



**2006 Full Year
Results
Announcement**
23 February 2007

*A Year of Two
Halves*



CALTEX

Good morning. I am Des King, Managing Director and CEO of Caltex Australia, and I would like to welcome you to Caltex's 2006 full year results announcement. 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 the close of business today.

For those of you here in Sydney, you will have received a copy of 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, and the ASX website.

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.

Caltex introduced the Loss Prevention System in 2003, to help drive incident free operation across the company. A key component of this system is a Loss Investigation, which is conducted by employees following any type of loss.

One such investigation involved a customer service attendant in Adelaide, who was injured by a car while dipping tanks on a service station forecourt. Thankfully she was not seriously hurt. The investigation revealed that although the attendant was wearing a safety vest and using a safety cone, she was still not visible on a dark, rainy morning.

A team from our South Australian retail group developed the trolley shown in this slide to prevent such incidents from occurring again. Large, stable and clearly visible, it also carries the safety cones, gloves and other equipment needed to complete routine tank dips. The results of the investigation have been shared throughout the country, and the trolley is now widely used across the Caltex network.

2006 Highlights

Strong financial results

- Record Replacement Cost Profit
- Debt at target range

Strong refinery production

- Record annual refining utilisation
- Production records post Clean Fuels Project
- Good progress on Refining Performance Improvement Program

Market leadership maintained

- Continued growth in transport fuel sales
- Increasing convenience retailing market share
- Strengthening terminal infrastructure

Robust shareholder returns

- Total Shareholder Return 22%
- Increasing dividend payments

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Overall, 2006 was another good year for Caltex, with a marked difference between the two halves. In the first six months, Refining was constrained by the commissioning of the clean fuels plants, while the marketplace was negatively impacted by rapidly increasing crude oil prices. Operating performance and conditions significantly improved in the second half of the year, with the successful completion of the Clean Fuels Project and lower oil prices.

Highlights in 2006 include:

- Strong execution and robust external drivers combined to produce a record high level of RCOP earnings.
- Following completion of the Clean Fuels Project, our refineries achieved record utilisation and production in the second half.
- We continue to be the largest marketer of petroleum products in Australia and the nation's largest convenience retailer.
- Our total return to shareholders in 2006 was a healthy 22%, with a significant increase in dividends.

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I will now cover our financial highlights.

Summary financial results

<u>Replacement Cost</u>	<u>2006</u>	<u>2005</u>	<u>% Change</u>
EBIT (\$M)	655	583	12
NPAT (\$M)	430*	414*	4
EPS (cps)	159*	153*	4
Dividend (cps)	80	46	74
Debt (\$M)	539	429	25
Gearing (%)	18	17	1
Gearing (Lease Adjusted %)	26	26	-

<u>Historic Cost</u>		
EBIT (\$M)	706	811
NPAT (\$M)	466*	574*
EPS (cps)	173*	212*

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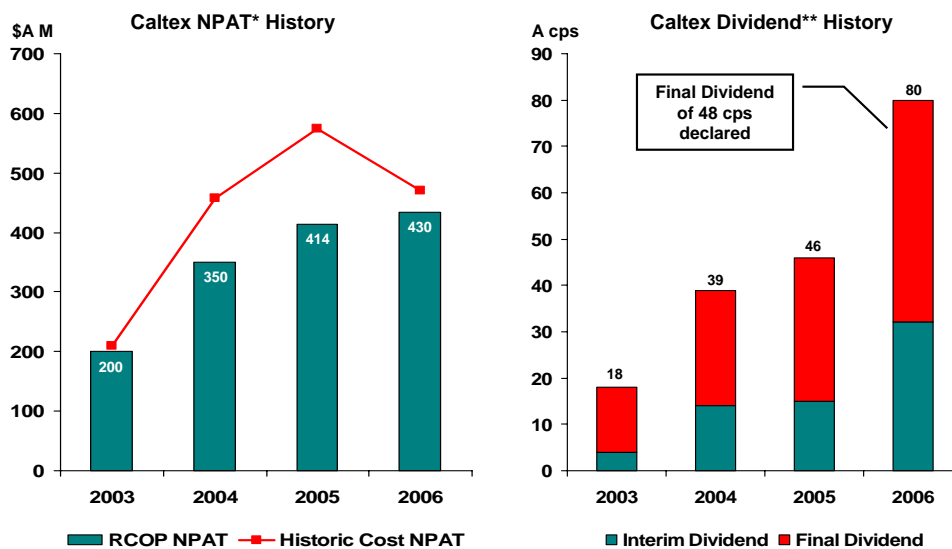
* The replacement cost and historic cost results exclude an individually material tax item of \$20.9 million in 2005 relating to an income tax benefits upon entry into the new tax consolidation regime.



For the period ended 31 December 2006, Replacement Cost EBIT was \$655 million, compared to \$583 million in the previous year.

Replacement Cost Net Profit After Tax was \$430 million. Historic Cost Net Profit After Tax was \$466 million, reflecting an inventory gain of \$36 million, after tax. The lower Historic Cost result in 2006 is due to smaller inventory gains in 2006 versus 2005.

Strong profit performance and increasing dividends



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* Net profit after tax, excluding individually material items
 ** Dividends declared relating to the operating year; All dividends fully franked;

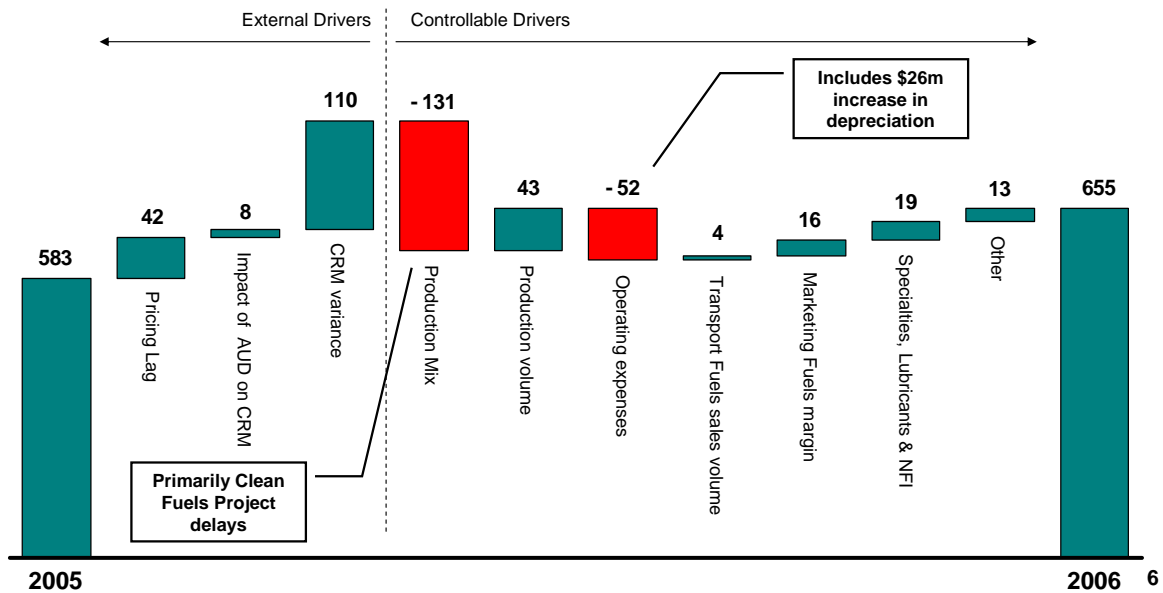


The Replacement Cost Net Profit after Tax shows the underlying performance of the business. This is clearly shown on this slide, where movements in the price of crude oil significantly impact the historic cost results.

