



## Caltex people deliver strong 2002 Full Year Results



### Operational Excellence- a key to unlocking Caltex's potential

- Operational Excellence is a key strategic intent for Caltex
- Our safety and environmental performance needs a positive step change
- All meetings of five or more begin with an Incident Free Operations (IFO) topic
- The IFO topic for today is to focus on three key principles underlying Operational Excellence;
  - ✓ Do it safely or not at all
  - ✓ There is always time to do it right
  - ✓ When in doubt, find out



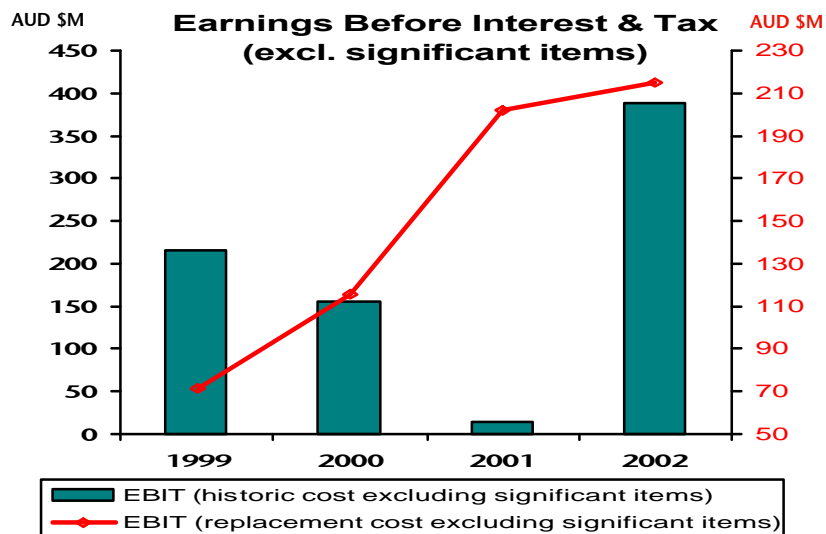
## Strong operating performance in 2002

- For 12 months to 31 December 2002, EBIT was \$388.1m and NPAT was \$215.2m
- On a replacement cost basis, excluding inventory gains and significant items, EBIT was \$215.2m and NPAT was \$106.1m
- EPS was 79.7cents in 2002 compared with a negative 69.0cents in 2001
- Net debt reduced to \$954m (47.9% gearing)
- Transport fuel market share increased a robust 1.6% to 28.9%
- Strong operating performance was due to improved refinery reliability, higher refiner margins and stable marketing margins
- One significant item: \$12m final contingent consideration provision for Pioneer

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## Underlying profitability improved in 2002



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## Debt reduction targets exceeded...in an environment of rising oil prices

	Target (\$m)	Achieved (\$m)
Reduction in planned CAPEX	50	59
Reduction in working capital	50	68 (1)
Divestment proceeds	40	26
Reduction in operating costs	5	2
<b>Total</b>	<b>145</b>	<b>155</b>

