2006 Half Year Results
‘Refiner Margins Drive Higher First Half Profit’

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 the close of business today or Monday at the latest.

For those of you here in Sydney, you will have received a copy of our half 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.

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

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I plan to run through the highlights of the first half of 2006, and in the “Outlook” section, I will discuss our focus for the rest of 2006 and the following years. This will take about 30 minutes, and then I will open up the floor for your questions. For 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.

Caltex Sydney, our reseller operation based in Western Sydney, has recently taken delivery of three new tankers. While the team at Caltex Sydney already has an enviable record of over 1000 days without a lost time injury, the selection process for these tankers emphasised our commitment to incident-free operation.

This process led to 168 individual safety items being added to the specifications of the new tankers. These include:

- Electronic level metering to eliminate the requirement for the driver to climb onto the tanker barrel;
- Driver protection features such as airbags and anti-lock disc brakes; and
- Reversing cameras (on each side of the tanker), supported by high and low mounted reversing sensors

This level of safety specification leads the industry. This is another example of how our people in Caltex are bringing to life our vision that ‘zero is possible’.

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Slides 4 – 11 summarise the financial highlights from the first six months of 2006.

1H06 – Key Points

- $175M profit surpassed 1H05 profit performance
- Robust refiner margin supported a strong Refining result
- Strong Marketing performance in a market where higher prices caused petrol demand to contract
- Clean Fuels complete and subsequent refinery reliability has been strong. But delays had a material negative impact of $A 80 - 100M
- Higher crude prices are the major driver of higher pump prices
- Dividend of 32 cps declared

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The first half of this year was a challenging period for the company. Our refinery personnel worked very hard to complete and commission our four clean fuels plants, while rising international oil prices created a difficult marketing environment. The key points from the first six months are:

- Replacement Cost Net Profit after tax of $175 million – an increase of 13% on the same period last year.
- Refiner margins were volatile, but averaged around 45% higher than the same period in 2005. This underpinned the strong first half result.
- Delays in the Clean Fuels Project impacted our results by $80 to 100M (after tax).
- High pump prices negatively impacted the market, with overall petrol sales across Australia down. In this challenging environment, our marketing operations returned robust results.
- The Board has declared a fully franked interim dividend of 32 cents per share, representing a payout of 50% of our first half RCOP profit.

Summary financial results

Replacement Cost	1H2006	1H2005[1]
EBIT ($M)	270.0	226.4
NPAT ($M)	174.7	155.0[2]
EPS (cps)	64.7	57.5[2]

	30 Jun 2006	31 Dec 2005
Debt ($M)	721	429
Gearing (%)	24	17
Gearing (Lease Adjusted %)	31	26

Historic Cost	1H2006	1H2005
EBIT ($M)	415.7	343.8
NPAT ($M)	276.7	237.4[2]
EPS (cps)	102.5	85.9[2]

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1 – 1H2005 NPAT and EPS have been adjusted to reflect the A-IFRS transition consistent with the 2005 full year financial report accounting policies
2 – Both the replacement cost and historic cost results exclude a significant credit to earnings of $20.9 million to 2005 which occurred on entry into the new tax consolidation regime.

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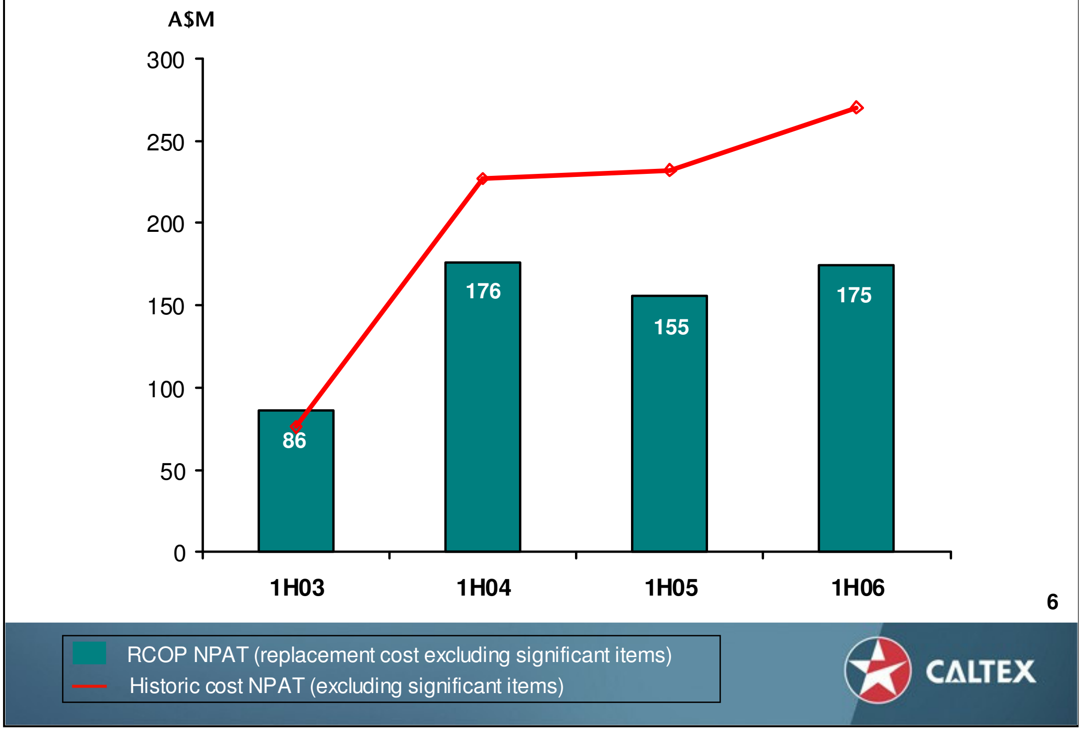
For the period ended 30 June 2006, Replacement Cost EBIT was $270 million.

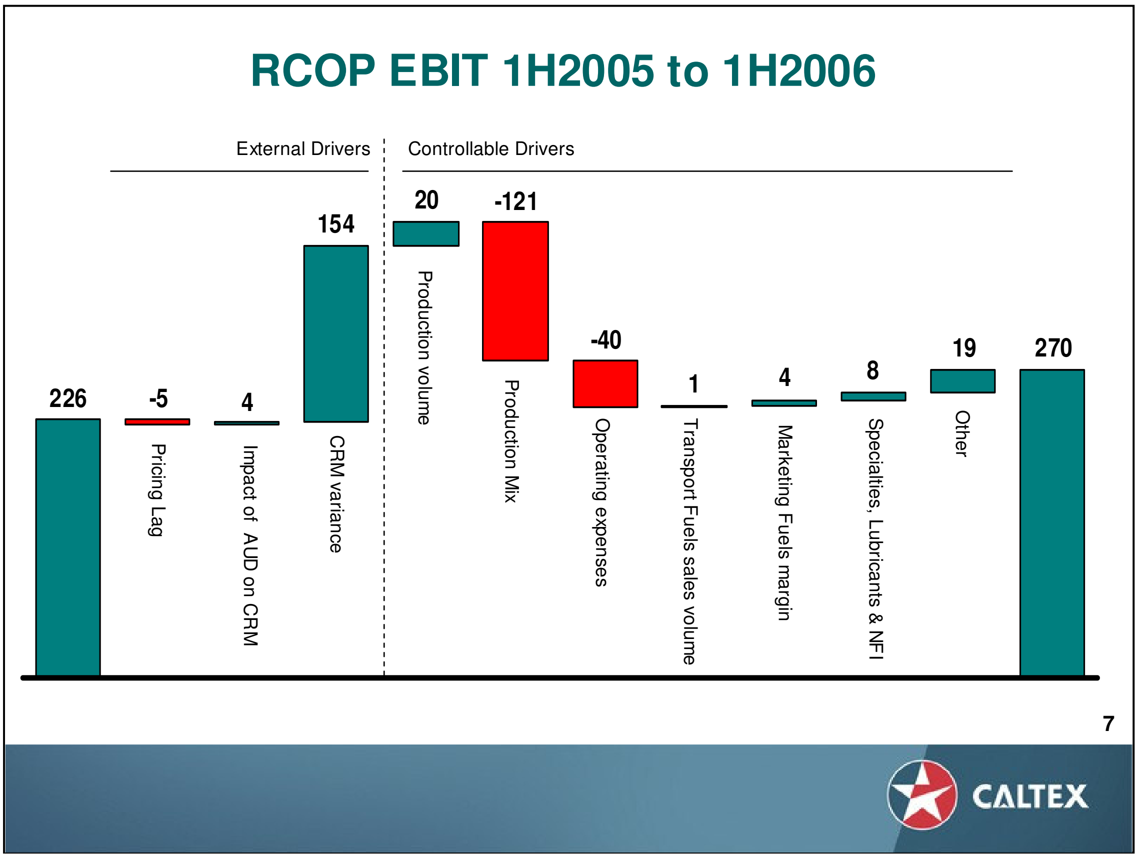
Replacement Cost Net Profit After Tax was $175 million. Historic Cost Net Profit After Tax was $277 million, reflecting an inventory gain of $102 million, after tax.

As we disclosed in July, the Australian Taxation Office has served a statutory demand on Caltex to pay an amount of $48.7 million in excise duty in relation to certain liquid fuel by-products used in the refining process. No liability has been recognised as at 30 June 2006 as Caltex is of the strong view that the excise duty legislation does not apply to the refineries' own use of such fuels. Caltex has instituted legal proceedings in the Federal Court against the ATO in this regard.