Our profits in 2006 were negatively impacted by \$80 – 100 million due to delays in the Clean Fuels Project. However, strong performances from Refining and Marketing in the second half, combined with robust refiner margins enabled Caltex to deliver an excellent financial outcome.

This strong financial result has enabled the Board to approve a fully franked final dividend of 48 cents per share for 2006, bringing the total dividend for the year to 80 cents per share. This represents a payout ratio of 50% of our replacement cost net profit after tax, in line with our dividend policy of 40 – 60% payout.

EBIT 2005 to 2006



\$A million; RCOP basis.

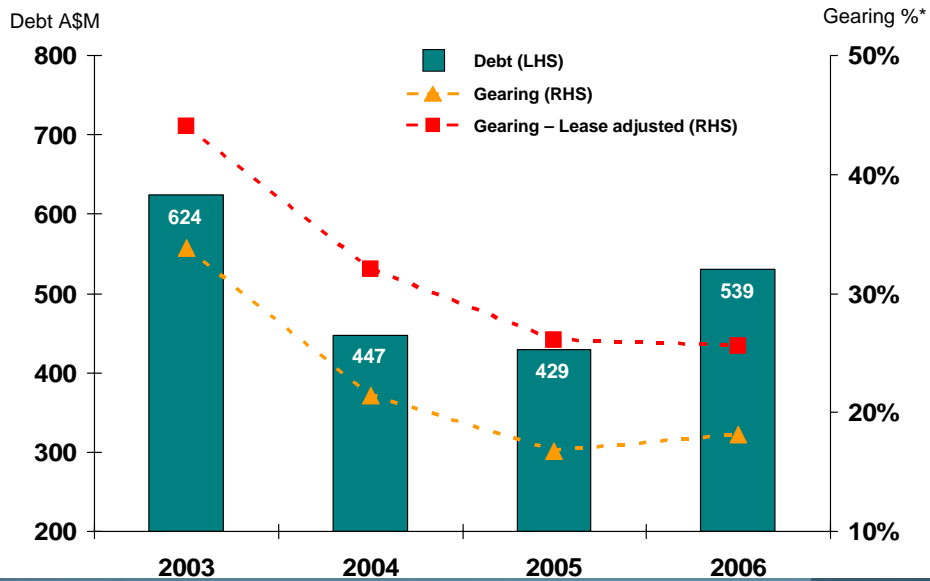


Our replacement cost EBIT increased by \$72 million in 2006 compared to 2005. As you can see, a number of external factors were positive for us, most significantly the tight regional refining market, which resulted in increased refiner margins. In addition, the absolute rise in crude prices during 2006 was significantly less than in 2005, resulting in lower marketing timing lags.

Of the controllable drivers, the loss in “Production Mix” is primarily due to the need to export low value products and import on-specification fuels during the construction of our clean fuels plants. However, higher refinery production post clean fuels and increased contributions from Marketing in a tough, competitive environment added a combined \$82 million in EBIT.

As you can see, operating expense increased by \$52 million in 2006, of which \$26 million was higher depreciation reflecting the significant capital investment over the past 2 – 3 years. I will comment on our operating expenses in more detail later.

Debt and gearing on plan

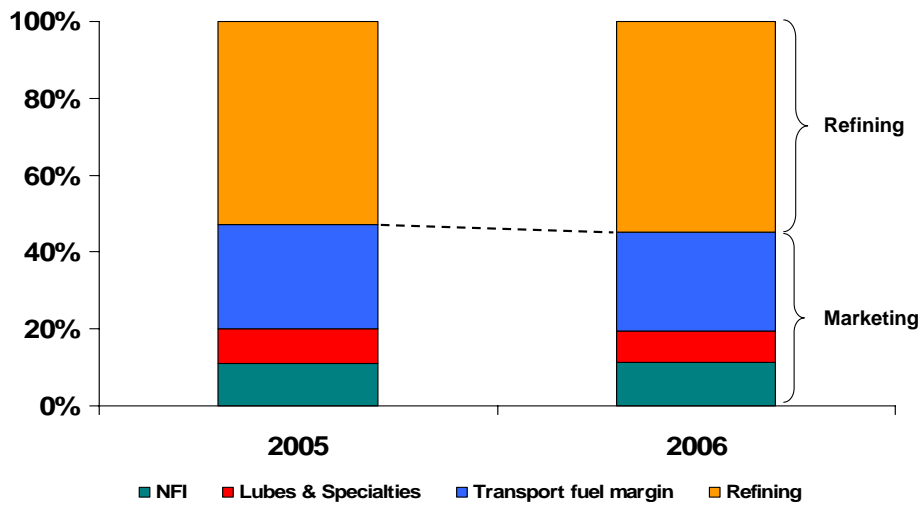


* Gearing = net debt / (net debt + equity); Gearing - Lease adjusted, adjusts net debt to includes lease liabilities



Our net debt at year end was \$539 million, with gearing at 26% on a lease adjusted basis. As we foreshadowed in our interim results presentation, this has fallen from the \$721 million level at June 30. Increased working capital costs, arising from the clean fuels delays and higher crude oil prices meant that debt averaged around \$750 million through the year.

Gross margin contribution by channel



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Gross margin analysis includes feedstock costs, inland freight costs and excludes all other opex.



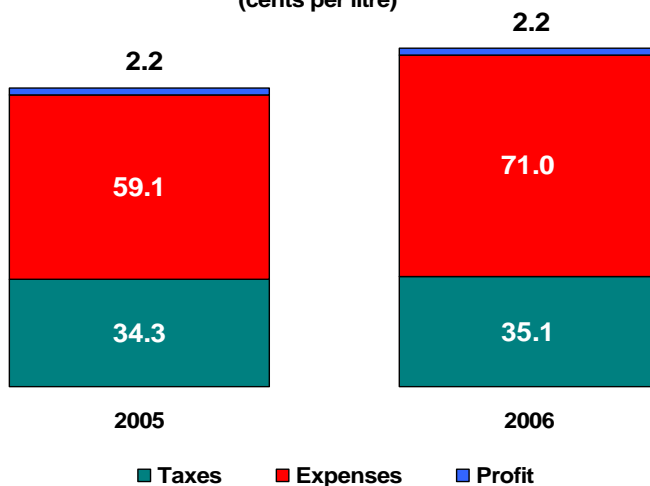
This slide shows the relative margin contribution by channel. It illustrates the balanced contribution to our earnings from both of our operational groups. In 2006, our Refining operations contributed 55% up from 53% in 2005. This increase reflects the higher production and stronger refiner margins.

Our Refining and Marketing teams have different profitability drivers – a key difference is the small impact Asian refiner margins have on our Marketing performance. Consequently our Marketing arm reduces our volatility to variations in these external factors, reducing the impact of falls in refiner margins. This integrated, balanced portfolio results in diversification of earnings, which makes our results less volatile than a number of our regional peers.

Crude oil cost was major driver of higher prices in 2006

Breakdown of Caltex revenue

(cents per litre)



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1. Financial data is on an RCOP basis

2. This analysis reflects a restatement in 2005 of a portion of intercompany sales and cost of sales on consolidation. There was no net profit impact arising from this restatement



CALTEX

This chart shows a breakdown of our revenue across all of our product sales volumes. The average price for our products increased by 12.8 cpl to 108.4 cpl. That increase was driven entirely by increases in tax and increasing costs – predominantly the increase in average crude price through the year.