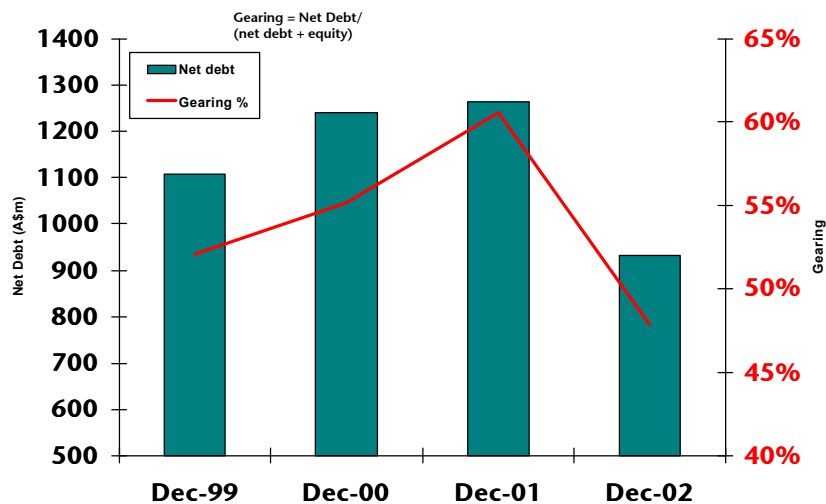
### (1) Reduction in working capital

	2001	2002
Number Of Days Inventory	43	35
Average payment period for accounts receivable (Days)	42	35
Average payment period for accounts payable (Days)	16	19

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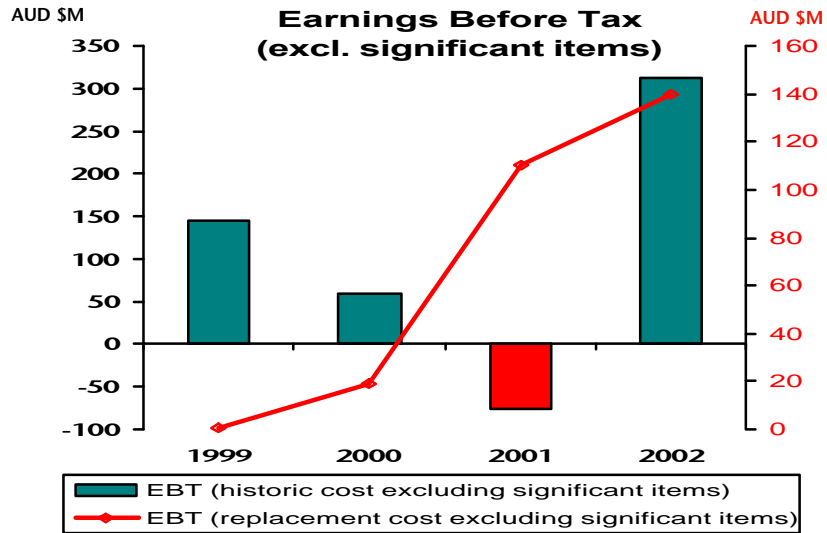
## Debt reduction well ahead of schedule in 2002



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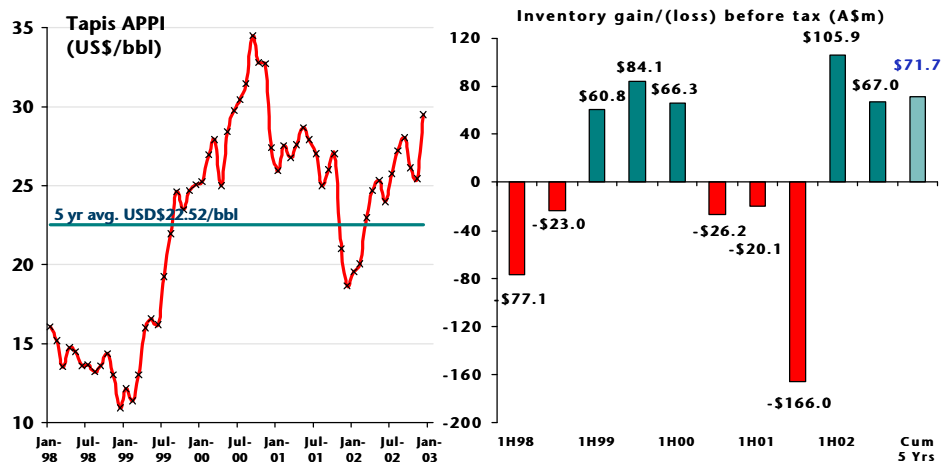
## Debt reduction contributes to earnings growth in 2002



