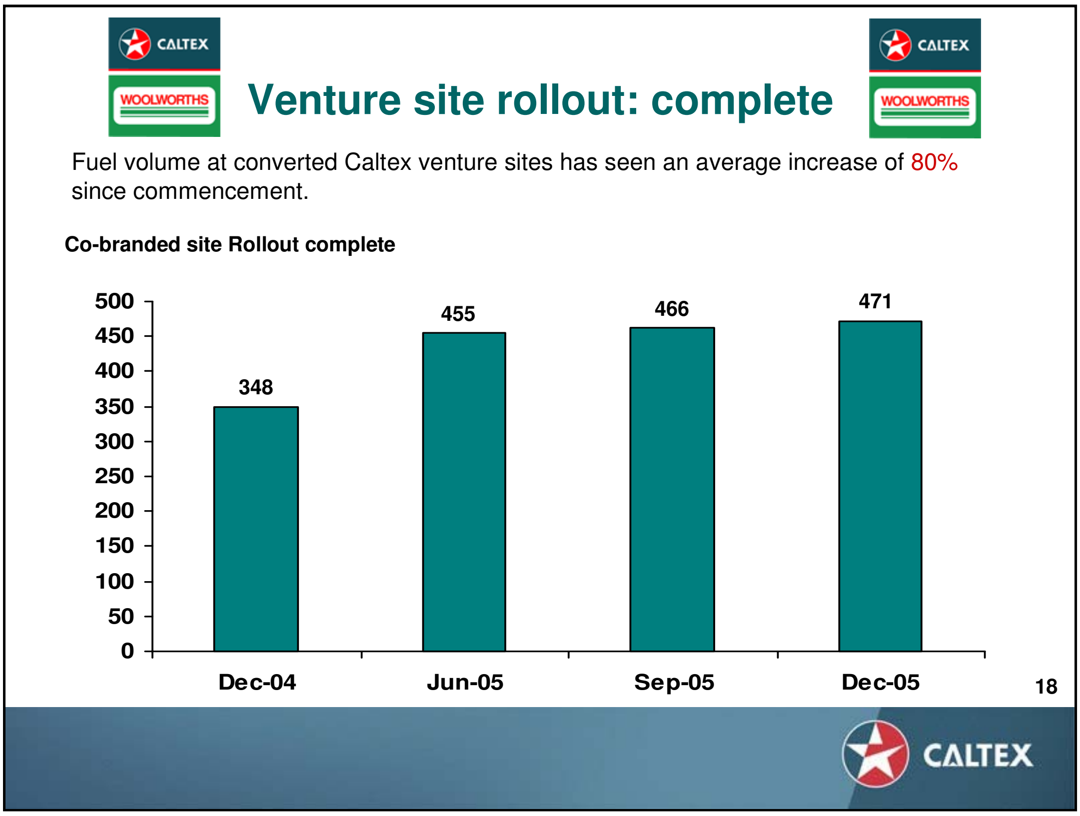
On slides 16-24, I will outline our Marketing performance.



Petrol sales saw an increase of 3.0% vs. 2004, from 6.8 to 7.0 billion litres, partly due to the continuing rollout of our venture with Woolworths.

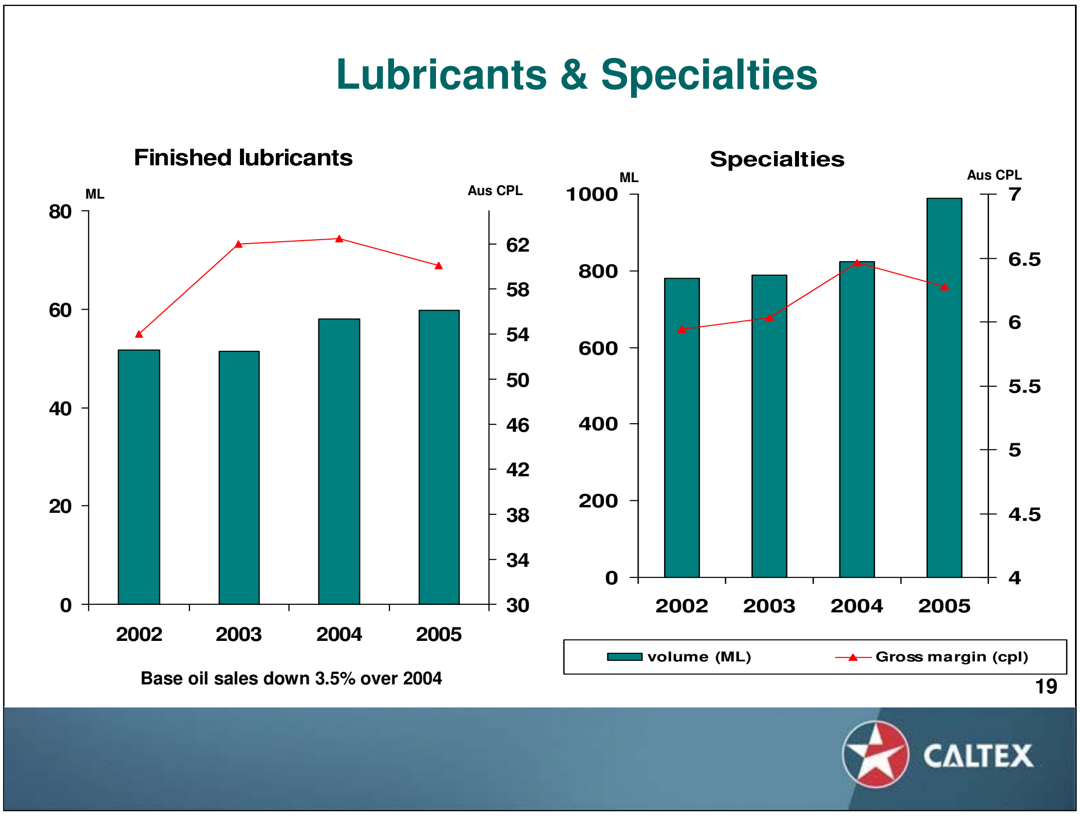
Jet and diesel sales reflect a continued strong economy with volumes up 5.3% over 2004. This increase was driven largely by increased demand from the mining sector.

Caltex's total transport fuels sales for 2005 were at record levels.



The rollout of our Woolworths venture has been largely completed. By the end of 2005, we had reached our target of around 470 sites in the venture, with Caltex contributing 125 sites. We would expect our rate of growth on petrol sales to slow but remain positive, now that we are through the implementation phase of our venture with Woolworths.