Despite the higher product prices for part of the year, our average profit remained steady at 2.2 cpl, after tax.

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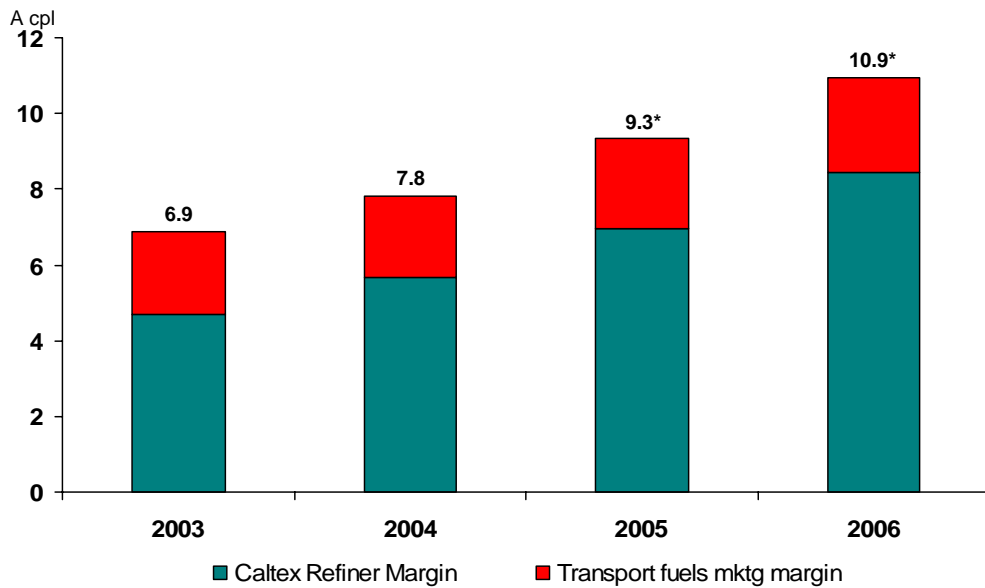


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In the next slides, I will expand on the key drivers of our financial performance.

Integrated transport fuels gross margin



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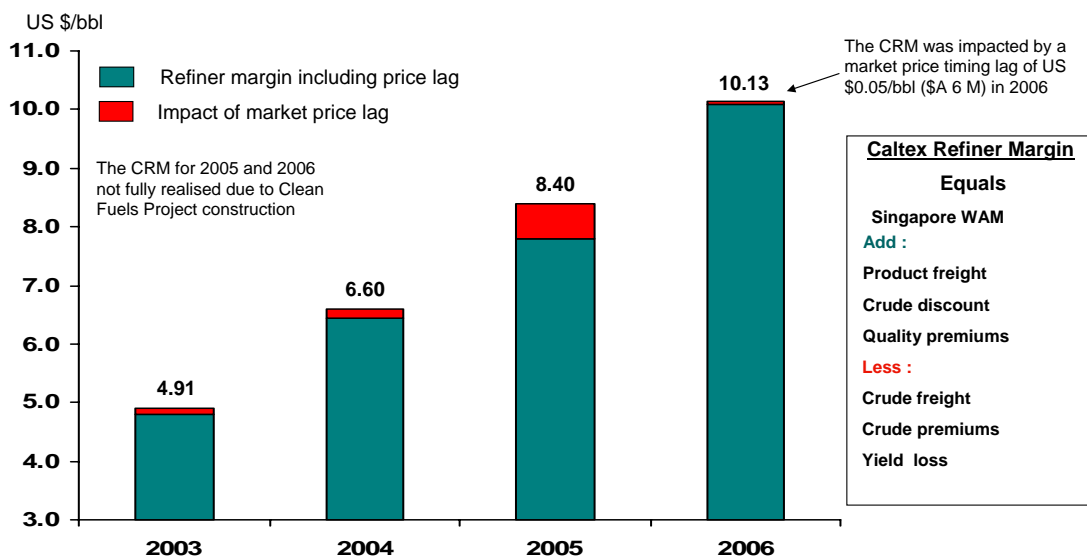
Gross transport fuels margin, before expenses
* Available margins not fully realised due to Clean Fuels Project construction



Our available integrated fuel gross margin in 2006 was 10.9 cents per litre before expenses, an increase of 1.6 cents per litre from 2005. This slide shows that the growth over the past 3 years has primarily occurred in the refiner margin, with the marketing margin remaining relatively steady.

For both 2005 and 2006, this available margin does not include the negative impact of the delays in our Clean Fuels Project.

2006 Caltex Refiner Margin was US\$10.13/bbl



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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

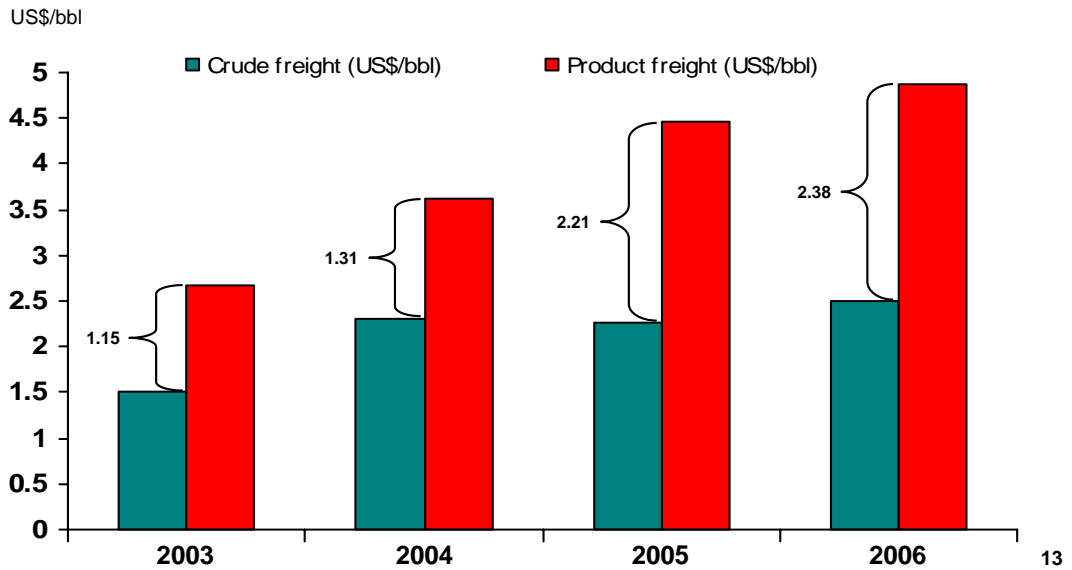


The Caltex Refiner Margin is a key component of the integrated margin we have just discussed. This margin increased to \$US 10.13/bbl in 2006, up from \$US 8.40/bbl in 2005. There were two main reasons for this increase:

- Firstly, an increase of \$US 1.39/bbl in the Singapore Weighted Average Margin, reflecting the tight supply and demand balance that exists in the Asian region. This pricing flows through to Australia as around 1 in 4 litres of transport fuels in our market are imported.
- Secondly, in 2006 Australia adopted new, more stringent fuel standards. As a result, the price of imports to meet these standards has risen, reflecting a 'quality premium' for these products. In 2006, this premium averaged around \$US 1.45/bbl, an increase of around \$US 0.50/bbl over 2005.