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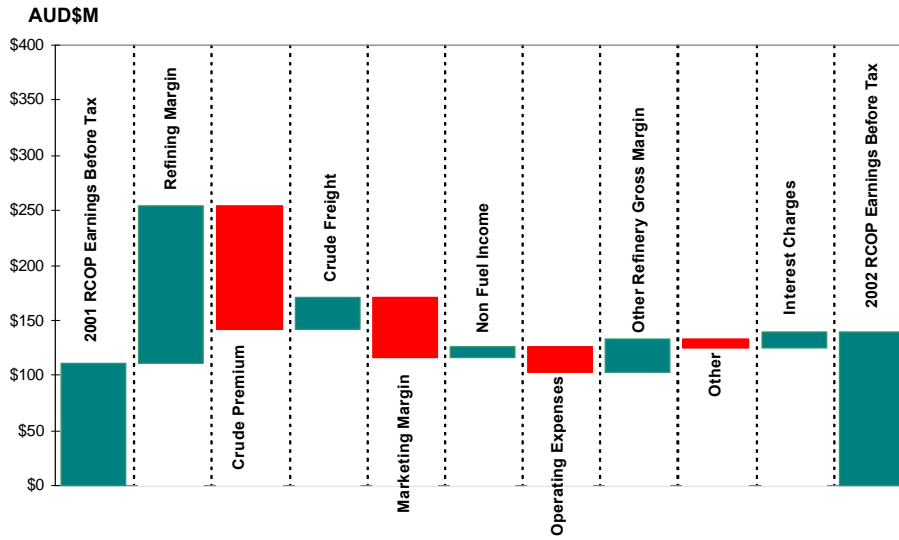
## Crude oil price movements even out over long-term



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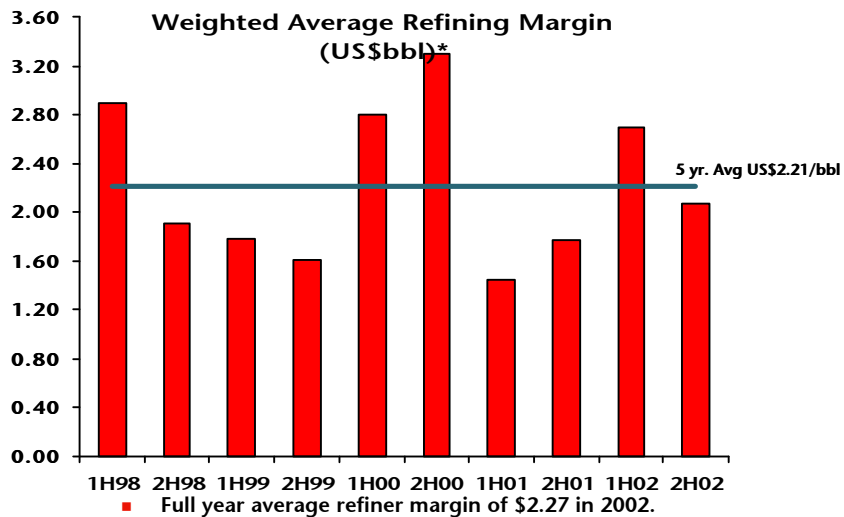
## RCOP Profit transition for 2001 to 2002



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## Average 2002 refiner margins were near the 5 year average