Strong profit result for the first half



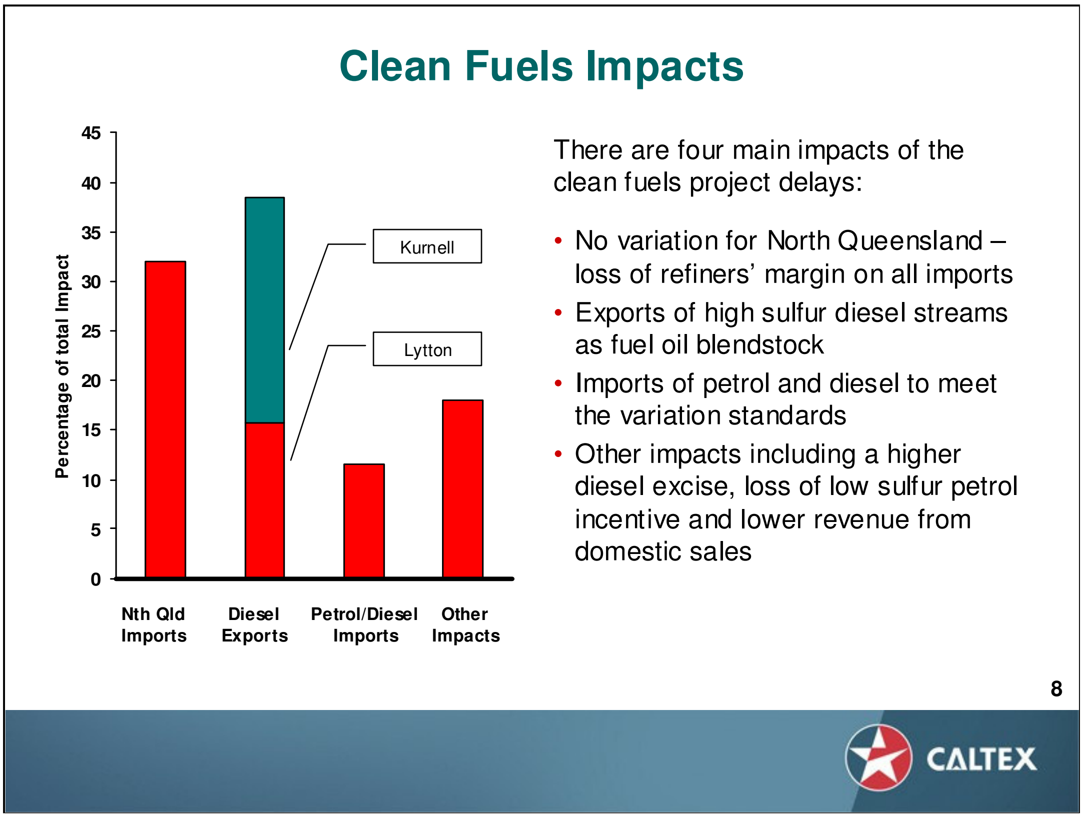
The Replacement Cost Net Profit After Tax shows the underlying performance of the business. The first half 2006 profit was negatively impacted by clean fuels, but strong refiner margins underpinned the $175 million result.



Our EBIT in the first half of 2006 was up by $44 million over the same period in 2005. The single largest contributor to this result was the increased refiner margin, especially in the second quarter due to higher than normal levels of refinery maintenance in Asia and the USA, coupled with strong global demand for product. This margin is determined by the market in Singapore.

In the areas we do control, we were able to capture an additional $13 million in Marketing EBIT benefit, while higher refinery production contributed an additional $20 million. The first half of 2006 also saw an increase in operating costs. I will expand on this later.

Overall, the major negative impact on EBIT was caused by the delay to the startup of our four clean fuels plants, which were commissioned progressively through the half year.



We have previously advised that the impact of the clean fuels delay was $80 – 100 million of NPAT. This slide gives a more detailed breakdown of the impact of the clean fuels delays.

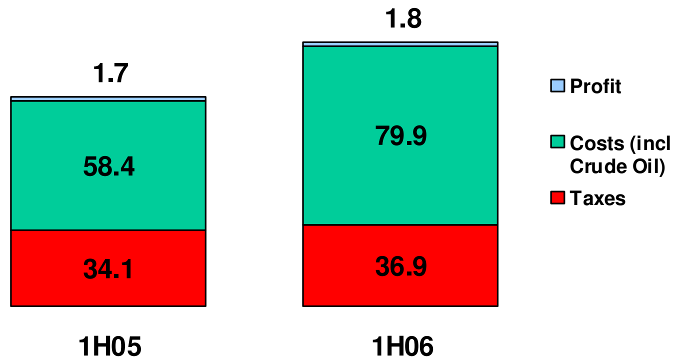
- Caltex did not realise the refiner margin on product which needed to be imported into North Queensland in order to meet the clean fuel standards;
- There was a loss of margin as some high sulfur diesel needed to be exported as fuel oil blendstock;
- There were imports of petrol and diesel into our two refineries to ensure the product we supplied met the conditions of the variation;
- Other impacts included higher excise for higher sulphur diesel, loss of low sulfur petrol incentive, and some loss in revenue on domestic sales.

We have completed a lookback on the causes of the delays and have incorporated these learnings into our future projects, most notably the Refinery Performance Improvement Program.

I want to acknowledge the enormous effort from our employees and contractors involved in the completion and commissioning our Clean Fuels Project, and who maintained a secure supply of fuel to our customers throughout.

Crude oil price was major driver of higher prices in 1H06

Breakdown of product prices
cents per litre



Financial data is on an RCOP basis

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This revenue breakdown includes all petroleum products sold by Caltex

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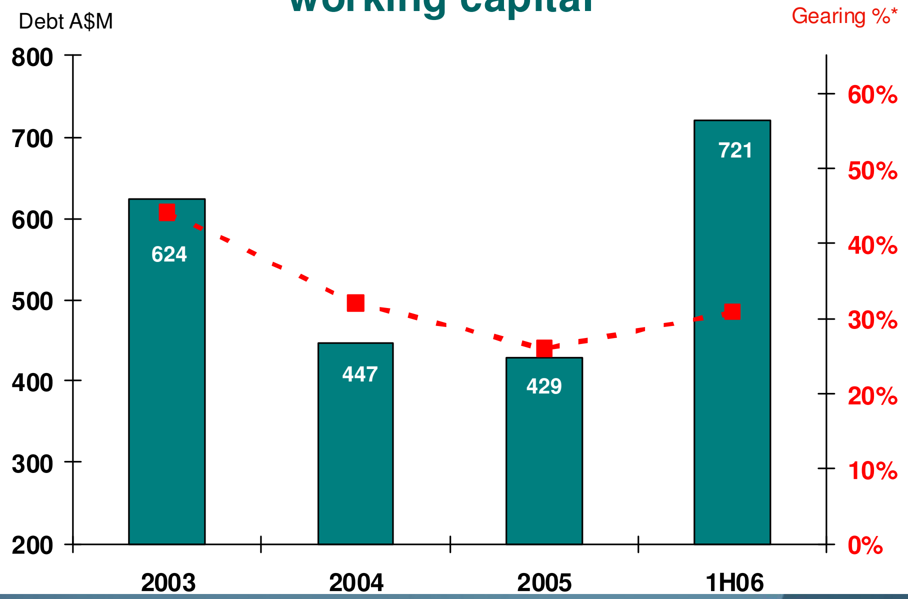
The price of our products increased in the first half of 2006 – an average of 24.4 cents per litre above the same period in 2005. In that time, the average profit made by Caltex across all of our products has increased by 0.1 cents per litre to 1.8 cents per litre. As you can see from this chart, the primary driver of higher fuel prices has been the increase in costs. Crude oil is a major cost for our industry, with the price increasing from $US57/bbl in December 2005 to $US71/bbl in June. This price flows through to the Singapore price of petrol, diesel and jet, and then into Australian market. Since Caltex has no crude oil production and pay the world price for the crude we refine, we do not benefit from the increasing crude oil price.

Debt and gearing impacted by Clean Fuels and working capital



* Gearing = net debt / (net debt + equity); Net debt is calculated to includes lease liabilities

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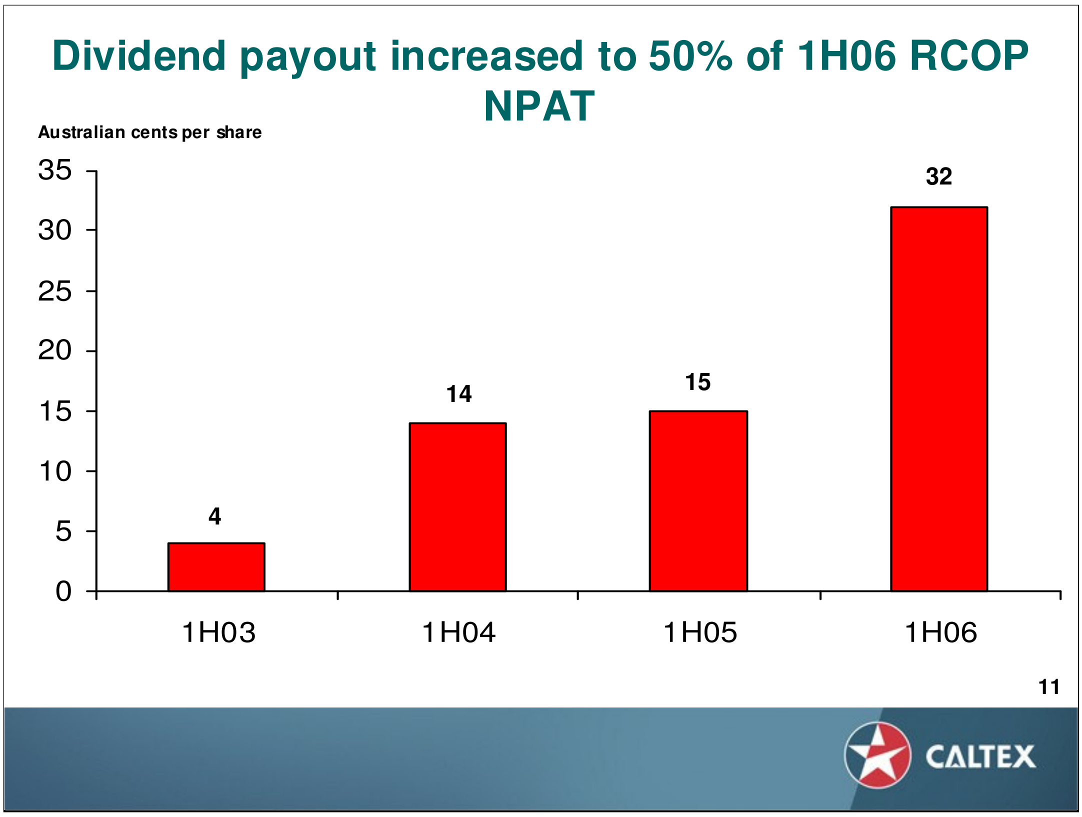
Net debt ended the period at $721 million, with a gearing level of around 31% on a lease adjusted basis. This is above our target level of period end debt of around $500 million. The increase is due to the capital requirements to complete the Clean Fuels Project and higher working capital arising from, firstly, the increased price of crude and products, and secondly higher than typical inventory levels at June 30 due to the planned cat cracker shutdown at Kurnell.

As inventory falls to normal levels, we anticipate net debt to be within the target range by year end.



In light of our performance, the Board has approved 32 cents per share to be paid as a fully franked interim dividend for 2006. This represents a payout ratio of 50% of our replacement cost net profit after tax.