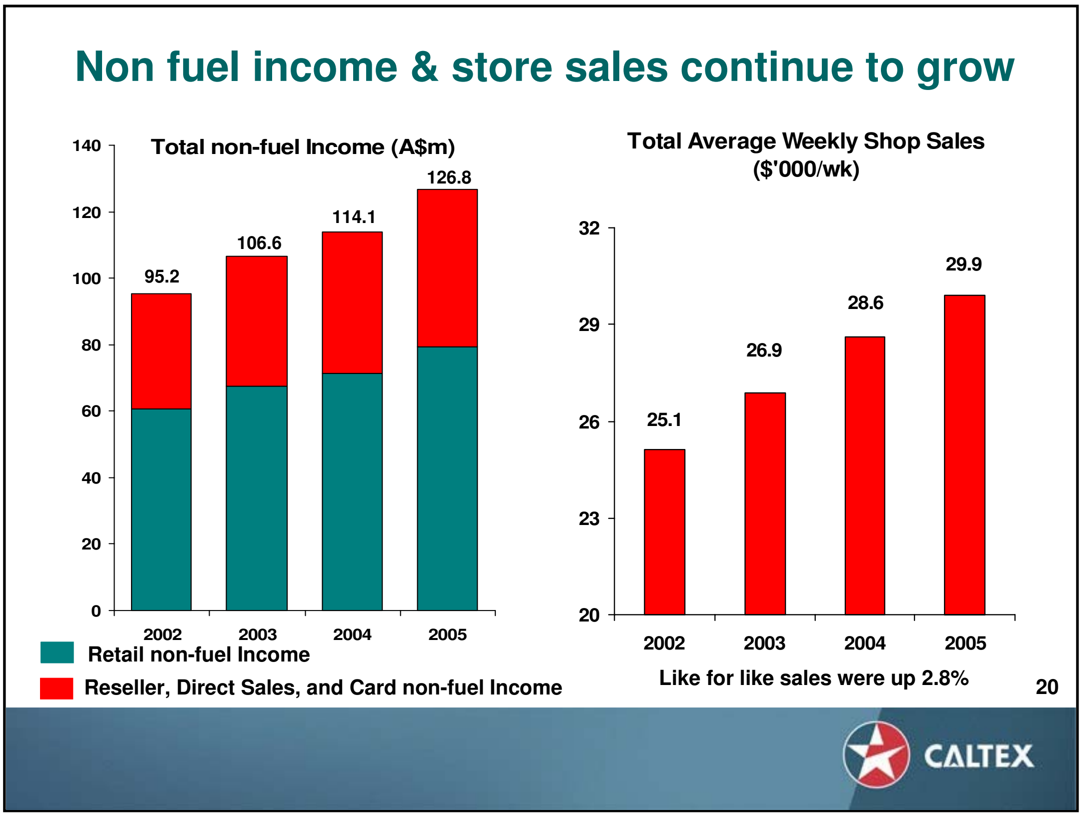
The service station market has largely adjusted to the rapid expansion of shopper docket schemes. The use of docket redemption has continued to increase as customers take advantage of the opportunity to lower their fuel costs, especially at a time of rapid price changes. Of course, Caltex must provide ongoing price support for our franchisees to allow them to compete in this highly competitive segment of the industry.



Finished lubricant volumes were up 3.1% over 2004, due primarily to increases in our diesel engine oils (Delo®). Overall gross profit was flat, with higher volumes off setting margins that were impacted by rising input costs, which could not be immediately passed through to the market.

Base oil sales were down by 3.5%, again due to higher crude costs. In addition, production from our lubricating oil refinery in Sydney was also adversely impacted by the Energy Australia power failure that impacted the entire Kurnell peninsula.

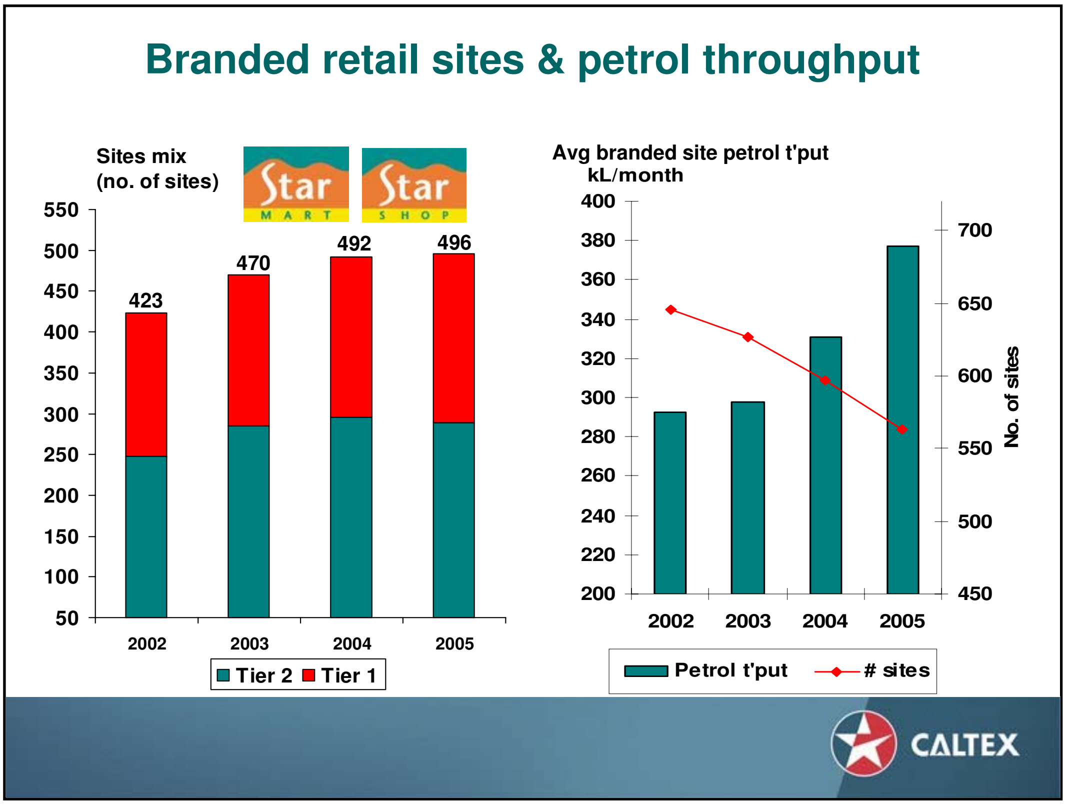
Specialty volumes are up 20% over 2004 across the whole range of marine fuel, bitumen and petrochemical feedstocks. These increases reflect the impact of Clean Fuels construction as operations yielded a higher percentage of these lower value products. Margins declined slightly on a cpl basis due to an increase in low margin fuel oil volumes.



Total non-fuel income represented here by the chart on the left was up by over 10% year-on-year. All of our Marketing channels contributed to this growth. This was a great performance, reflecting our expertise in marketing and merchandising.