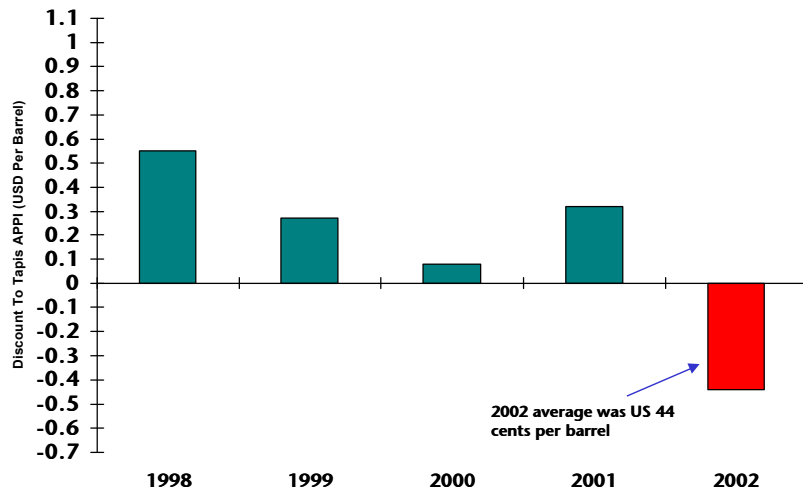


\* Weighted Average Refiner Margin (WAM) is based on quoted Singapore margins achieved for the Caltex basket of products over the benchmark crude which is Tapis

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### Crude premiums in 2002 were up US\$0.76/bbl over 2001

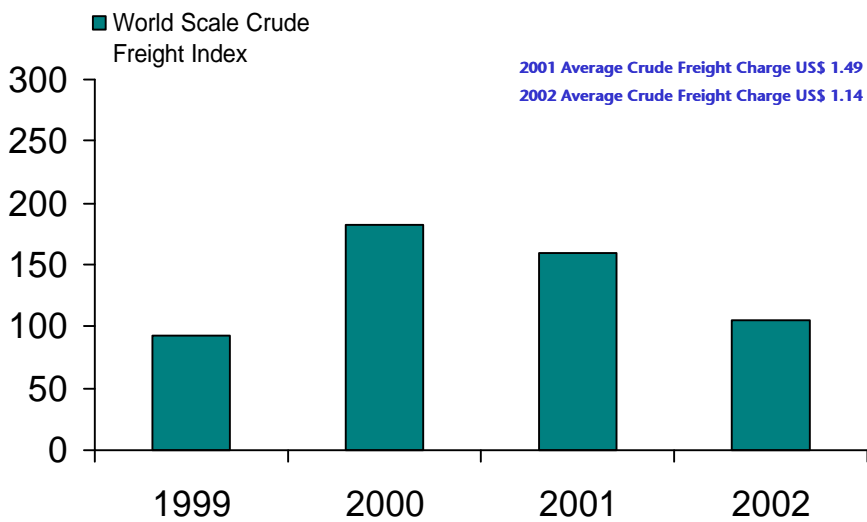


■ Regional crude premiums in late 2002 were due to Japanese demand for heavy sweet crudes.

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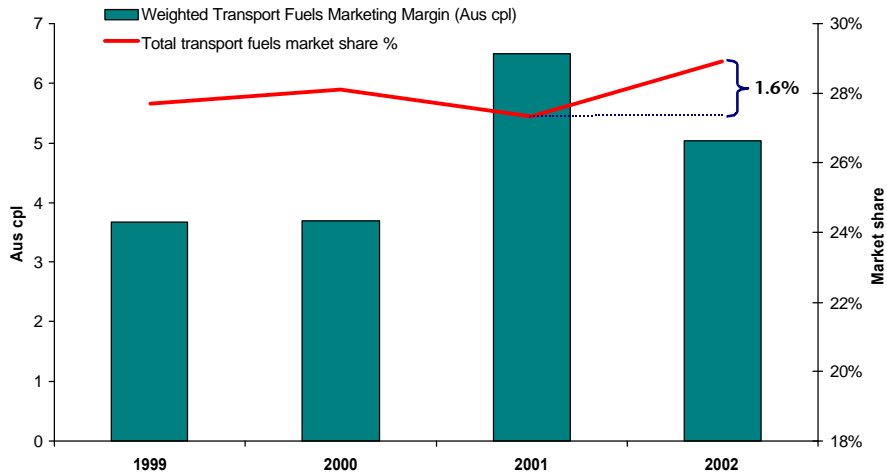
### Crude freight costs in 2002 were down US\$0.35/bbl on 2001