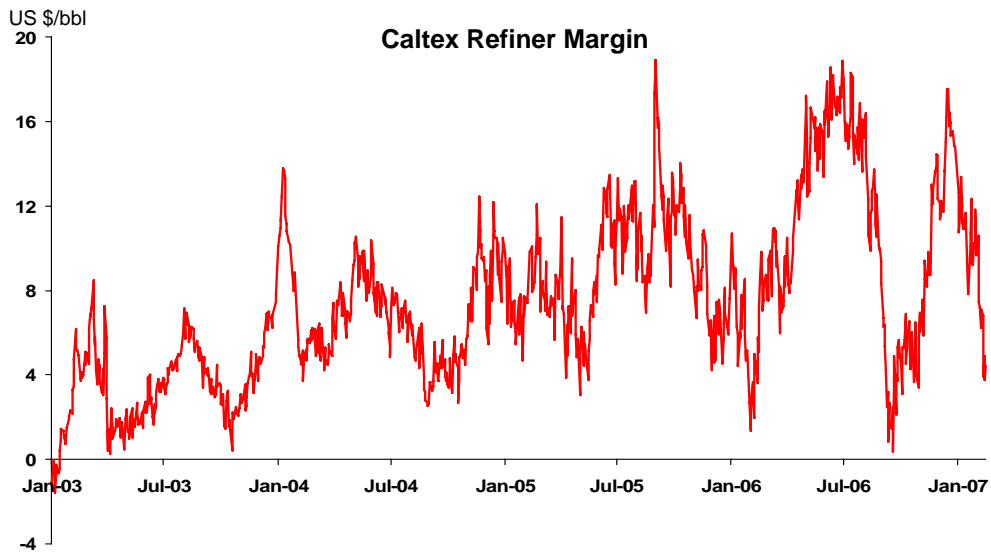
This margin is based on our typical production mix, which was negatively impacted during the construction of the clean fuels plants in the first half. As a result, the realised CRM in 2006 was \$US 8.23/bbl.

Caltex Refiner Margin: crude & product freight



A significant element in the Caltex Refiner Margin is the differential between crude freight and product freight. This remained relatively consistent with the differential in 2005, increasing slightly to \$US 2.38/bbl.

Margins have increased, as has volatility



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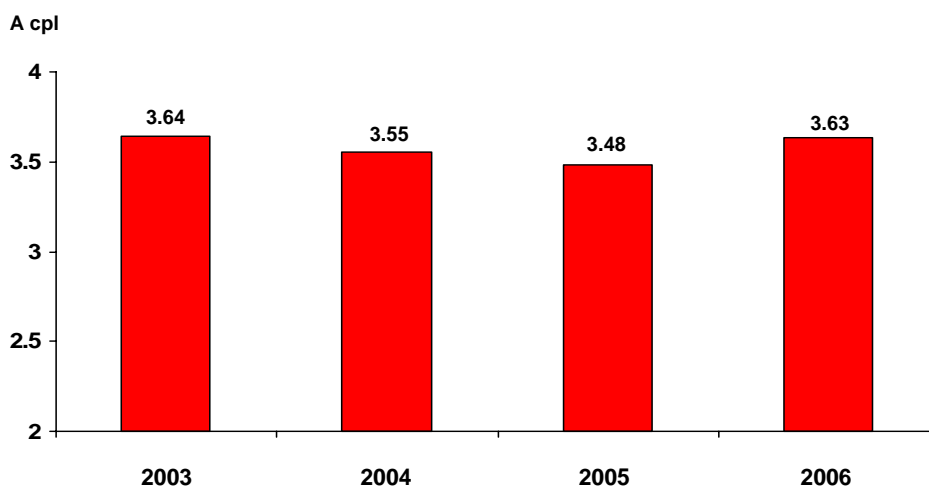
Caltex Refiner Margin to Feb 16, 2007



This slide shows the Caltex Refiner Margin over the past 3 years. The averages presented in the previous slides mask the volatility in this margin, which is a key driver of the profitability of our refineries. While this margin averaged \$US 10.13/bbl in 2006, it varied from less than \$US 1/bbl to over \$US 18/bbl.

We do not control this margin, which is driven by market forces – the supply and demand for transport fuels. Since Australia needs to import around 1 in 4 litres of our fuel requirements, our prices reflect the prices for these products in Singapore, adjusted for the cost of transporting the product to Australia.

Unit operating expenses impacted by non-cash costs



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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



During 2006, total costs on a cents-per-litre basis increased by 4.5%, although we were able to hold cash cost increases to just 2.3%, again on a cents-per-litre basis. As I indicated earlier, depreciation and amortisation increased by \$26 million in 2006, reflecting the capital investment Caltex has made over the past 2 – 3 years, particularly in our refineries to meet the new clean fuel standards. In addition we have increased our provisions for site remediation by \$11.3 million in 2006.

In common with all industries, we are experiencing increasing cost pressures, particularly for labour and materials. Whilst 2007 is likely to see more pressures on costs, our target for the two years to 2008 is to hold average cents-per-litre cost increases to no more than inflation.

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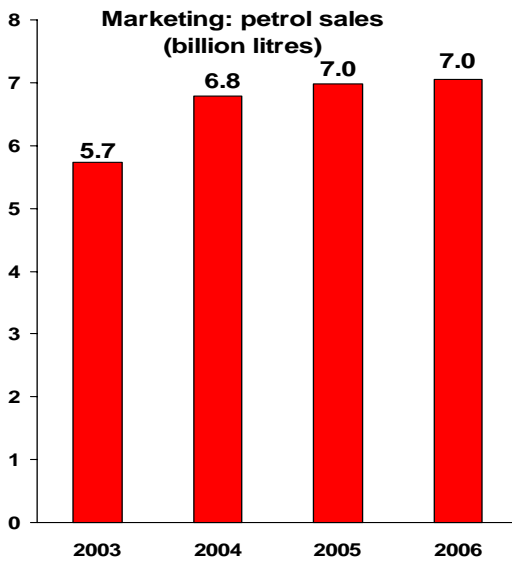


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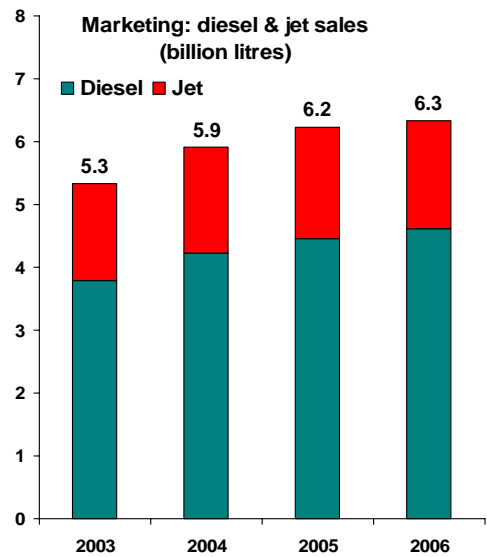


I will now turn to the performance of our Marketing team.