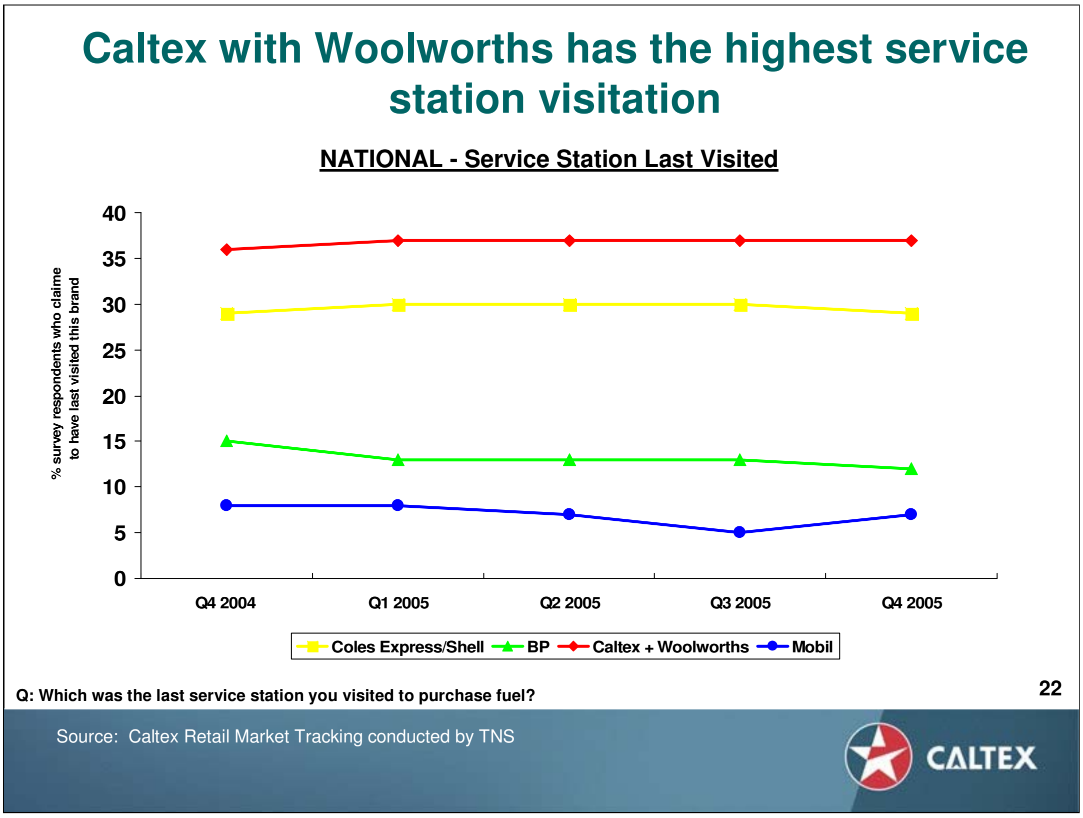
Our weekly shop sales increased by 4.5% on 2005, with like for like sales up by 2.8%.

We are working to integrate our recently completed dry goods arrangements with Woolworths, which we expect to improve both sales and margins as it is progressively rolled out in 2006 and 2007

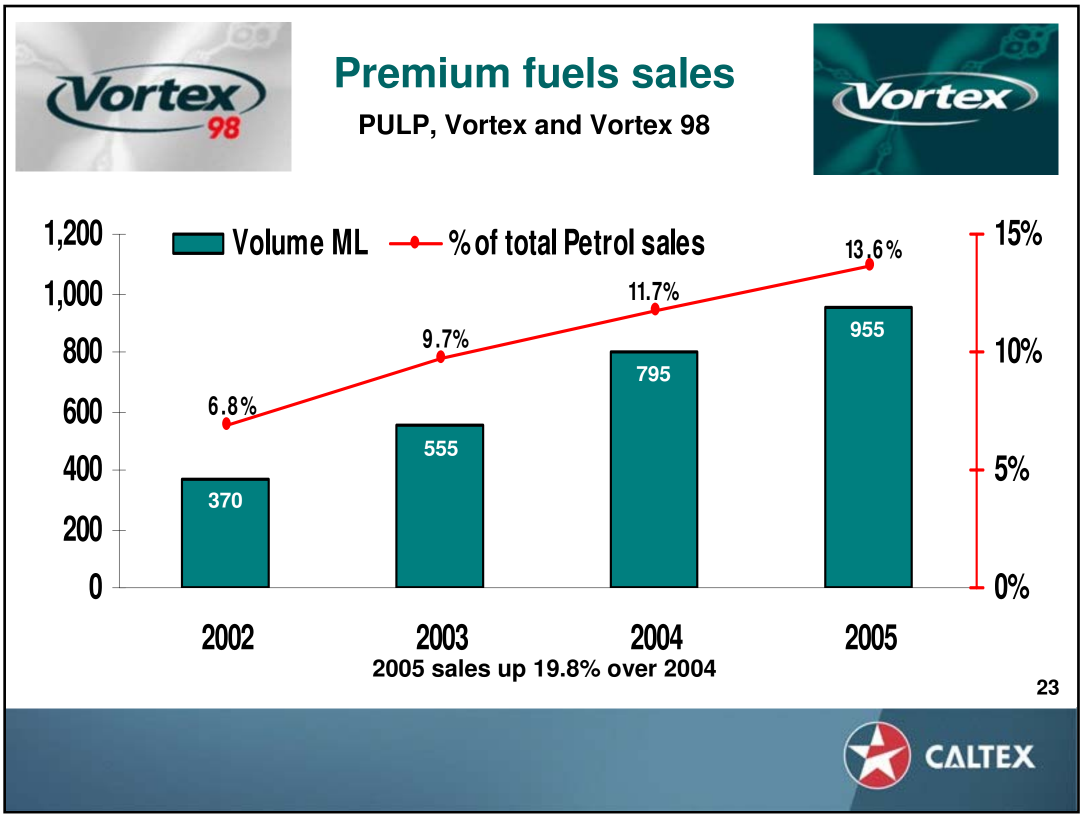


As previously indicated, our store count growth is levelling off, as investment in new sites is offset by store closures. We will focus our efforts on prime retail locations and support our franchisee network through programs and promotions. Continued sales growth for franchisees benefits Caltex through royalty receipts, and we remain committed to this business model.

Our average site petrol throughput has grown to 377 kL/month, driven by the venture sites, targeted capital spend and our continued divestment of tail sites. Since 2002, our average site petrol throughput at branded sites has increased by 105 kL/month, or just under 40% This supports store traffic as well as lowering our unit costs.