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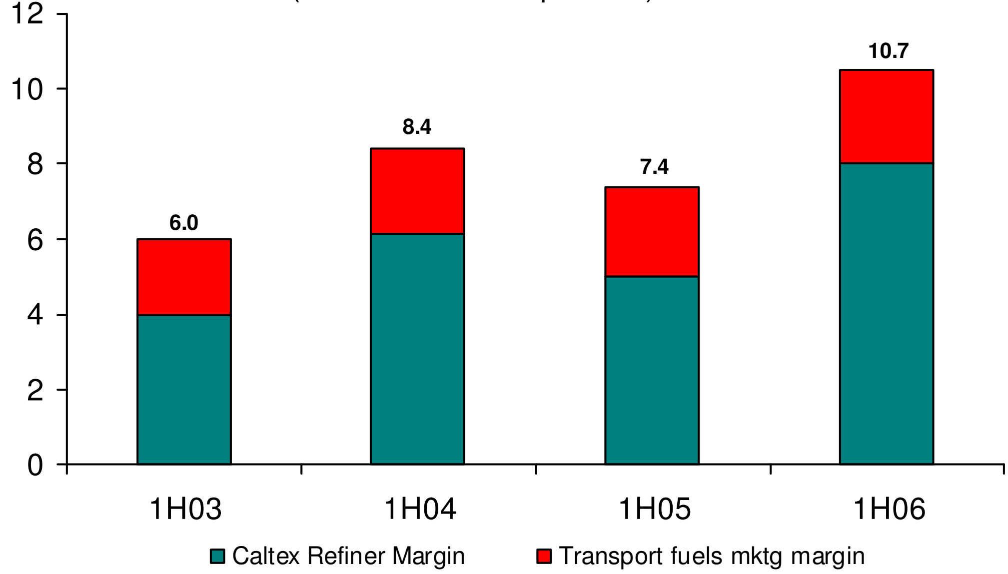
In slides 13 – 17 I will discuss the key profit drivers in more detail.

Integrated transport fuels gross margin

(Australian cents per litre)



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1 – The 1H06 result does not include the operational impacts resulting from the Clean Fuels construction
2 – The integrated gross margin represented the gross margin before operating expenses, interest and tax

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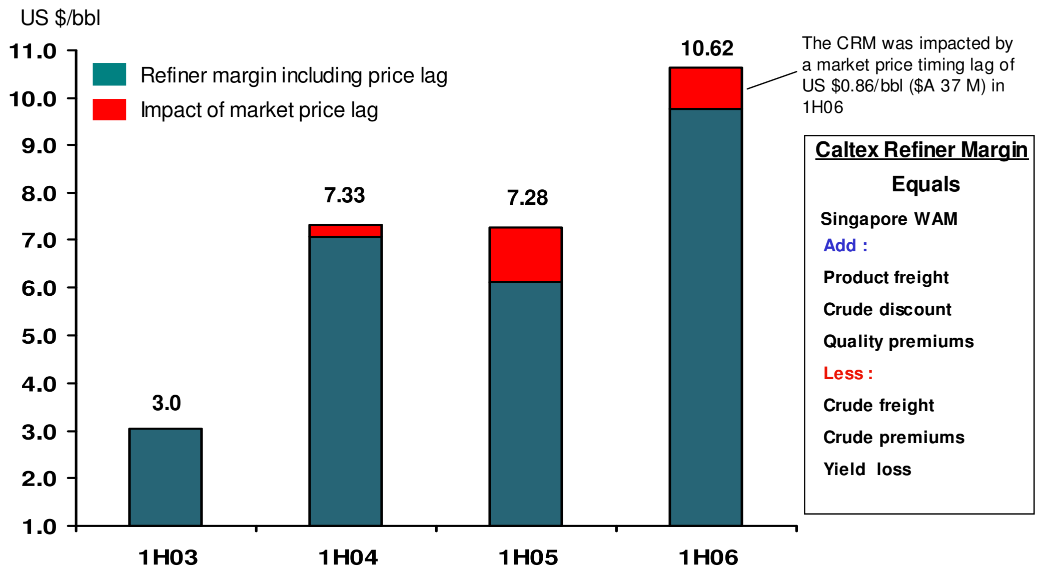
As you can see, the Caltex integrated transport fuels gross margin has increased to 10.7 cents per litre. This increase of 3.3 cents per litre from the first half of 2005 has been largely driven by rising regional refiner margins. This integrated margin is calculated on a typical yield profile from our refineries, plus the margin Marketing realised across all transport fuel sales. Since our refinery yields were not typical due to the clean fuel delays we were unable to fully capture this margin across our total production.

1H06 Caltex Refiner Margin was US$10.62/bbl



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1. The Caltex Refiner Margin (CRM) represents the difference between the selling price 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
2. The CRM includes 50 parts per million sulfur diesel prices for 2006, and 500ppm sulfur diesel prices for prior periods

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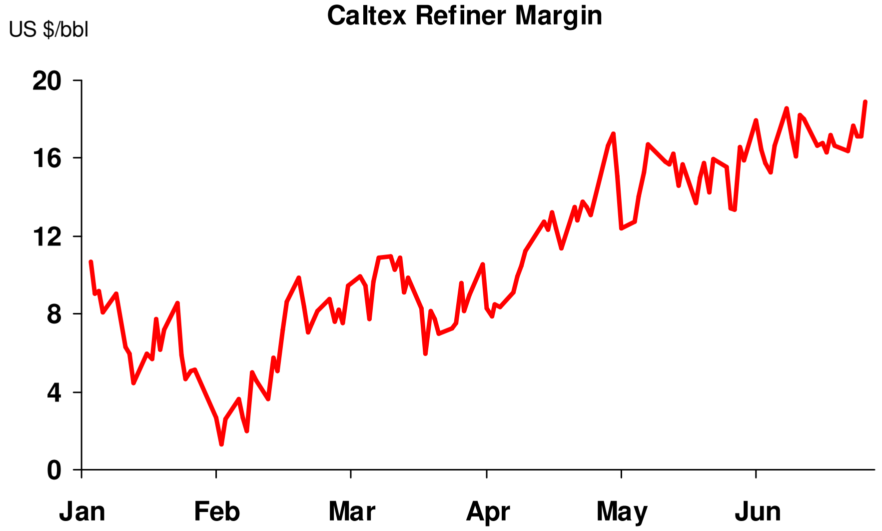
The Caltex Refiner Margin reflects the margin realised by Caltex's refineries under normal operation. The margin is based on the Singapore weighted average refiner margin, adjusted for product freight, crude freight, crude premiums or discount, product quality premiums and the average product yield at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

The average Caltex Refiner Margin for the first six months was US$10.62/bbl, over US$3/bbl higher than the same period in 2005. This margin is based on our typical production mix, which was impacted during the construction of the clean fuels plants. As a result, the realised CRM for this period was $US 7.39/bbl.

The Australian market has operated under new fuel standards in 2006. This has resulted in an increase in the price of imported products to meet these specifications. In the first half of 2006, the differential between low sulfur and ultra-low sulfur diesel has averaged around $US4.20/bbl, while for petrol the higher standards has resulted in an increased premium of around $US 1/bbl.

A tight market results in volatility



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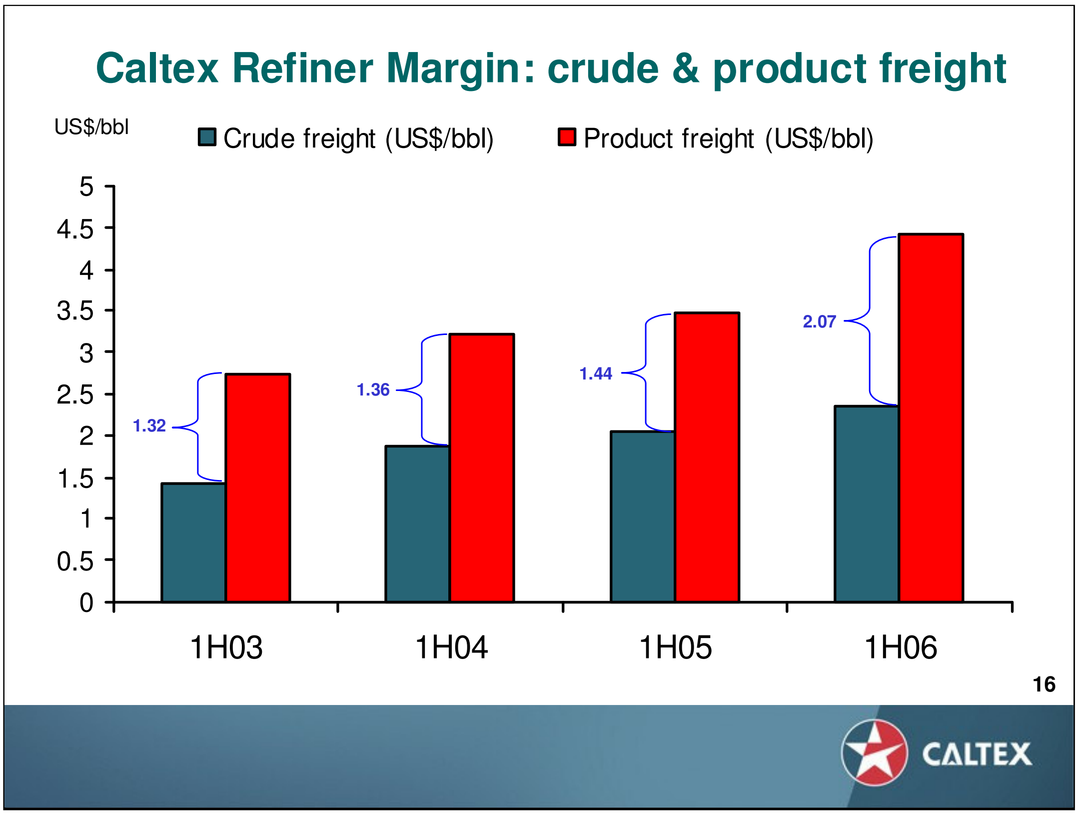
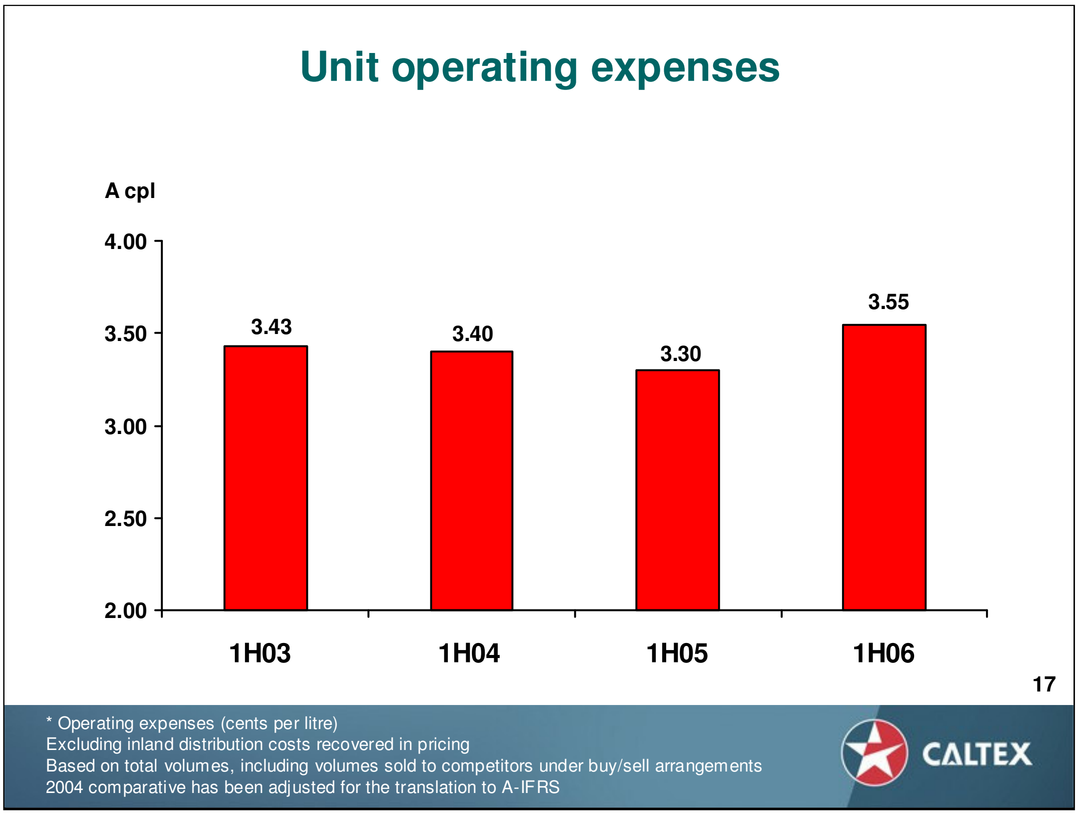
1 – The CRM includes 50 parts per million sulfur diesel prices for 2006