Transport fuel sales volumes



2006 petrol sales up 0.8% over 2005



2006 distillate sales up 1.5% over 2005

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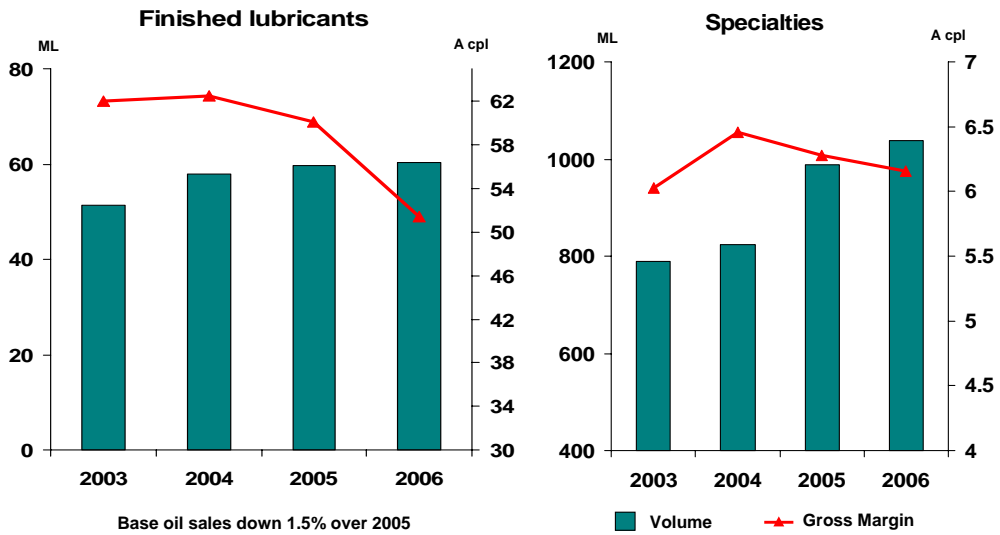


The charts on this slide indicate that the rapid expansion that we have achieved over the previous two years has moderated. This is largely due to the maturing of our Woolworths alliance.

The rate of growth in petrol volume in particular has reduced. However, when the growth of 0.8% is placed in the context of a 1.6% fall in the total market to November, this is a strong result in a competitive sector. The increase in pump prices on the back of high crude oil prices in the first half was the main contributor to the market decline, with volumes recovering in the second half as prices eased.

Our diesel sales grew by 3.6%, while jet fuel volumes fell by 3.5%, in both cases less than market growth. However as we are able to place all our refinery production in a short Australian market, and incremental sales are sourced from imports, our focus is on profitable growth.

Lubricants & Specialties



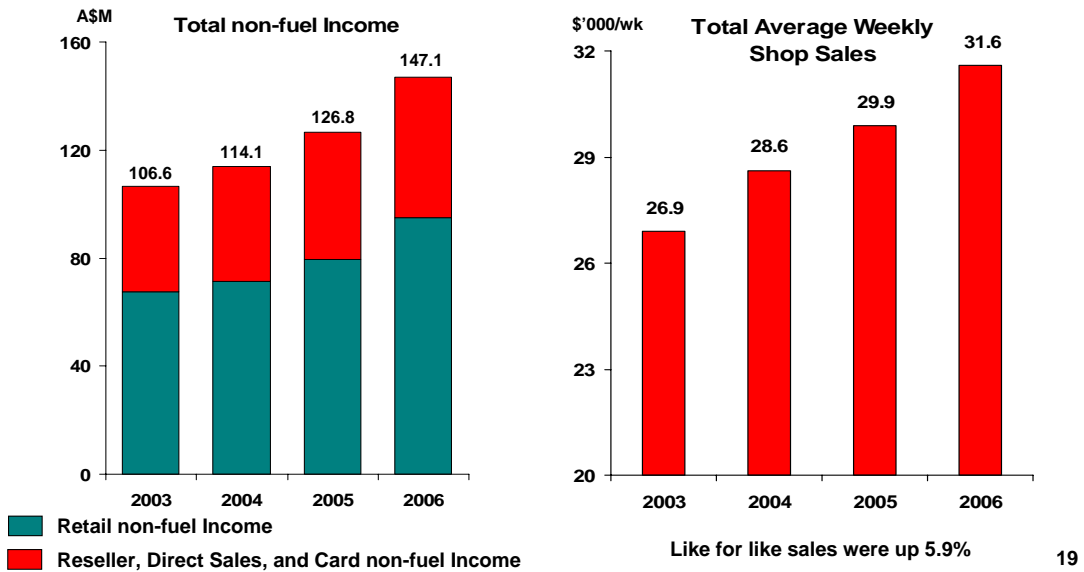
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Our lubricants volumes grew by 0.5 ML or just under 1% in 2006. As you can see on the chart margins came under pressure, primarily due to the time lag in recovering increasing additive and base oil costs.

Our specialty sales business also had two distinct halves. Sales of low value fuel oil were high in the first six months due to the commissioning of the clean fuels plants in our refineries, but subsequently returned to more normal levels. Sales of LPG have increased strongly by 6.5% on the back of the federal government subsidies for LPG conversions.

Non fuel income & store sales continue to grow



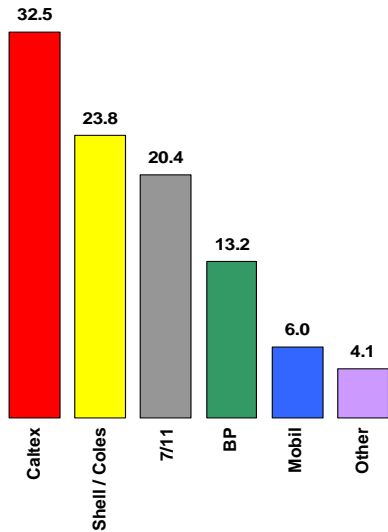
As the charts on this slide indicate, we continue to experience excellent growth in our non-fuel income. Total non-fuel income grew by 16% in 2006 to \$147.1 million. This growth was strongest in our retail channel, driven by increases in royalty and fee income.

The second chart emphasises the strong convenience retailing performance with a 5.9% increase in shop sales over 2005.

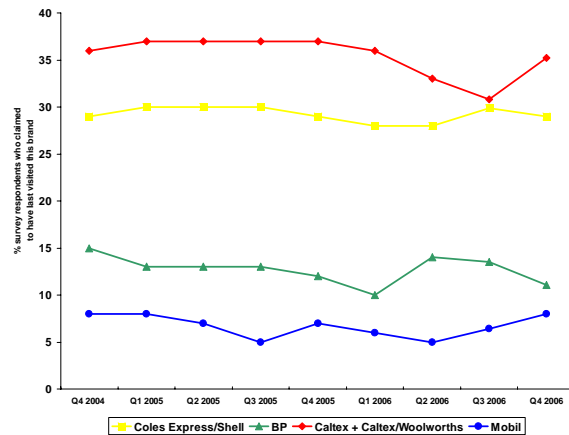


Caltex, with our venture with Woolworths, is the leading Australian petrol and convenience store retailer

Convenience Store Sales Market Share ¹



Retail Market Leadership ²



Q: Which was the last service station you visited to purchase fuel?