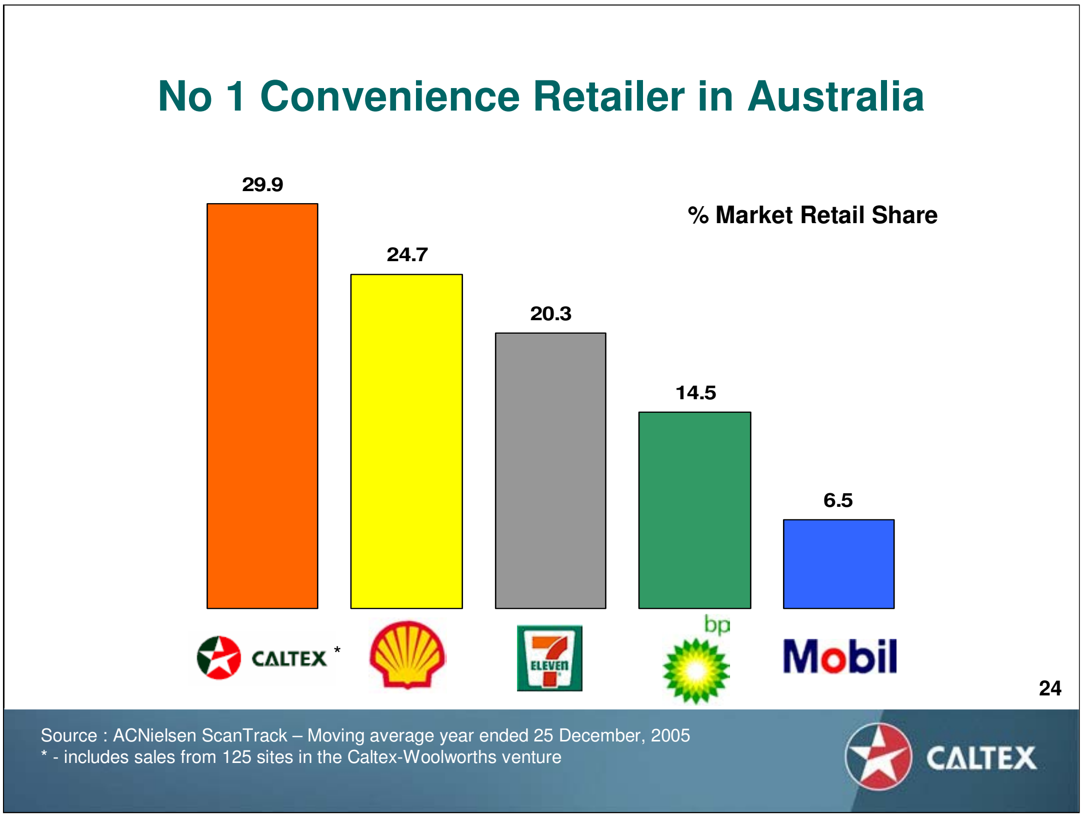


This chart represents market research on where the respondents last purchased their fuel. As you can see, Caltex continues to be the clear market leader, which naturally was one of our strategic goals of the venture with Woolworths – but also reflects the offering of our franchisees and all retailers flying the Caltex logo.



2005 saw our premium fuels sales continue to build on our 2004 performance.

Demand for premium fuels will increase in Australia as the car fleet changes. We remain on track to meet our goal to increase our sales of Vortex and Vortex 98 to 20% of petrol sales by the end of 2007. This increased demand for octane will be supported by several of our refinery investments which I will address in a minute.



This chart is based on data received from AC Neilsen, and as you can see, Caltex has maintained clear leadership in the convenience retail market holding around 30% market share.

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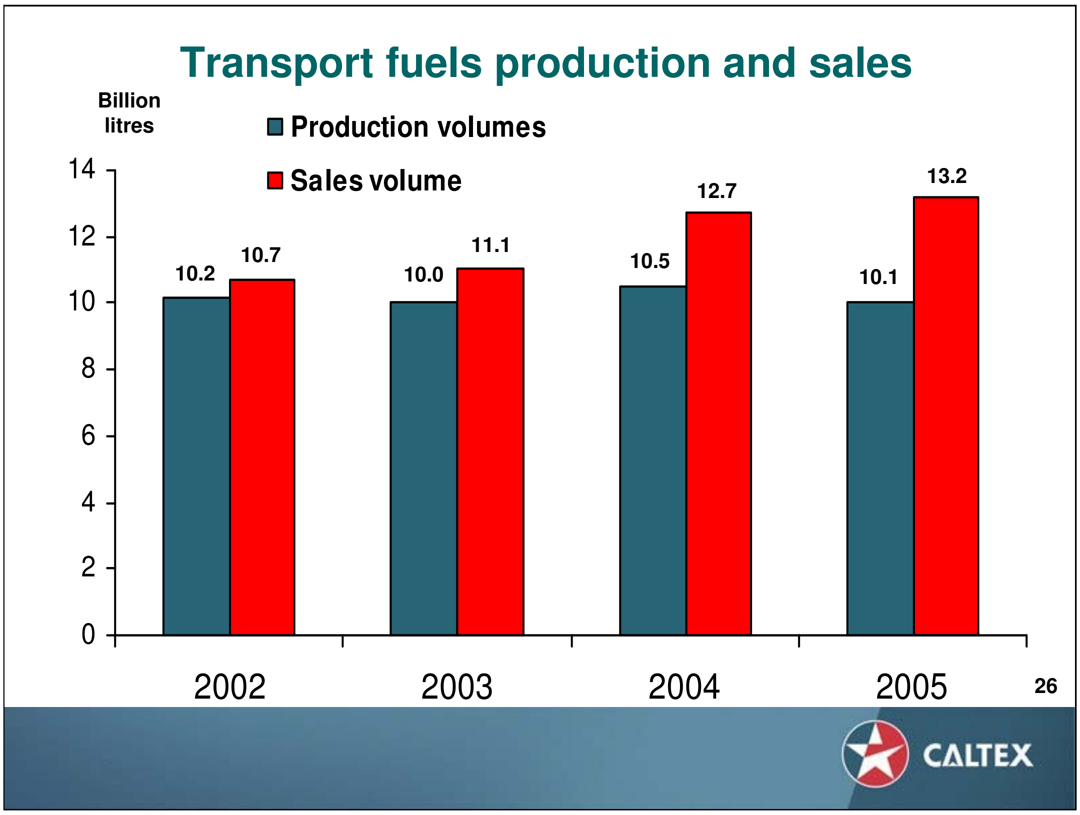
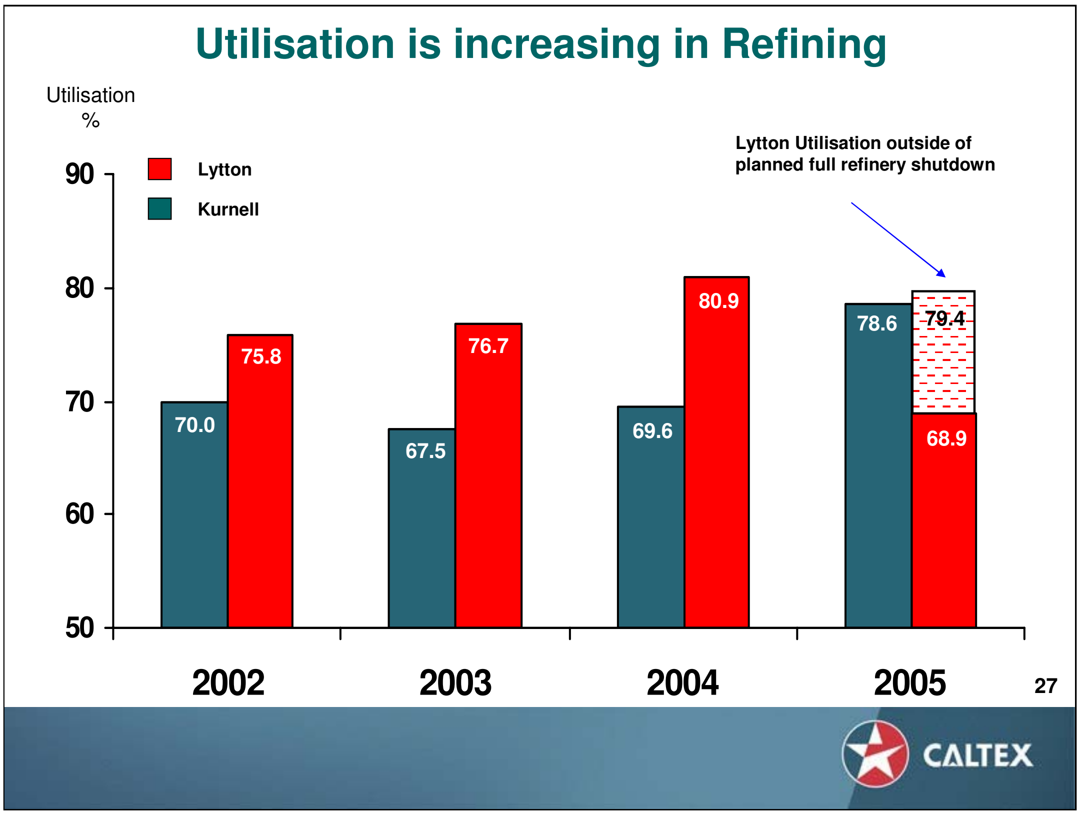
Let me now turn to Refining.