This slide shows the volatility that we experienced in the Caltex Refiner Margin in the first half. You can see in February that the margin dropped to under $US2/bbl, and at times the margin for some grades of petrol was negative – that is the price was less than the price of crude oil. In the second quarter, the margin has rebounded strongly on the back of heavy refinery maintenance in Asia and the US and strong global demand for products. In a tight global and regional market, we can expect this volatility in margins and product prices to continue.

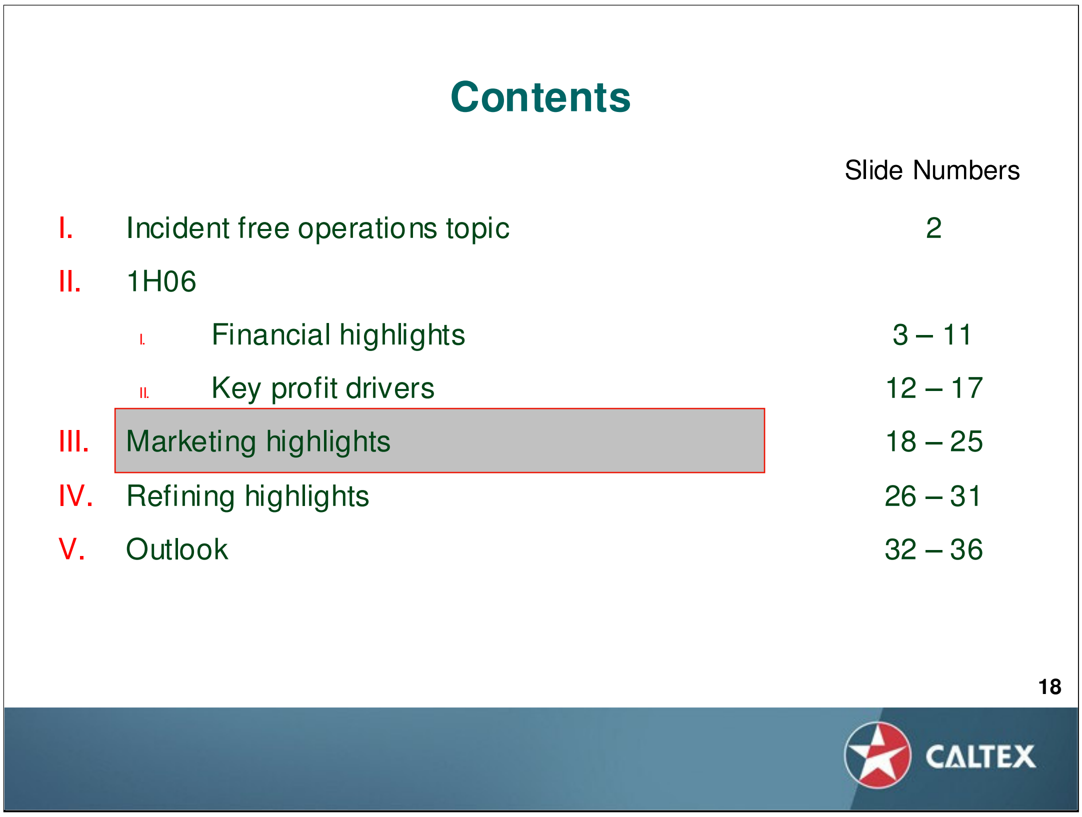


One component of the Caltex Refiner Margin is the difference between crude freight and product freight. The differential of $US2.07/bbl for the first half of 2006 is $US 0.63/bbl higher than the first half of 2005. This was driven by tightness in shipping markets, particularly for product freight which was in high demand during the second quarter, due to heavy refinery shutdown activity through Asia and the USA.

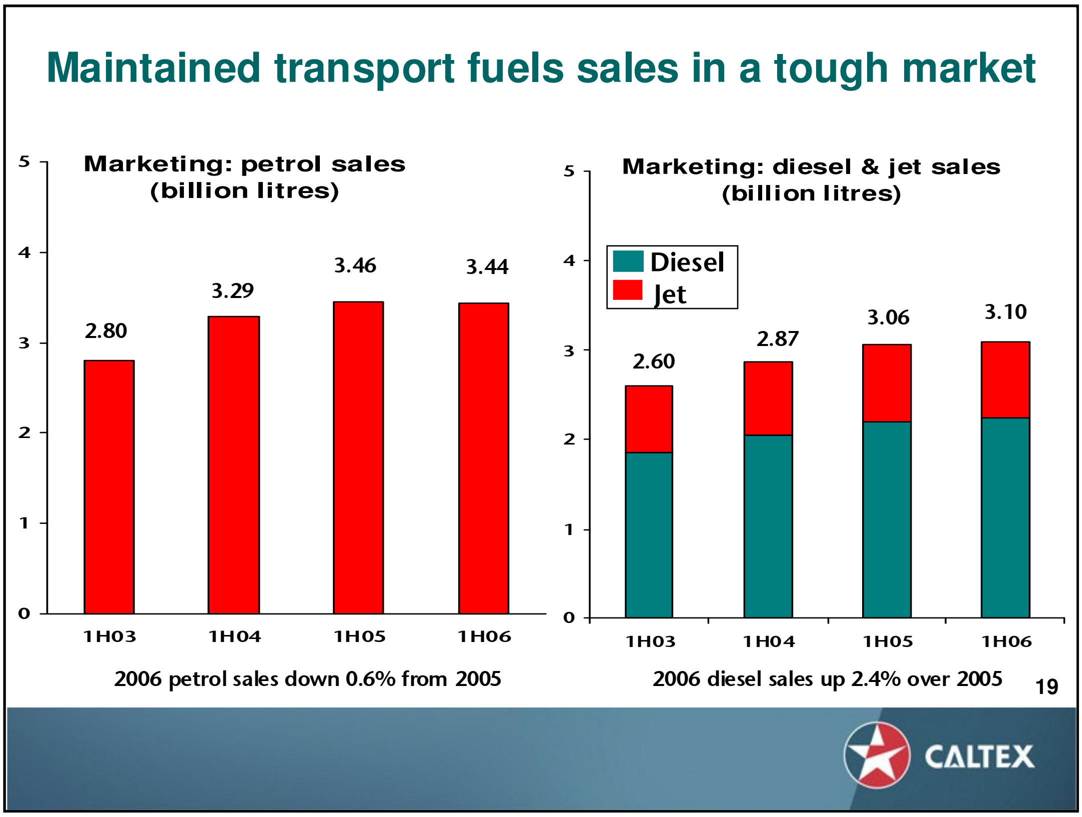


Operating expenses increased by around $40 million in the first half of 2006, compared to the same period last year. Around $10 million relates to higher depreciation and amortisation, which is largely clean fuels related. An additional $5 million relates to one-off corporate projects. The remainder primarily reflects higher maintenance costs and increased product shipping related to import and export activity during the clean fuels construction.

As with all industries, we are facing cost pressures for labour and materials, while refinery operation in the clean fuels environment will increase our costs. Additionally, our sales volumes have not grown as we forecasted, due to the impact or higher prices on consumer demand. This has impacted our unit cost base. However we are keenly aware that we must continue to drive our unit costs lower to maintain our leading position in a highly competitive market.



I will now turn to our two major operating segments, starting with Marketing.