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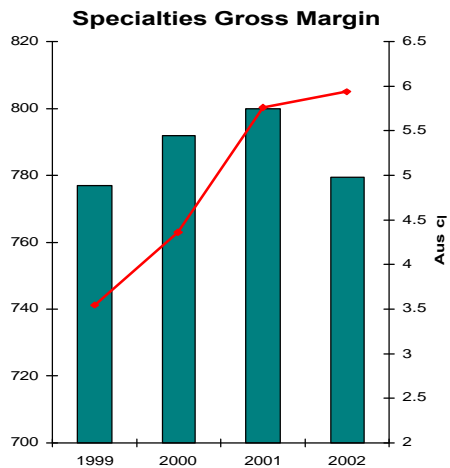
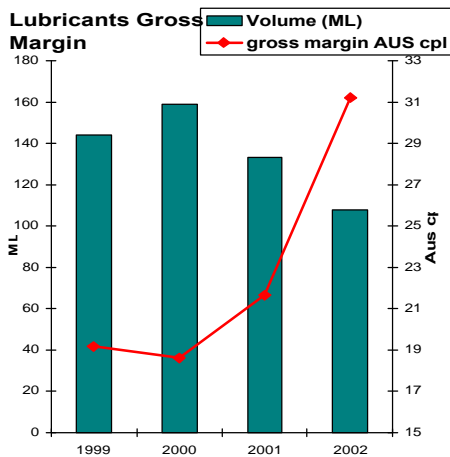
## Transport fuels market share is up and marketing margins were stable



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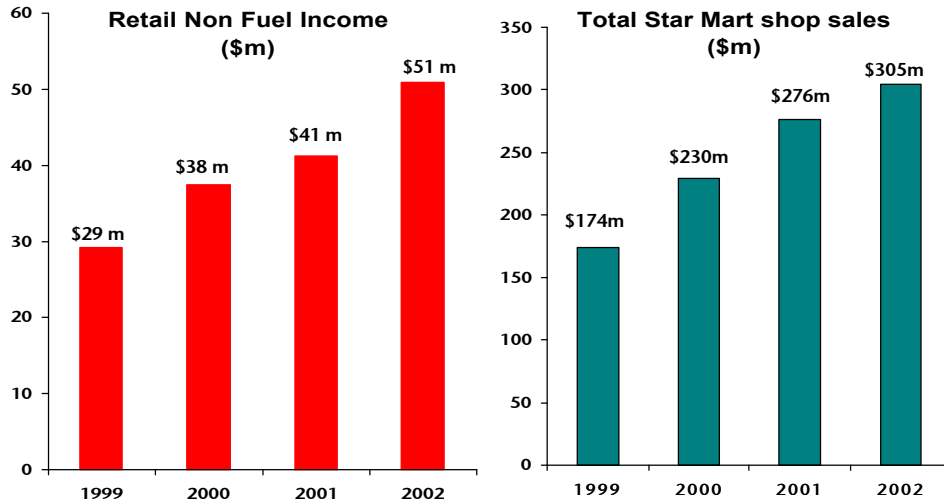
## Focus on margin growth in Lubricants & Specialties



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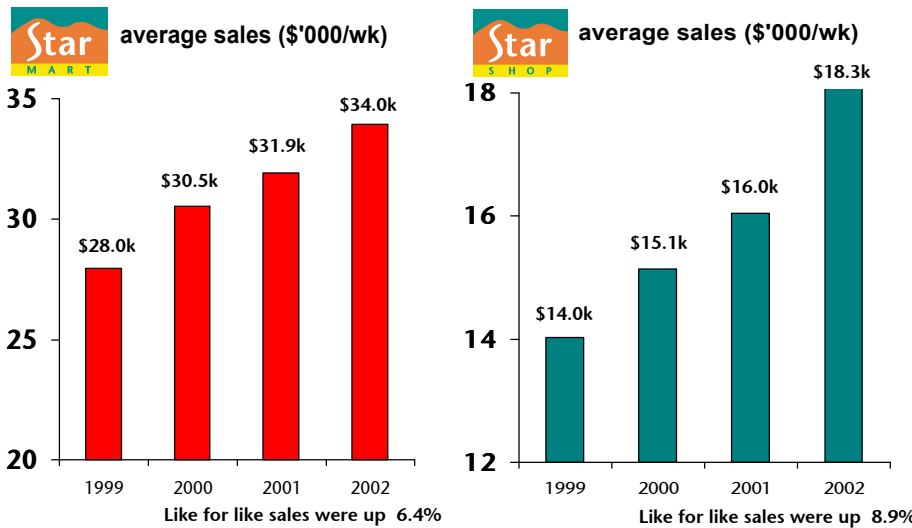
### Continued improvement in both retail non fuel income and convenience store sales