2005 was an extraordinary year in refining. We successfully executed a 7 week full refinery turn around at Lytton between April and June. We were working on our Clean Fuels projects throughout the year and, in August, took our Diesel Hydrotreater at Kurnell offline for construction, which continues today. The Lytton DHTU came off line on November 5, and is now in the commissioning phase with construction complete. On top of that, the Energy Australia transmission tower failure on the Kurnell peninsula caused us to lose roughly 6 days of production in July.

Even with these challenges, our people in Refining were able to produce transportation fuels volumes roughly in line with 2004. This is a remarkable accomplishment, and gives us confidence that we have made a big step forward in capability that will be reflected as we operate post Clean Fuels.

10.1 billion litres is a bit lower than we expected in 2005 primarily due to lower December margins which made incremental crude runs at Lytton uneconomic, even though the units were available.



This slide sets out our achieved utilisation rates at both of our refineries in 2005. There are two main points I want to make:

- Kurnell's performance has improved significantly, and through 2005 the team at Kurnell has really started to challenge the accepted rates of all the major units. We are finding that previously established unit rates are being regularly exceeded and the refinery posted new record daily, weekly and monthly crude unit rates in 2005.
- Lytton's performance was likewise strong outside the planned full refinery 50 day shutdown.

Update on Clean Fuels Project

	Unit	Mechanically Complete	Commissioned
Lytton	Benzene Reduction	✓	✓
	Diesel Hydrotreater	✓	11 March*
Kurnell	Benzene Reduction	✓	6 March*
	Diesel Hydrotreater	13 March*	15 April*

Project Capital to be within $480 – 495M

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* Current forecast dates

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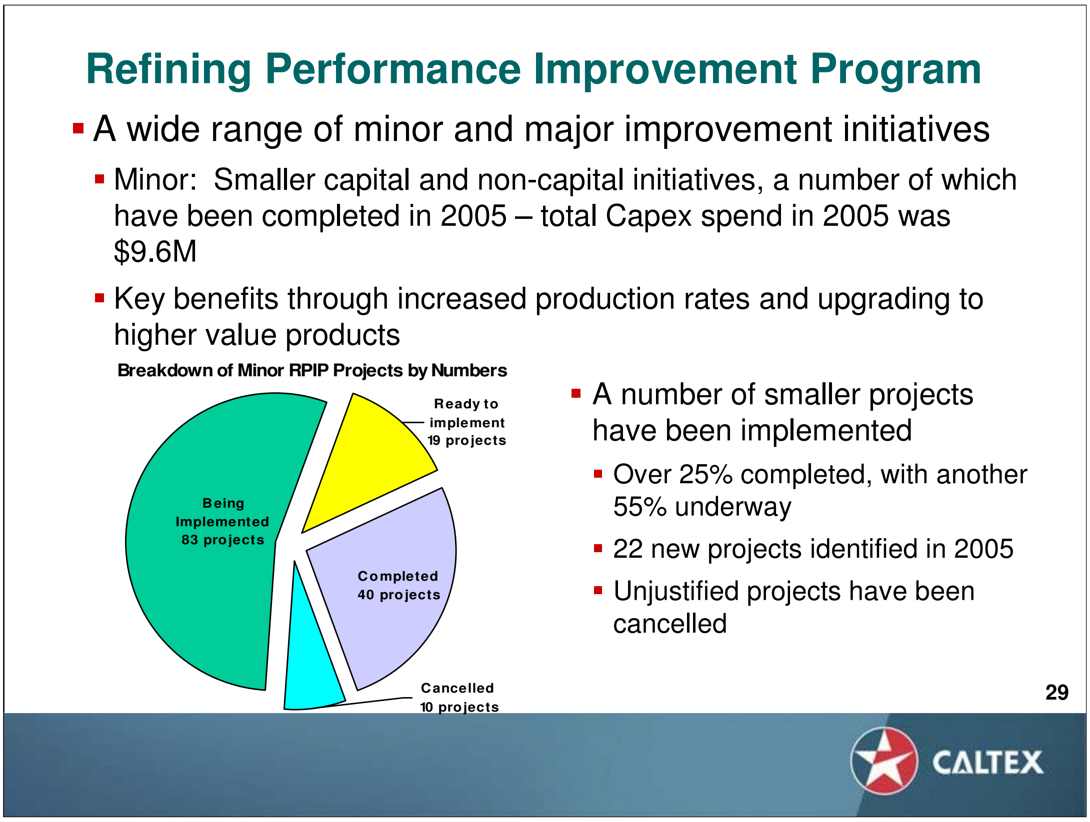
I turn now to the progress on our Clean Fuels Project. Due to the advanced stage of the project, we were in a position to issue an announcement last week, setting out the operational impacts of the Clean Fuels construction.