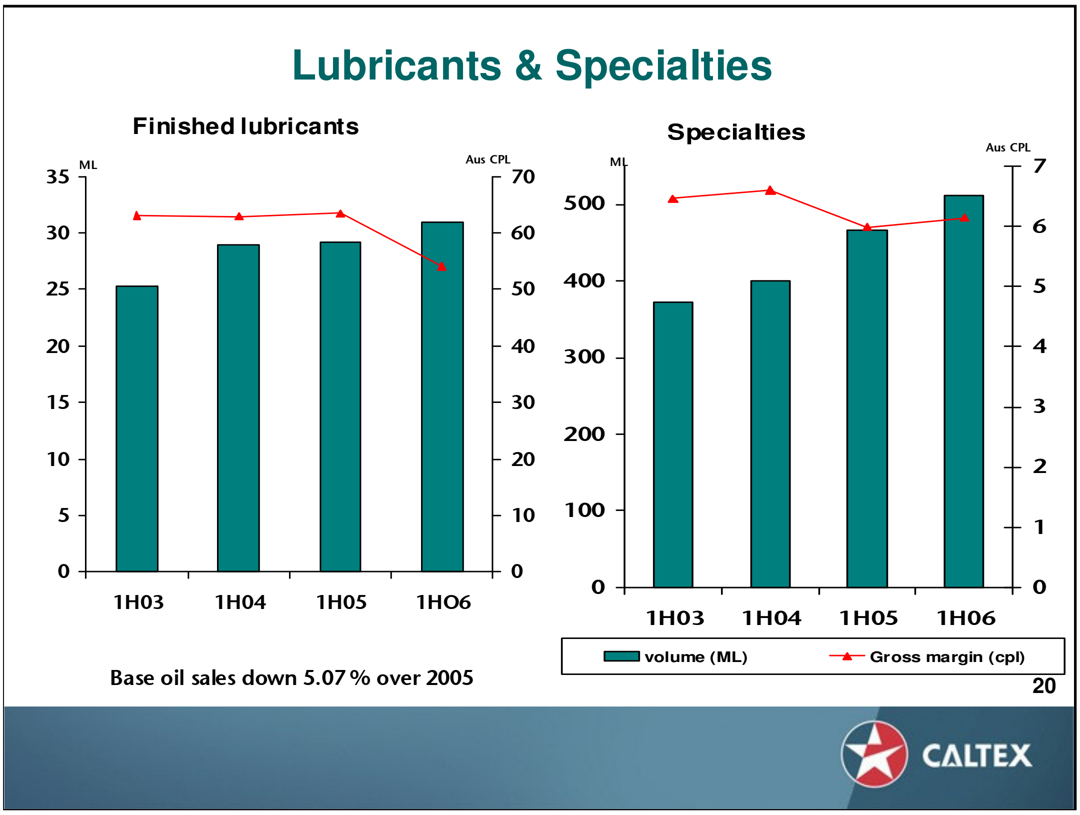


Our Marketing volumes were flat for the first half of 2006. Petrol sales fell by 0.6%, but this needs to be seen in the context of a market that contracted 2.5% to the end of May. In petrol, increases in our Woolworths venture site volumes were offset by falls at other Caltex-branded sites.

The overall diesel market grew at 5.3% on the back of strong economic growth. Our diesel volumes increased 2.4 % to around 2.2 billion litres, with growth experienced across all channels.

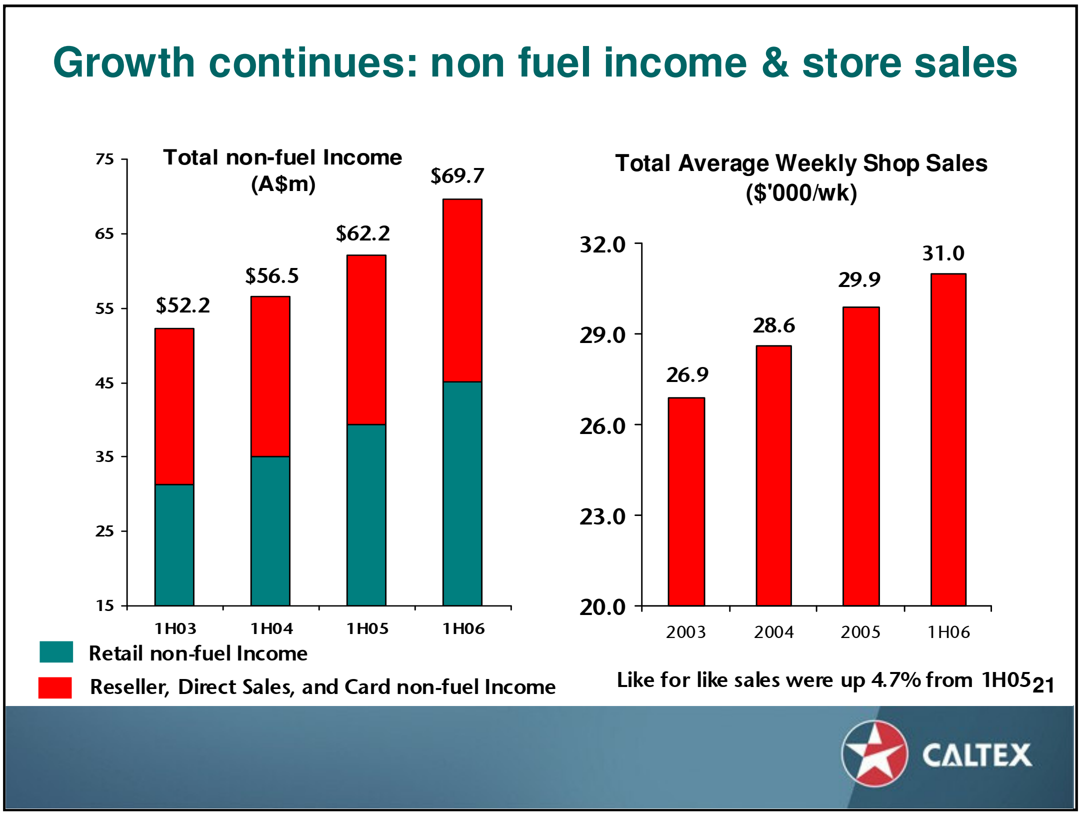
While the jet fuel market has become very competitive as our customers face increasing cost pressures, the market grew by 16% to May. Our jet fuel sales fell slightly as we chose to maintain our margins in the face of these competitive pressures.

Our biofuel sales form a small part of our total fuel sales, which we are working hard to grow. We remain committed to our targets under the Australian Government's industry action plan and will double the number of sites marketing biofuels by the end of the year to around 100.



Finished lubricant sales grew 5.9%, driven primarily by the mining and automotive segments. Production of these finished lubes from base oil produced at our Kurnell refinery, reduced material available for bulk base oil sales.

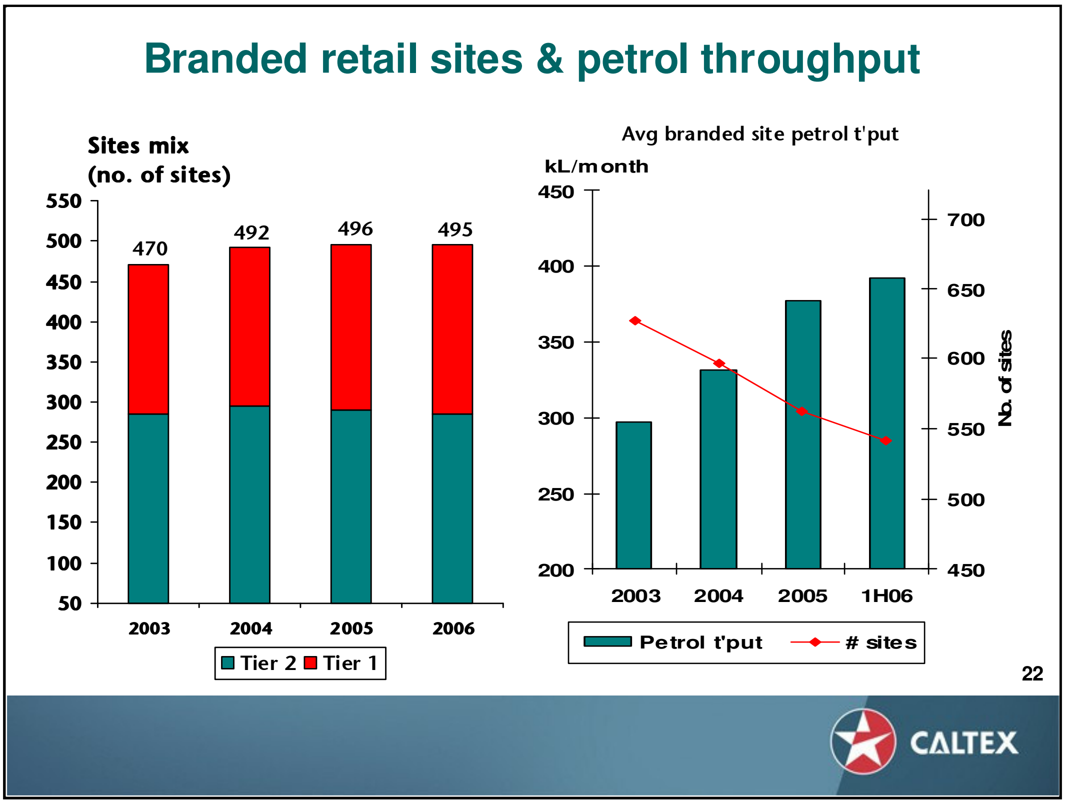
Specialities sales volumes also increased, with fuel oil representing a significant portion of this increase as we completed the clean fuels plants. We expect fuel oil volumes will fall to normal levels in the second half.



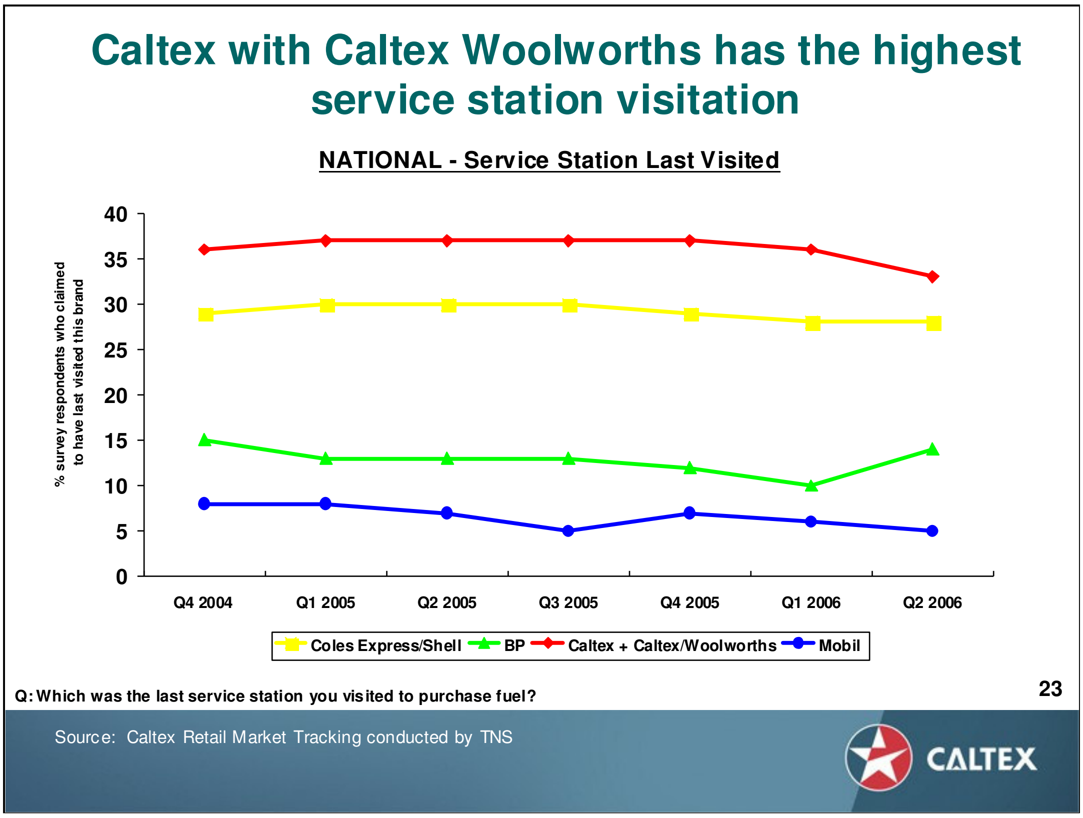
Non-fuel income grew in by 12%, when compared to the same period in 2005. All channels have contributed to this growth – our retail sales of convenience goods, increased card income and stronger results from our equity resellers.