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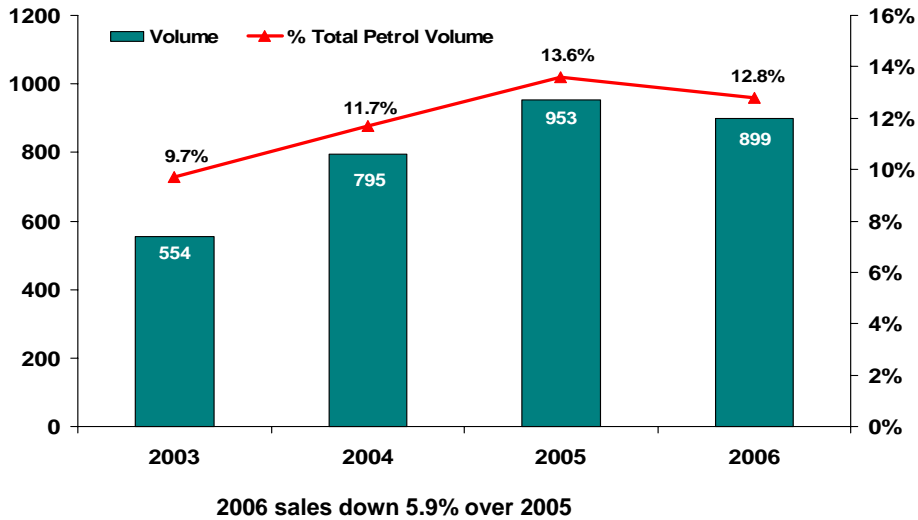
¹ Source : ACNielsen ScanTrack – Moving average year ended 24 December 2006
² Caltex Retail Market Tracking conducted by TNS



This slide shows our clear leadership in two key metrics in the Australian market. In the first, we have strengthened our position as the leading convenience store operator.

The second chart shows the response from our regular market survey to the question “Where do you last purchase your fuel?” As you can see we, in our alliance with Woolworths, continue to be the leading supplier for fuel in the retail market.

Premium fuel sales



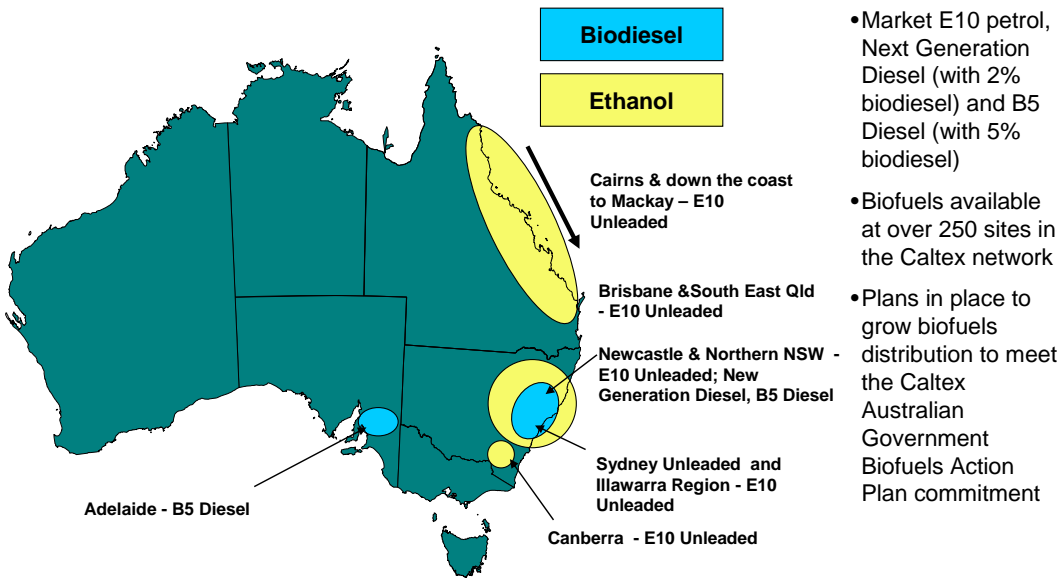
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Our premium fuel sales volumes fell by 5.7% compared to 2005. The overall volume in this sector fell by 3.8% across 2006 – as I indicated in our interim results, the impact of high pump prices was particularly keenly felt in this segment. As we continued the roll out of our Vortex Fuels along the East Coast in 2006, we maintained a premium price for our product, relative to our competitors. As a consequence, we were more heavily impacted by the higher pump prices.

Through the second half, volumes recovered as prices eased and we increased availability of premium fuels in the market. Our marketing team will continue to increase the availability of our Vortex fuels through 2007, and fine tune our strategy on premium pricing versus volume to maximise our profitability in this category.

Caltex current biofuels landscape



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As at December 2006

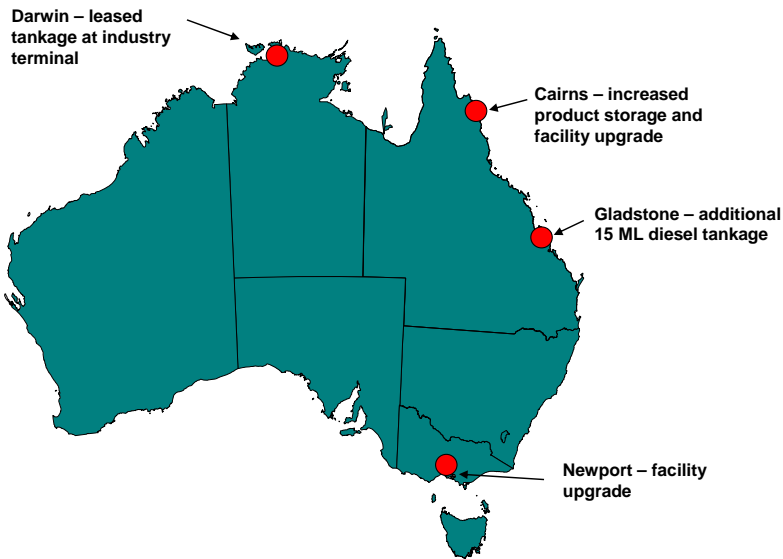


2006 saw Caltex continue to ramp up our biofuels expansion, meeting our commitments under the Australian Government Biofuels Action Plan. By the end of 2006, biofuels were available at over 250 Caltex sites, including over 130 sites selling ethanol-blended petrol, E10.

As you can see from the slide, our reach in biofuels is based on the East Coast, centred around the supply points for ethanol or biodiesel. We also believe in maintaining choice for consumers, and so where practical will continue to offer regular unleaded petrol along side E10.

We remain committed to achieving our future targets under the Biofuels Action Plan, with plans to convert more retail sites in 2007 along the East Coast.

Terminal infrastructure upgrades



- Ongoing program to improve infrastructure at seaboard terminals
- Targeted at improving facilities to grow sales volumes
- Improving facilities for risk reduction
- Capital to support rollout of biofuels

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A key target for our marketing team is strengthening the infrastructure at our seaboard terminals. In 2006, progress was made at four locations, as indicated on this slide.

Our terminal infrastructure is key to maintaining secure supply to our customers throughout the country. To date we have spent \$17 million of the targeted \$60 – 65 million for our terminal upgrade program. This estimate may change as the design phases on the remaining projects are completed.