Three of the four units are now mechanically complete and one, the benzene reduction plant at Lytton, is producing on specification product. The benzene reduction unit at Kurnell is producing lower benzene product as of Tuesday this week, and we expect full commissioning within days. This is well ahead of our planned commissioning duration.

The Lytton diesel hydrotreater should be fully commissioned within the next two weeks or so, with the Kurnell diesel hydrotreater planned to be on stream by the middle of April.

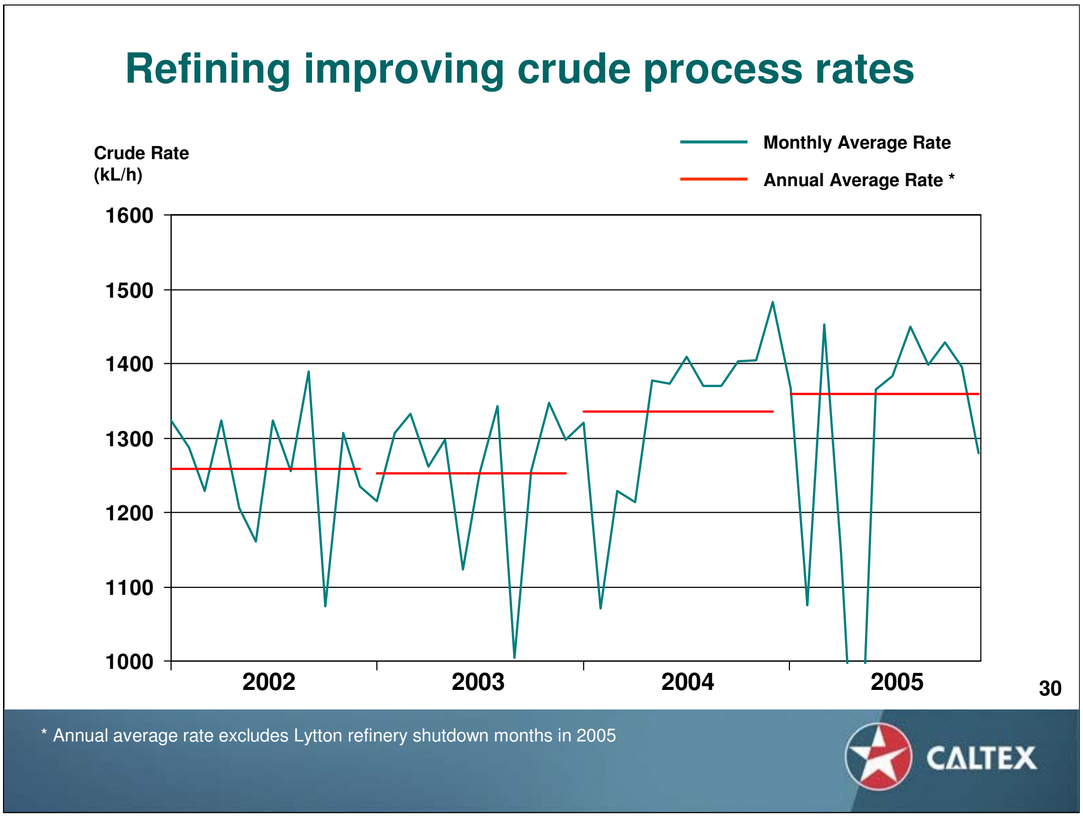
It is a fact that the delays in Clean Fuels commissioning have had a negative impact on both the 2005 and 2006 results and we are disappointed. I want to point out that even with our difficulties our customers continued with reliable supply in perhaps the most volatile year in decades. We are applying the lessons learned in our future project development. I should also say that everyone at Caltex, including our suppliers, have worked hard to get the best possible outcomes and I appreciate all their efforts.



Execution of the Refining Performance Improvement Program (RPIP) commenced in late 2004. It encompasses a range of ideas from smaller capital and non-capital initiatives through to a major capital program.

In 2005, great progress was made on what we call the “Minor” RPIP projects. Over a quarter have been implemented, while another 55% are under development, with a total Capex spend of $9.6M in 2005. A key commitment within RPIP is to continuous improvement – this is exemplified by the investigation of an additional 22 projects in 2005 beyond those identified in the initial program.

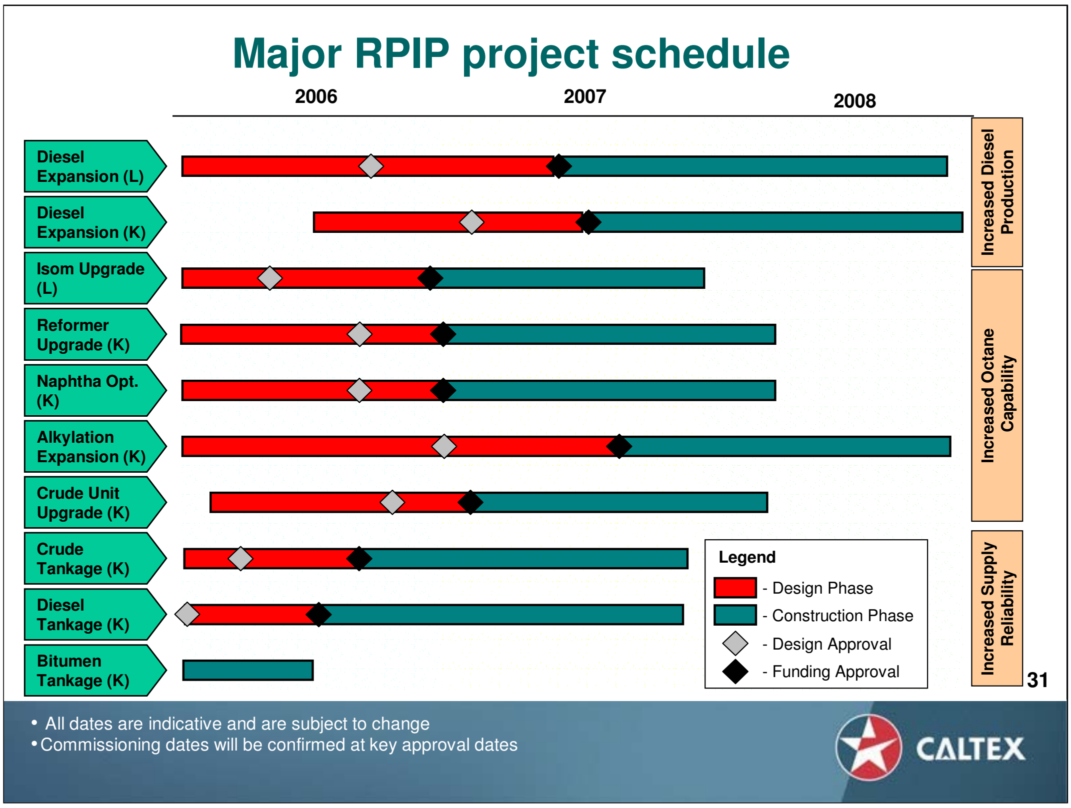
As an example, one of these projects was a review of our catalyst regeneration practices on our Isosiv unit at Kurnell which separates our light naphtha stream into low and high octane components. These changes resulted in an increase in the production of higher octane petrol blendstock, yielding benefits of the order of $2M p.a. This is a great example of low cost, high return opportunities available to us in a short and changing market.