Average shop sales have also continued to grow, with like-for-like sales growth of 4.7% from last year. This record of continual growth is predicated on our consistency in execution, tailoring the customer offer and ongoing upgrades to our facilities.

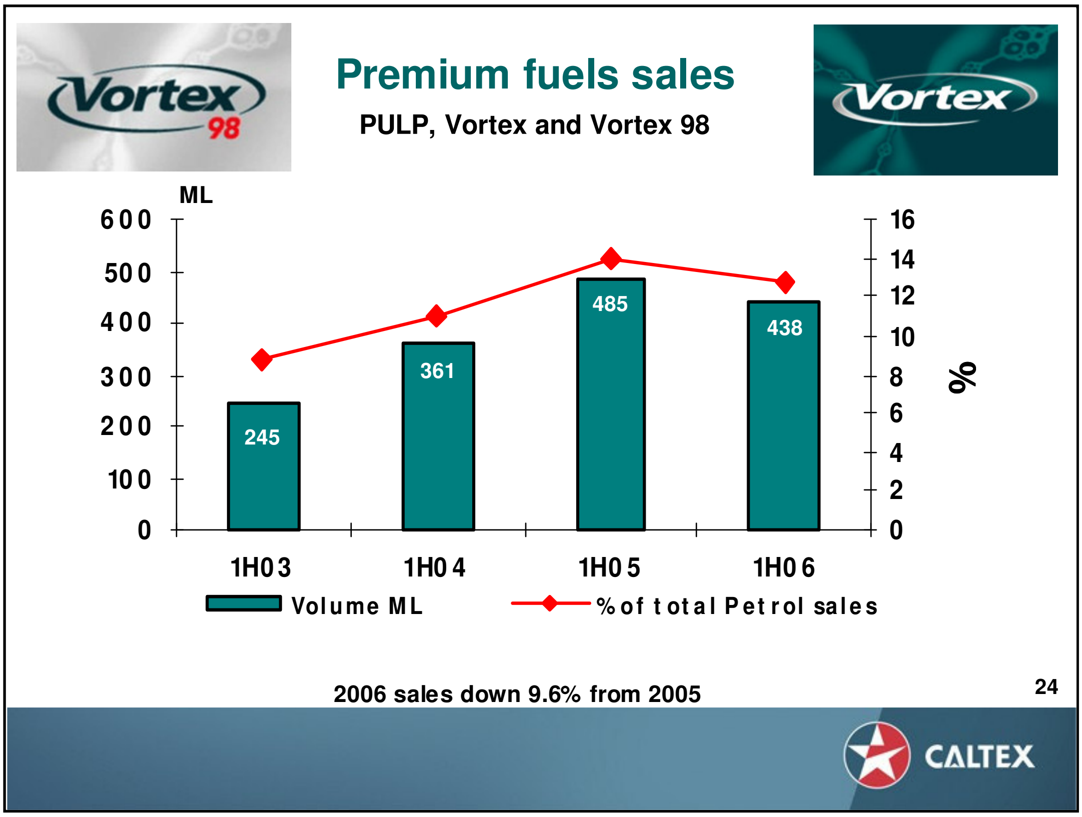
Over the course of this year, we have been continuing the development of our dry goods arrangements with Woolworths and the centralised logistics to support this. We will be rolling out these improvements progressively from the third quarter this year.



As you can see from the chart on the right, the total number of retail sites has continued to be rationalised. We will maintain our active tail management and divestment plan to drive the efficiencies of our marketing network.



We conduct regular market research and this slide shows the response to a simple question – "Where did you last purchase your fuel?" As you can see, nationally we have maintained a consistent place as the preferred brand for fuel in the retail market.



Our total volume of premium fuels – our Vortex and Vortex 98 brands – decreased in the first six months of 2006. As I indicated earlier, the national market for petrol contracted by 2.5% to May this year, as a result of higher prices at the petrol pump. In this environment, discretionary sales of Vortex fuels suffered.

However this is an important growth area for us, and we have continued our roll out of Vortex fuels through NSW, Queensland and Victoria over the past 6 months.

Marketing Infrastructure Program

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Significant progress was made on strengthening our marketing infrastructure at our seaboard terminals, which is a key part of our Integrated Marketing Plan. This is our newly commissioned 15 million litre diesel tank in our Gladstone terminal. This is the first major new tank to be constructed in a Caltex terminal in at least 20 years, and reinforces our supply chain reliability in the fast growing region of Central Queensland.

Caltex also completed an upgrade to our Newport terminal in Melbourne. This work was focussed on improving the capability to receive product imports. In late June, we celebrated our expansion into the Northern Territory as we entered into a long-term agreement to lease storage and loading facilities at the Darwin terminal.

These three projects are part of a longer term plan to enhance our storage and distribution network around Australia. In the first six months, we spent around $11 million on this infrastructure. The current estimate of the full cost of this program is of the order of $60 – 65 million, however this is subject to change as the design phases of the remaining projects are completed.

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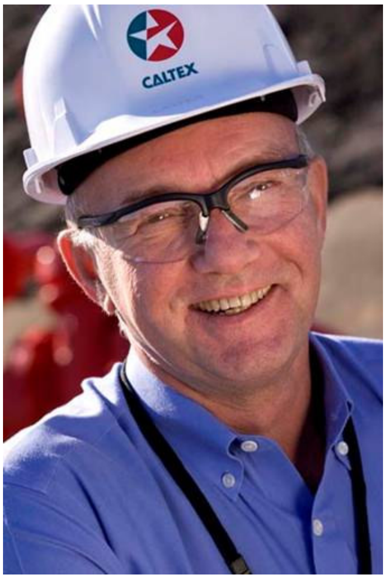
In the next slides, I will discuss the performance of our Refining team.

New GM Refining – Brian Waywell



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CALTEX

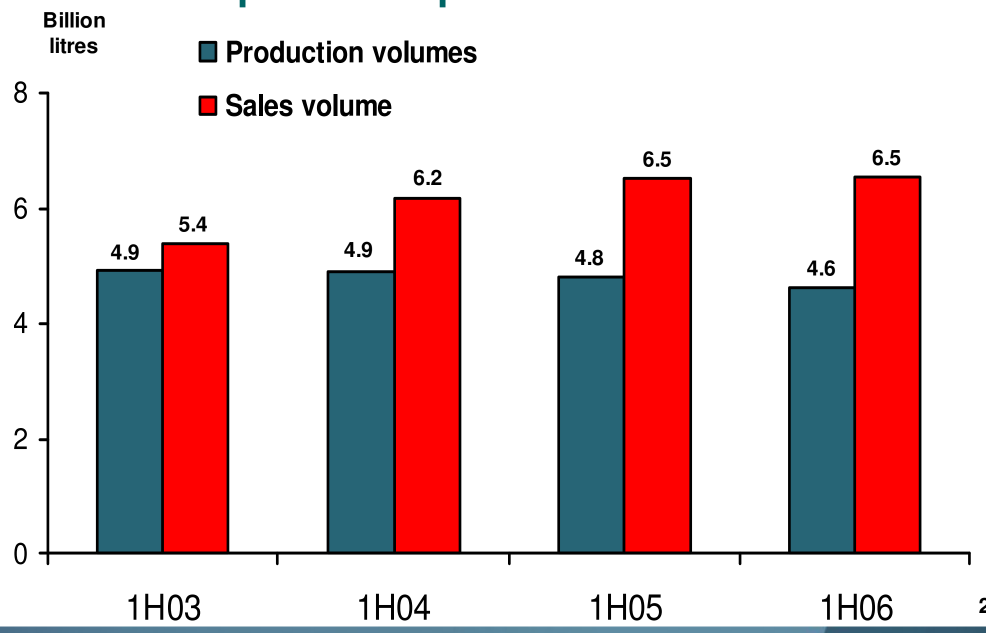
Before I discuss our results for the first half of 2006, I would like to make you aware of a change in our leadership team.

Eion Turnbull left Caltex in mid-August to pursue an opportunity with Essar Oil in India. We are sorry to lose Eion as he made a significant contribution to Caltex over the past six years, and we appreciate the leadership he has shown in moving our refinery operations towards world class.

I would now like to introduce our new General Manager – Refining, Brian Waywell, who unfortunately can't be here today. Brian has joined Caltex under a secondment arrangement from Chevron, and has over 37 years experience in the oil industry. Through his career, Brian has held a number of positions, primarily in Refining, most recently the General Manager of Joint Venture refineries with Chevron overseeing many of Chevron's refinery investments in the Asian region.

Brian's refinery experience and detailed knowledge of the refining business in our region will enable Caltex to continue the initiatives Eion and the Refinery Leadership Team have under way without any loss of momentum.