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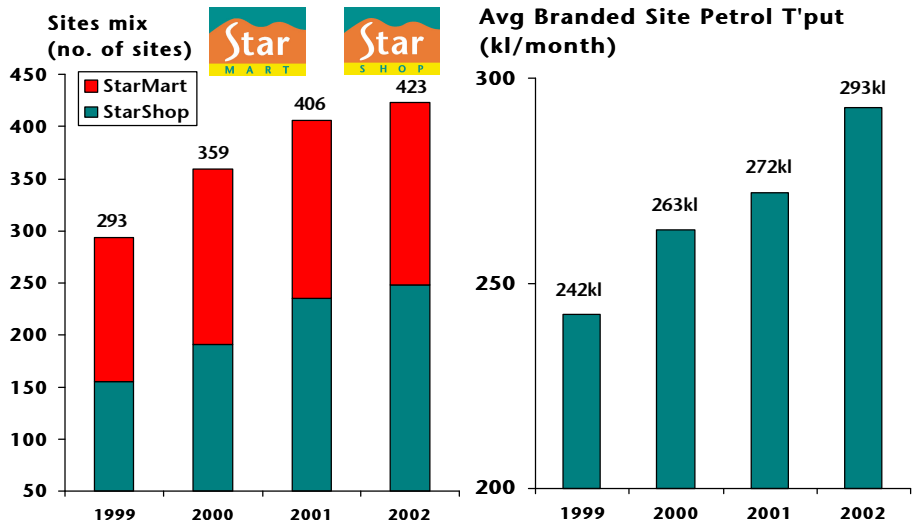
### Continued growth in average weekly sales for both Star Mart and Star Shops



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## Continued growth in retail sites and volumes



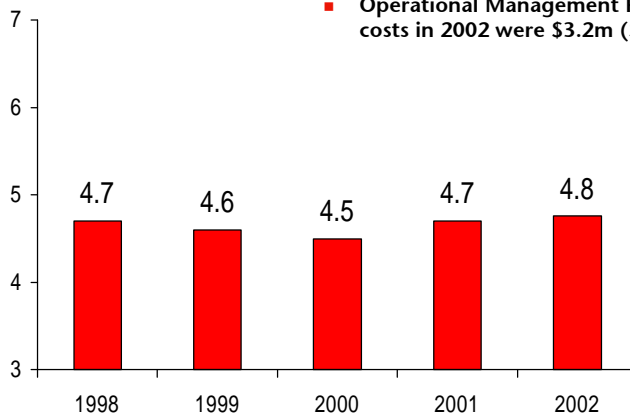
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## Operating expenses were marginally up

### Operating expenses (Cents per litre)

- Insurance costs were up 68% on previous year reflecting higher global premiums
- Operational Management Review Team (OMRT) costs in 2002 were \$3.2m (\$1.6m in 2001)