Commitment to continuous improvement has underpinned the improvement in crude rates across our two refineries. Production in 2005 set a record at Kurnell, and the second best total production across all of Refining, despite the planned full plant shutdown at Lytton in 2005.

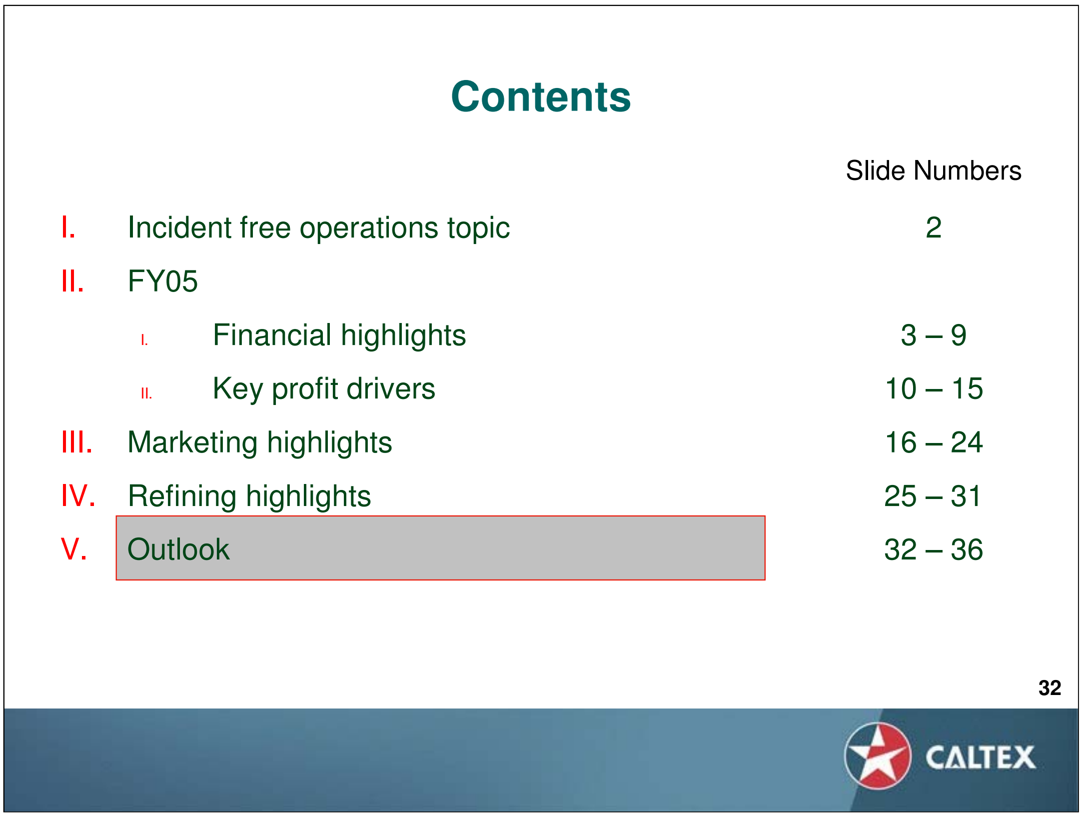
Additionally, five key process units across our refineries (three of four crude distillation units and two of three reformers) set new production records in 2005.

As we lift our crude throughput, we have the opportunity to improve yields from our conversion and upgrading units, which is where the highest margin improvements occur.

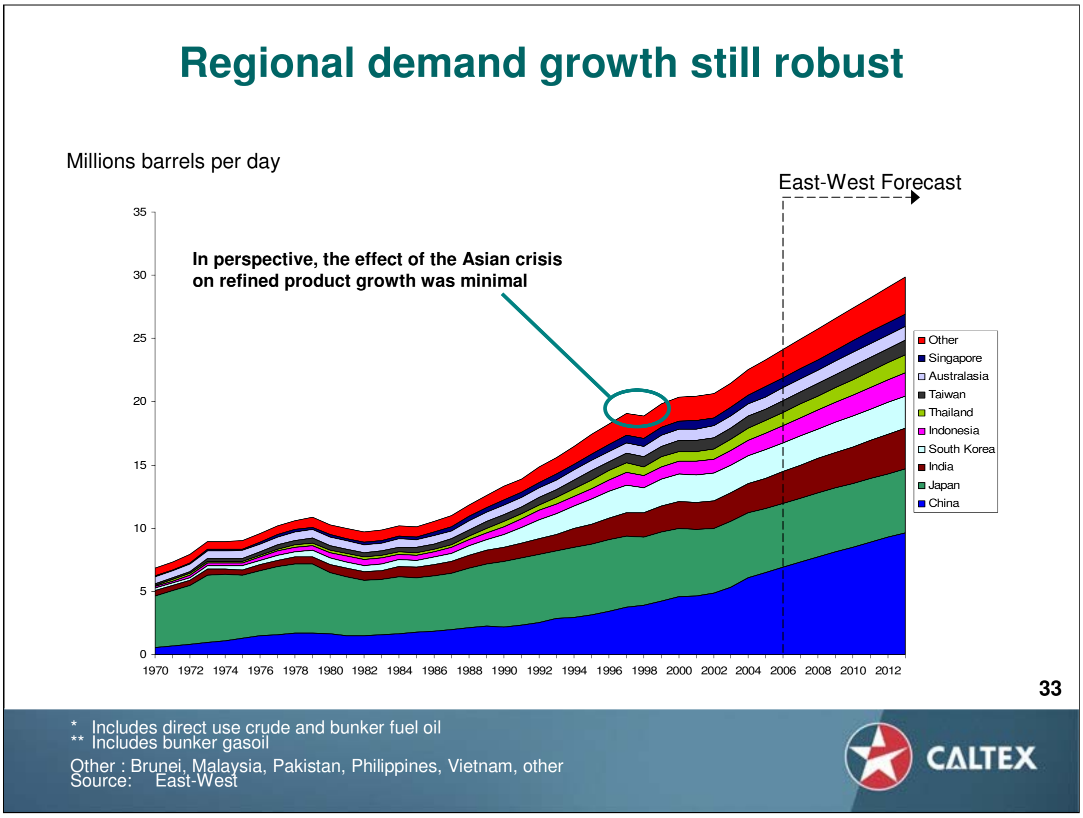


The majority of the benefits from RPIP will be derived from the major project team. This team is executing a suite of 10 projects aimed at increasing diesel production, enhancing our octane capability and improving our supply chain reliability – all of which will increase our refinery production.