Transport fuels production and sales



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Sales from production in 1H06 was 5.1 billion litres, including drawdown in inventory

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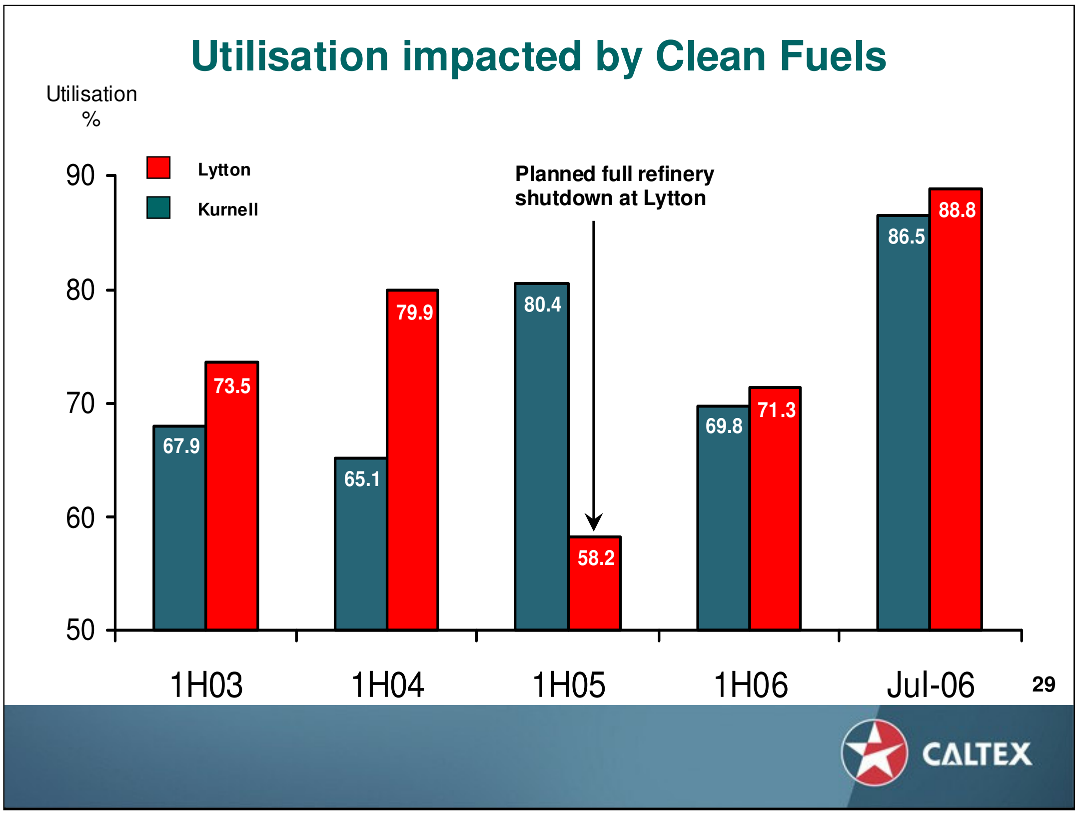
As I indicated earlier, our refinery production was constrained as we completed our Clean Fuels Project, and a planned shutdown of one of our cat crackers at Kurnell. Our production of transport fuels was slightly lower than the same period last year at 4.6 billion litres, while overall sales volumes were flat.



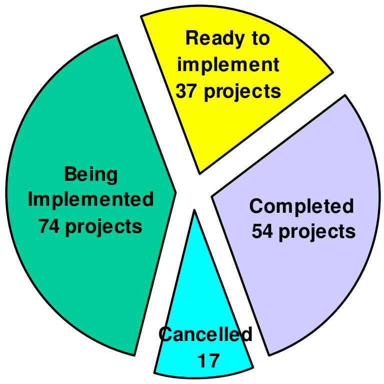
Our refinery utilisation in the first six months was heavily impacted by the construction and commissioning of our clean fuels plants and the planned cat cracker shutdown at Kurnell in the second quarter. With the full refinery shutdown at Lytton in 2005, our overall refining utilisation was broadly in line with the same period last year.

Since June our Refining team has had the opportunity to run the refineries at high rates, and have been achieving excellent results. These are reflected in the July figures you can see on the slide. Kurnell recently operated for 30 days with utilisations greater than 90%. We have proved that we can operate our refineries to meet our goal of 85% utilisation for significant periods of time. Our aim over the next 12 to 18 months is to maintain high utilisation for extended periods, and leverage our Refinery Performance Improvement Program benefits to increase our production.

Refining Performance Improvement Program

- **Execution of both minor and major profit improvement initiatives continues, with activity on major projects ramping up**
- **On track to deliver $150M EBIT at the completion of full RPIP**

Breakdown of Minor RPIP Projects by Numbers



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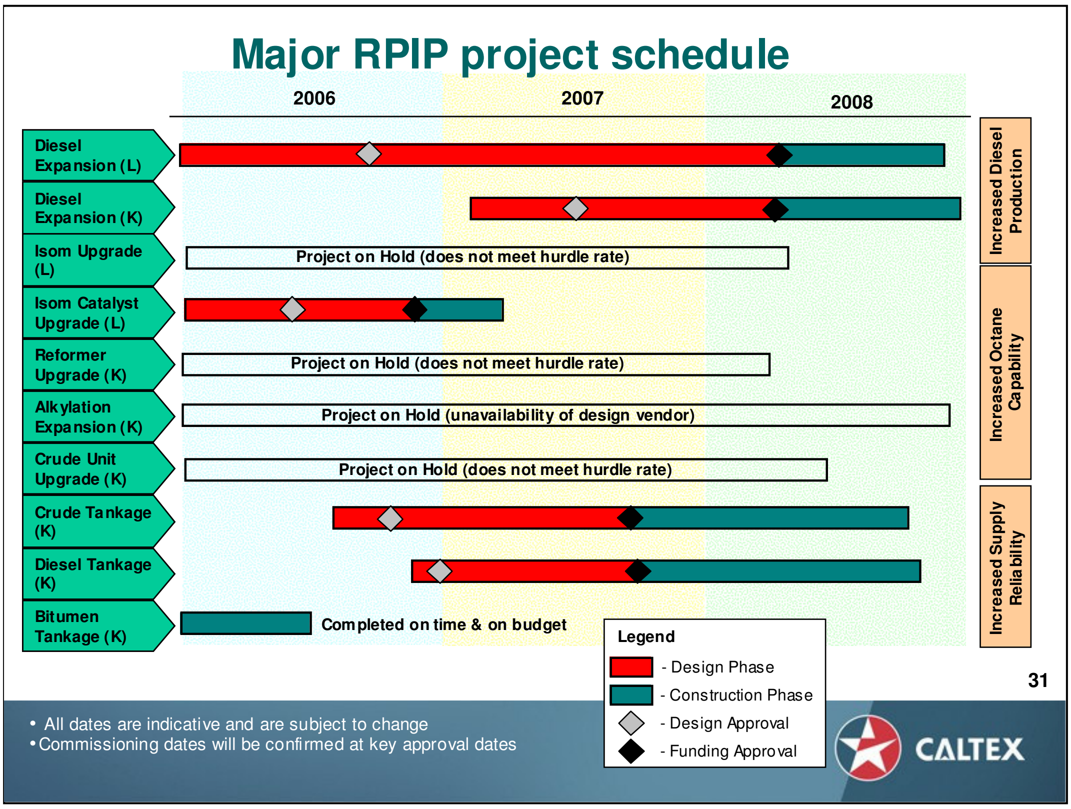
Our Refining team continued to deliver on our Refining Performance Improvement Program (RPIP). From our update in February, we have completed an additional 14 projects, while the total number of identified projects has grown by 30. The majority of these have been low or no-capex projects, targeted at increasing production rates and the yield of high value products.

We remain on track to reach the target of $150 million of annualised EBIT at the completion of the full RPIP program.



As we have mentioned previously, the bulk of the benefits from RPIP will be generated from our suite of major projects. This slide updates the schedule for these projects, which we first presented in February. There are a few points I'd like to make from this slide:

- We have successfully completed the first of our major RPIP projects, when we commissioned the new bitumen tank at Kurnell, on time and on budget. This new tank enables us to supply customers during planned shutdowns rather than downgrading our bitumen feedstock to fuel oil.
- Our resources are now primarily focussed on the diesel projects within RPIP. The on-going increase in diesel demand, due to both economic growth and the forecast demand shift over time from petrol to diesel, means these are the opportunities with the greatest benefit.
- A number of the petrol projects have been placed on hold as they have not met our hurdle rates - we have been firm in the application of capital discipline in this program to ensure we focus on the most attractive opportunities.
- The team continues to actively investigate new opportunities as we explore more and more ways to grow our business.

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I would now like to spend a little time to share with you our view of the second half of 2006.

National imports as a percentage of sales

	Petrol	Diesel	Jet	Total transport fuels
2005	17.5%	30.7%	18.7%	22.3%
2006 (Jan – May)	20.0%	43.5%	15.9%	26.4%

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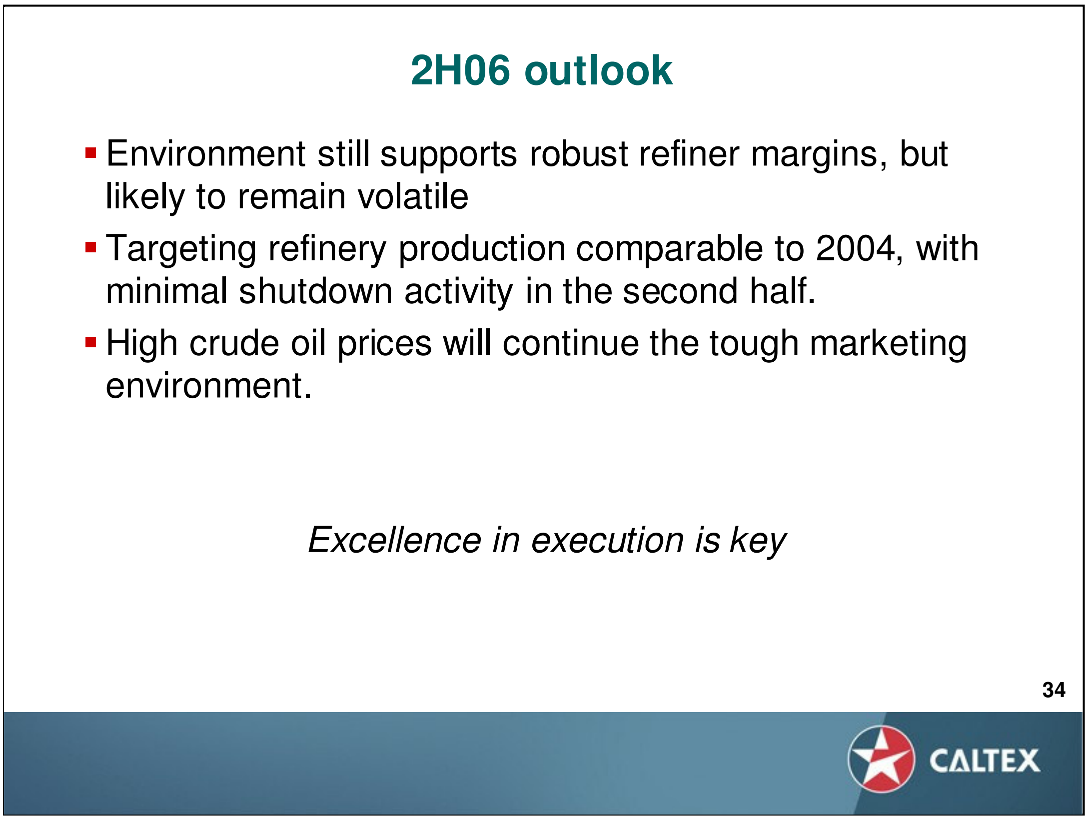
In February we presented our view that the Asian region would likely remain short of refined product over the next few years. This slide shows the imports of products into Australia as a percentage of sales. The reduction in refining capacity, coupled with strong demand growth for transport fuels means that Australia now imports around 11.6 billion litres of product each year. This is projected to grow over the coming years, on the back of economic growth.