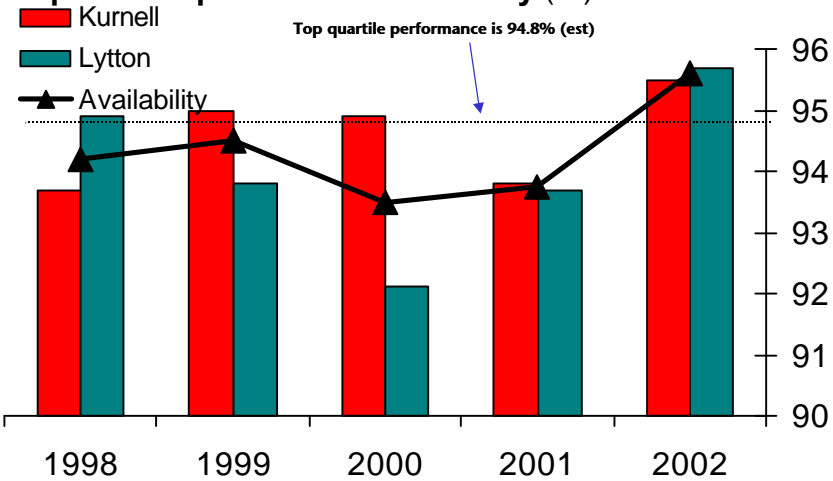


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## Refinery reliability moving to world class performance

### Improved Operational availability (%)



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## No Dividend payment- A Tough Decision

Shareholders' interests are best served by building financial stability

Key 2003 Objectives: Debt below \$900m (less than 45% gearing) and BBB+ credit rating regained

- Significant progress on debt reduction, but more to be done
- Large capital expenditure to meet 2006 clean fuel standards
- Uncertain global environment
  - Disruption of crude oil supplies from Venezuela
  - Potential for conflict in Middle East
  - Potential for Japanese demand to push up crude premiums

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## Summary-Key accomplishments of 2002

- Record operational availability at both refineries
- Significant progress in journey to achieve financial stability:
  - Replacement cost NPAT \$106.1m is 27% up on 2001
  - \$310m reduction in debt ; down to \$954m (47.9% gearing)
  - Successful US\$200 million debt fundraising through US private placement
- Transportation fuel market share improved from 27.3% to 28.9%
- Continued growth in non fuel income
- Successfully completed new enterprise bargaining agreement
- Significant progress for production of cleaner fuels-final decision due in Q3 2003

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## Focus for 2003-Incident Prevention System (IPS) implementation

- IPS Key to achieving a step change in EHS performance :
  - Incident Prevention System (IPS) is a system aimed at eliminating incidents of all kinds
  - Key focuses are the elimination of at-risk behaviour
  - Clear ownership and accountability of managers
  - IPS will be rolled out through all Caltex employees and equity partners by early 2004
  - 9 key personnel from throughout Caltex have been dedicated to IPS
- Continued progress on the on the Operational Management Review Team recommendations

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## Debt reduction and EBIT improvement are our top financial priorities

- Continued focus on reducing debt below A\$900m by end 2003
- Key areas of focus in 2003 are:
  - Working capital efficiency
  - Continued capital investment program restraint
  - Continued divestment of surplus properties
  - Controllable operating cost savings
- Enterprise focus on EBIT improvement projects

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## Key Caltex petroleum policy objectives for 2003

- 2003 is a critical year for Government policy decisions:
  - Energy Task Force established to consider:
    - policy/taxation issues
    - implementation of ultra low sulfur 1 July 2003
  - Marketing regulation reform process including:
    - Oilcode
    - Repeal of Sites and Franchise Acts
    - National approach to voluntary terminal gate pricing
  - Maximum 10% ethanol limit and mandatory labelling
  - Policy on future fuel standards

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## Outlook

- Future earnings will be influenced by:
  - Continued focus on plant reliability and safety
  - Success of IPS take up
  - Marketing margins stability
  - Operating and capital cost vigilance
  - Growing lubes and specialty sales/margins
  - Refiner margin and Tapis premium
  - The impact of the Iraq conflict

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## Caltex people deliver strong 2002 Full Year Results





**In recognition of these results and to engage all employees across the company, the Board has agreed to make an ex-gratia offer of 200 shares to Caltex employees**