This slide shows the current schedule for these projects. The key dates here are the two approval gates – at these points the scope and cost of the projects will firm, and the final commissioning dates will be known with more certainty. Of course, projects may not progress if they don't meet the required returns. We will keep you informed as we progress.



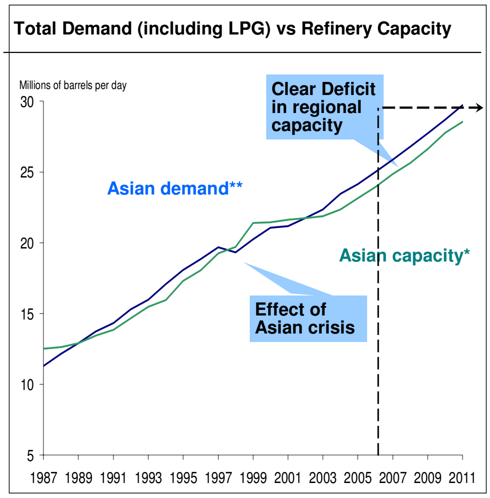
In the past I have highlighted both the regional and Australian industry developments that would impact on our future. While these developments are now better understood by the investment community, I would now like to take the opportunity to share our view of the future.



This slide is an update of the information we presented in 2004. This projection shows a continuation of the growth in demand for petroleum products in the region, driven primarily by China and India. It is this demand growth that ultimately needs to be met by increased refinery production.

Despite the oil shocks of the late 70's and the Asian economic crisis in the mid-1990's, the regional demand for oil has risen relentlessly and somewhat predictably. While shocks to demand can occur, they are relatively short-lived. If anything, demand forecasts are up marginally. Even the impact of $US65 – 70/bbl oil prices and the higher resulting fuel prices have not had a material impact on demand in the region.

Fundamentals support margin strength



- Capacity growth is a key determinant
  - High margins support investment decisions
  - Increasing construction costs and environmental requirements likely to temper capacity growth
- Regional supply deficit to continue in the medium term
  - Demand growth is still expected to outstrip capacity expansion, supporting refiner margins

Source: BP Statistical Review (1970–2004); East-West (2004/5); CAL Analysis

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* Total Asian CDU capacity (BP Statistical Review: 1970–2004; East–West: 2005.
** Total Asian petroleum product demand (including LPG & direct use crude) (BP Statistical Review: 1970–2004; East–West: 2005,normalised to 2003 BP baseline)

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With demand predicted to continue to grow, the key determinant of margins is the growth in refinery capacity. There are opposing forces driving decisions on refinery investment:

- The prevailing margin environment does support incremental investment in refinery expansion, although you need to believe they will remain for many years to make large investments in new refinery construction.
- In practice, increased construction costs (as currently experienced by all industries) and the requirement for existing refineries to meet increasingly stringent environmental standards, act as a brake on refinery investment.
- Availability of skilled labour, materials and access to fabrication capacity will delay commissioning dates.

Using what we believe to be a conservative view of refinery additions (i.e. all proposed projects are constructed AND delivered on time), the medium term fundamentals still support refiner margins, especially in Australia where we have a structural deficit of product and higher quality fuel standards.

Recent events, however, serve to reinforce the volatility of these margins – the recent negative gasoline margins when contrasted to the higher margins that followed the US hurricanes underline the tight supply and demand balance in this industry. We remain convinced that there are more likely to be upward spikes than sustained low margin periods until significant new capacity comes on line.

1H06 outlook – fundamentals at work

- Market fundamentals to remain positive
  - Asian and world refining capacity remain tight
  - Margins are expected to remain strong, though volatile
- Petrol margins expected to firm in the short term
  - Regional refinery shutdowns in March-April
  - Heavier than usual US refinery maintenance due to deferred shutdowns from 2005
- Marketing business will provide reliable performance
  - Continue to capture volumes above market growth
- Continue the strong operational performance from 2005
  - Incident free Clean Fuels commissioning
  - Continuous improvement to lift utilisation
  - Execute planned turnarounds with excellence

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In our release to the ASX last week, we explained the impacts of the Clean Fuels construction on the operation of our refineries in the first half of 2006. With this project nearing completion, we remain positive on the fundamental outlook for the remainder of 2006 and beyond.

As I have just described, we expect the supply/demand balance to remain tight in the region, supporting strong, but volatile, refiner margins.

As the northern hemisphere moves out of winter, there is a heavier than normal maintenance load, especially in the US where work was deferred from 2005 due to the impact of the hurricanes. There is also traditionally a cyclical increase in the petrol margins as the northern driving season approaches.

Our Marketing business will continue to provide reliable performance, striving to capture volumes above market growth. In recent years Marketing has been a source of stable and growing earnings, which we expect to continue.

What we do control, and where we have demonstrated improvement, is our underlying refinery reliability and utilisation. Our focus for the remainder of 2006 is incident free commissioning, continuous improvement in production and executing our planned turnarounds with excellence.

Major planned shutdowns in 2006 include the cat cracker at Kurnell, which is scheduled for May. Taking into account the impact of Clean Fuels construction, together with planned shutdown activity, we anticipate full year production of transport fuels to improve on our 2004 performance, with further increases through to 2008/09 as the RPIP projects come on stream.

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Our focus remains:

0 : Safety and incident free operations

1 : Number 1 in hearts and minds of customers

85 : Utilisation of refineries

100 : Full engagement of all our staff

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Our customers deserve and expect a reliable supply of transportation fuels, and that is our top priority beyond the safety and security of people. While we take the cycles of the market as we find them, we need to concentrate on the fundamentals that are within our control. 2005 was an extraordinary year for Caltex where we have weathered volatility in pricing, high project workload, a power outage plus many internal changes not visible to the public. Our people delivered great results overall, which is, of course, where my confidence in the future comes from.

Our focus will remain consistent with the strategy we have described over the past 18 months:

0 : Safety and incident free operations

1 : Number 1 in hearts and minds of customers

85 : Utilisation of refineries

100 : Full engagement of all our staff

We will now start with some questions from Sydney, and then alternate with questions that are coming in by Webcast.

END. Once again thanks for your interest in Caltex today and we look forward to seeing you all again at the end of August 2006 when we will announce our first half results for 2006.


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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 12 month period ended 31 December 2005; 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 2006 and future years, as at 24 February 2006.**

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.

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