These imports are sourced from Asian refiners. As a result, Australia is integrated into the price for products in the Asian region – the price of imports into our seaboard terminals controls the terminal gate price.

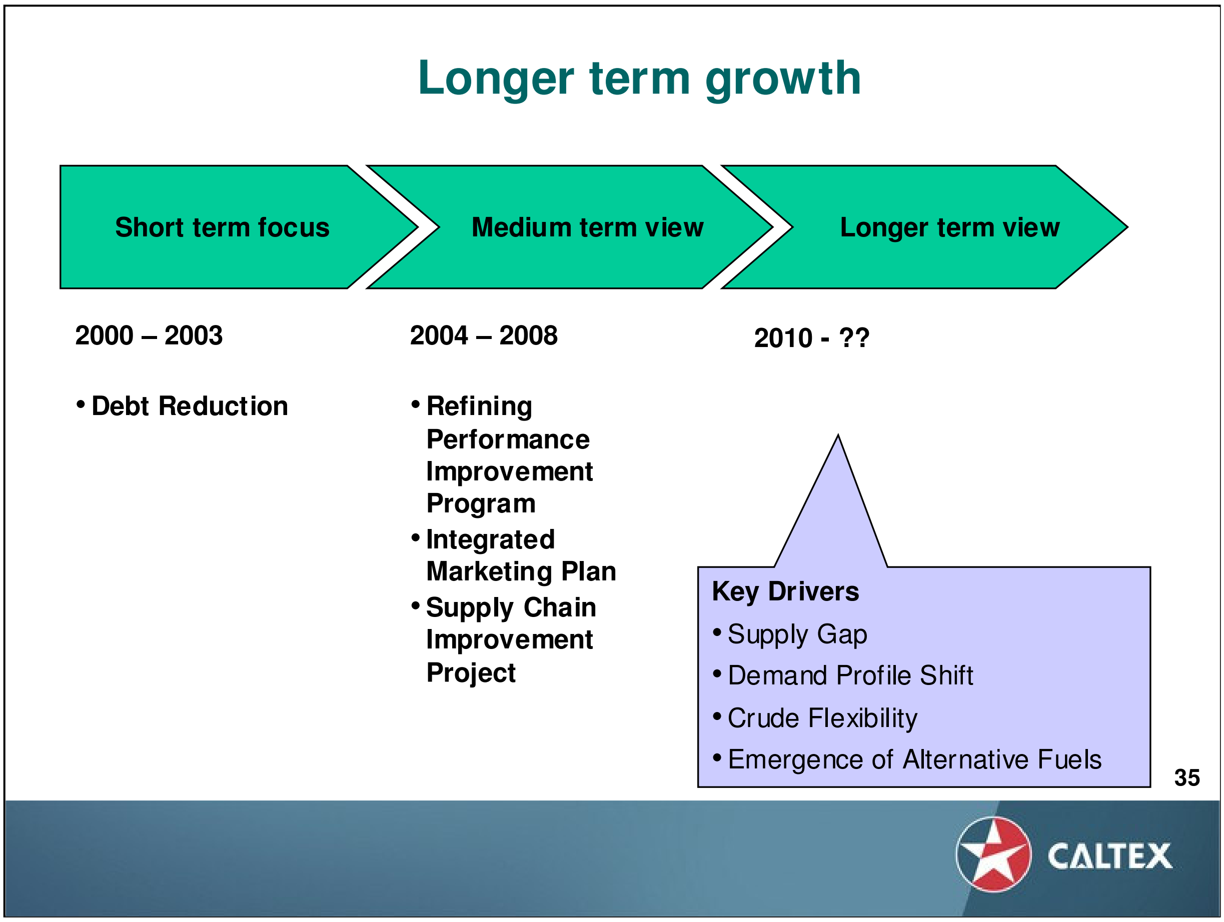
This means that our refineries are fully exposed to the margins that flow from the strong growth in demand for petroleum products in Asia. Similarly, the prices for petroleum products throughout Australia also reflect the market prices in the region.



Looking ahead, the second half is one of great opportunity for Caltex:

- We have successfully completed our clean fuels plants, and have returned to our typical product mix and can fully capture the available margins;
- With only minor planned shutdown activity in the second half, our refineries have the opportunity to run at high utilisation rates – we are anticipating our full year production to be comparable to 2004.
- The external environment indicates robust, but volatile, margins. Traditionally, margins will ease in the fourth quarter, as demand in the northern hemisphere seasonally declines.
- Continuation of the high crude oil prices would maintain a competitive marketing environment, particularly for petrol.

The key focus for Caltex for the rest of the year is to *EXECUTE WITH EXCELLENCE*.

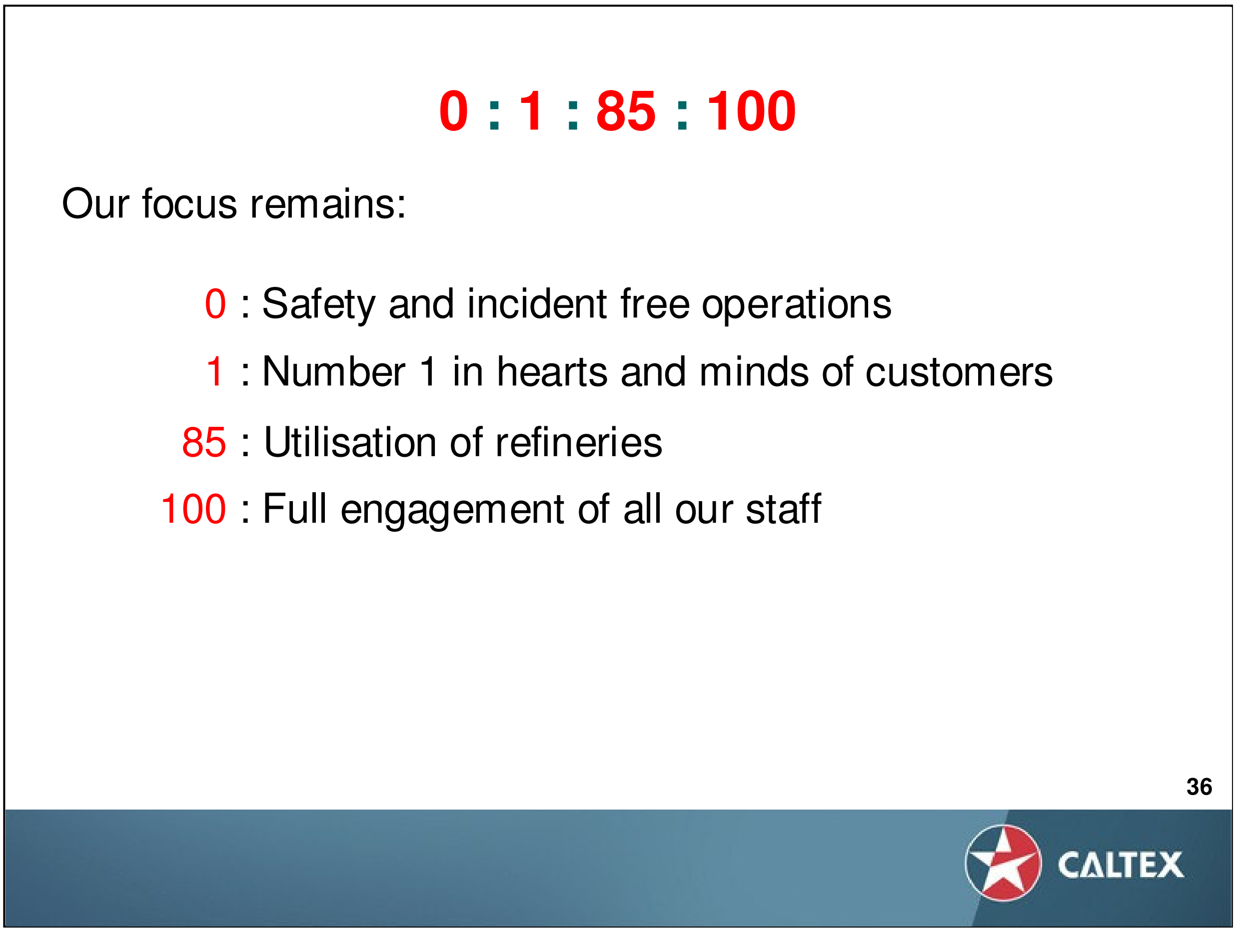


Over the past 5 years, our corporate strategy has logically evolved as our business and the industry has changed. From 2000 we had a very near term focus, as we reduced debt. As we met our goals, we moved our sights out 2 to 3 years, and each area of the business has developed growth opportunities with relatively quick returns.

With clean fuels now behind us and the short term initiatives gaining traction, we have increased our planning horizon again. We have recently assembled a project team to further develop our longer term strategies for 2010 and beyond. Some of the key drivers for the project are:

- The supply gap between our production and sales volumes, post-RPIP;
- The demand profile shift, the most pronounced being the shift from petrol to diesel;
- Increasing the flexibility of our refineries to process a broader variety of crudes;
- The emergence of alternative transport fuels.

These are complex issues to understand and we need to develop the appropriate long term strategies that will secure a good long term future from Caltex. Work on the project has just commenced, and we anticipate that we will be in a position to inform you of our progress in 2007.



We have been consistent in our strategy for more than 2 years now, and it is encapsulated in this slide:

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

Our efforts that I have talked about today – the seaboard terminal infrastructure upgrades, RPIP improvements, improvements to our dry goods efficiencies, and increasing refinery utilisation – are all underpinned by this strategy.

This first six months of 2006 has been a challenging and volatile period for Caltex in a number of ways, but our people have delivered what I believe is a strong result. Our task is to ensure that we continue to deliver on the goals that we have set and continue to be the leading refiner and marketer in Australia.

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

[Field questions from the audience & 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 February when we announce our full year results for 2006.

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 6 month period ended 30 June 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 second half of 2006 and future years, as at 25 August 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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