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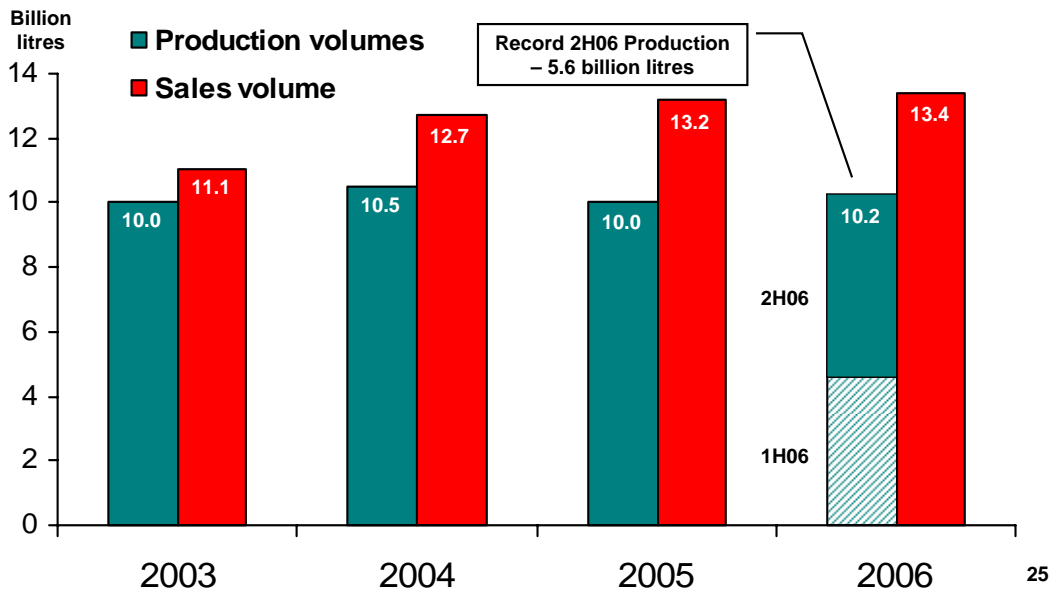


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I will now turn to our Refining performance.

Transport fuels production and sales



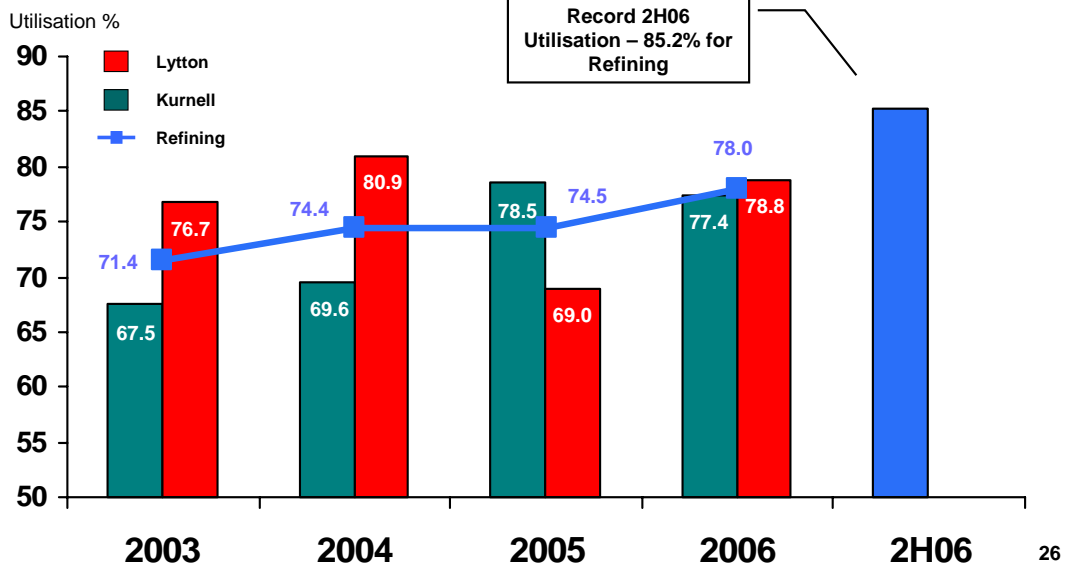
Transport fuels include petrol, diesel and jet fuel
Sales from production in 2006 was 11.0 billion litres, including fuel oil and movements in inventory



Our refineries had a year of two halves in 2006. In the first half, production was constrained by the construction and commissioning of our Clean Fuels plants. From July, both refineries were free of major planned turnarounds and ran at high rates, setting a new record production of transport fuels of 5.6 billion litres for the half.

I discussed the Marketing performance earlier, with sales volumes growing to 13.4 billion litres.

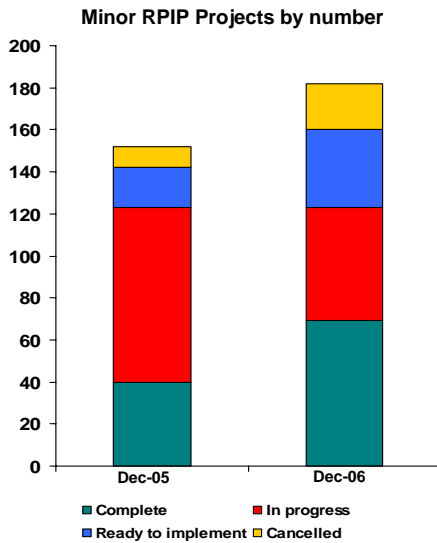
Utilisation improvements continue in Refining



The record refinery production in the second half resulted from record utilisation of over 85% for the refineries. For periods of time, our total refineries utilisation ran in excess of 90%, with Lytton having completed four consecutive months with over 90% utilisation.

The results of the last 6 months illustrate the capability of our refineries to operate at high utilisation rates for significant periods of time. But this result needs to be viewed in light of the minimal shutdown activity that occurred in this half. The challenge that remains for the team is to maintain this level of performance, including the impact of the regular planned maintenance shutdowns. Our goal is to reach this standard following the completion of our Refining Performance Improvement Program, or RPIP.

Refining Performance Improvement Program (RPIP)



Major Projects

- Kurnell bitumen tank complete
- Lytton isom upgrade complete
- Good progress on remaining projects

Minor Projects

- Excellent progress on project delivery
- Generating new projects through the year

Costs

- Total capex around \$350 million
- Capex spend \$63 million (to Dec 2006)

Benefits

- Increased refinery utilisation
- Higher transport fuels production – 12 billion litre target*

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* - Transport fuels (petrol, diesel and jet fuel)

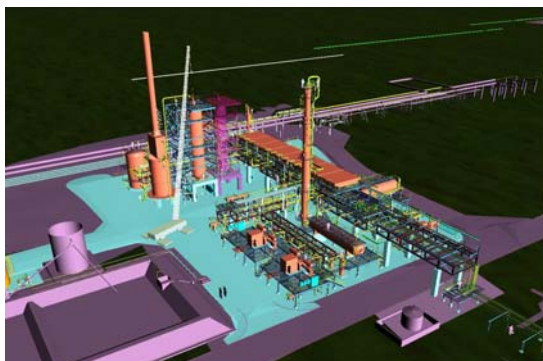


We have made great progress on RPIP through 2006. We have completed the Kurnell bitumen tank and upgraded our Isomerisation plant at Lytton.

Our Minor RPIP projects continue to advance. We have completed an additional 29 projects in 2006, with the total number of opportunities identified continuing to rise. Benefits from these projects include improved yields from our Kurnell cat cracker, debottlenecking base oil production and improving plant reliability.

We are experiencing the same cost and time pressures on capital projects as other companies, with the program now estimated to cost around \$350 million. However we remain committed to a 2-3 year simple payback hurdle, and to achieving benefits via increased utilisation yielding higher annual refinery transport fuels production of around 12 billion litres at the completion of the program in early 2009.

Progress continues on the major RPIP projects



Lytton diesel hydrotreater plant

Projects

- Lytton diesel hydrotreater
 - FEED nearing completion
 - Long lead items on order
 - Completion early 2009
- Kurnell tankage projects
 - Planning approvals received
 - Completion in 2008
- Commissioned projects in 2006
 - Kurnell bitumen tank
 - Lytton isom upgrade

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The majority of the costs and benefits flow from the major RPIP projects. In 2006 we completed two projects – the installation of a new bitumen tank at our Kurnell refinery and the upgrade of our Isomerisation plant at Lytton. The two tankage projects at Kurnell – for additional diesel and crude storage – received planning approval in 2006, and are on track for completion in 2008.

The largest project in the program is the Lytton diesel hydrotreater. The benefits from this project flow primarily from increased production of 10 ppm sulphur diesel, eliminating the need to export lower grade diesel. This facility will increase Caltex's capacity to produce Australian grade diesel by about 40%. Front end engineering on this project is nearing completion, and orders for long lead items have been placed. The plant is currently scheduled for commissioning in early 2009. Our early cost estimate of \$200 million +/- 25% remains appropriate, although we anticipate final costs to be near the upper end of that range.

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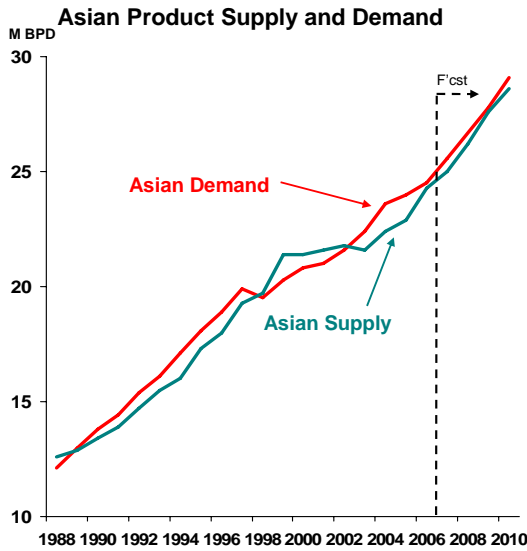


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I will now discuss some of our views for the future.

Supply and demand to remain tight in the short term



Source: BP Statistical Review (1970–2006); East-West (2007); CAL Analysis

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* Total Asian CDU capacity (BP Statistical Review: 1970–2005; East–West: 2006).

** Total Asian petroleum product demand (including LPG & direct use crude) (BP Statistical Review: 1970–2005; East–West: 2006, normalised to 2003 BP baseline)



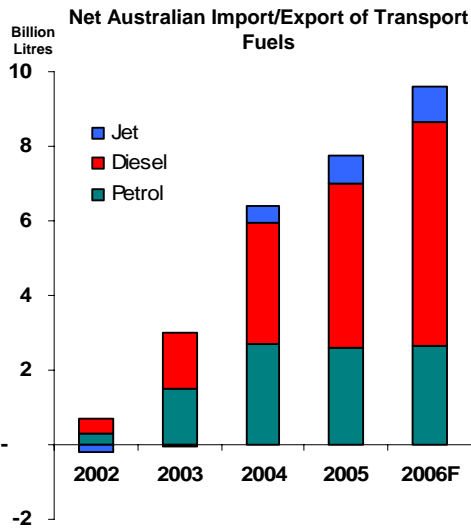
- Changes in 2006
 - Significant capacity additions announced
 - Some tempering of regional demand forecasts on the back of rising oil prices
 - Supply deficit expected to continue for the medium term
- Regional refiner margins dependent on various factors
 - Resource scarcity and increased cost pressures may delay some projects
 - Margins may moderate as capacity is commissioned
 - Key risk in the medium term remains a demand shock

This is an update of the forecast regional supply and demand balance that we presented last year. As you are undoubtedly aware, the increasing refiner margins have resulted in a large number of announced refinery expansions, particularly in China and India. In addition, higher crude oil prices have led to some moderating of demand growth projections in the region. The net effect is that supply and demand are coming closer to balanced in the medium term.

This analysis assumes all announced capacity additions are actually built and commissioned in line with the project estimates. However costs of refinery construction are continuing to increase as a result of rising steel prices and a shortage of qualified engineers and tradesmen, and we are starting to see projects being cancelled or deferred.

Our view is that over the next 1 – 2 years, margins will remain robust, with continued volatility. There remains some potential for margins to moderate after 2008, but this is dependent on whether the capacity additions announced all come to fruition. In our view, the key short term risk remains a demand shock in the region rather than significant refinery overcapacity.

Australia is heavily dependent on imports of petroleum products



- Australia's dependence on imports for finished products has grown since 2002
- Closure of Mobil Pt Stanvac refinery in 2003
- Refinery capacity reductions following introduction of clean fuels
- Australia now imports around 1 in 4 litres of product
- Incremental demand growth will be met by imports
- All compliant refinery production can be placed domestically

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Source: DITR: 2006 data forecast from November YTD figures



This slide shows the net import / export balance in Australia for transport fuels – petrol, jet fuel and diesel. The impact of the closure of the Port Stanvac refinery in mid-2003 is clearly evident in the marked increase in imports from that time.

This chart clearly shows that Australia is short all three products, and relies on imports from Asia to meet demand – around 1 in 4 litres of these products is imported. There are a number of points that can be drawn from this graph:

- All compliant refinery production can be placed domestically
- Most incremental demand growth will likely need to be met by increased imports
- Increased growth in biofuels supply will displace some imports
- The net reliance on imports places increasing importance on a safe, secure and reliable supply chain.

2007 outlook

Refining

- Regional supply and demand balance supports refiner margins
- Margin volatility will likely continue, with margins improving in the lead up to the US driving season
- Build on strong 2H2006 performance – targeting 2007 transport fuel production of about 11 billion litres*
- Continue progress on Refinery Performance Improvement Program

Marketing

- Australian pump pricing will continue to reflect world prices through increasing reliance on imported fuel
- Target profitable growth opportunities
- Continue progress on initiatives across infrastructure, biofuels rollout, integration of resellers and convenience retailing

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* - Transport fuel production (petrol, diesel and jet fuel)



In 2007, we will be building on the significant progress that we have made in 2006. Both our Refining and Marketing groups have well established plans to grow the business:

- Volatility in refiner margins will persist, but we are anticipating the robust margins on average to continue. In a short market, we will be able to profitably place all our refined products domestically.
- Our refinery teams will be looking to maintain, and build on, the high utilisation achieved in the second half, through incident-free operation and the delivery of the RPIP projects on time and on budget
- In Marketing, work will continue on profitably growing volumes, as well as progressing the many initiatives across all facets of our operations.

In addition we will continue with the work to clarify the future of Caltex. The team we formed in mid-2006 to develop our longer term strategy has identified some emerging themes, including crude processing flexibility, product sourcing, refining capability and growing our marketing businesses. We do not yet have any firm outcomes to share, as there is still a considerable amount of analysis to be completed.

We have remained consistent in our strategy

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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In the second half of 2006, our people demonstrated their capability, after a tough first six months. In 2007, we plan to build on our 2H06 performance to continue to grow Caltex and maintain our position as the market leader. There are a number of challenges, some of which we have discussed in this presentation. But they are consistent with the strategy and direction we have been following for the past 3 years:

Zero safety incidents, and incident-free operations

Number 1 in the hearts and minds of our customers

85% Utilisation of our refineries, and

100% Engagement of all of our staff

In following this strategy and striving to execute our operations with excellence, we will achieve our vision to be the Australian oil refining and marketing company most admired for its people, partnership and performance.



I would now like to ask for any questions. We can start with questions from the audience here in Sydney, and alternate with questions that are coming in from the Webcast.

END: Thank you for attending the presentation today, either in the auditorium in Sydney, or over the internet. I look forward to talking to you again in August when we announce our interim results for 2007.

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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 2006; 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 2007 and future years, as at 23 February 2007

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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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