Caltex Australia Limited

Great Performance Through Great Execution

14-16 January 2004

Caltex Australia Limited ACN 004 201 307

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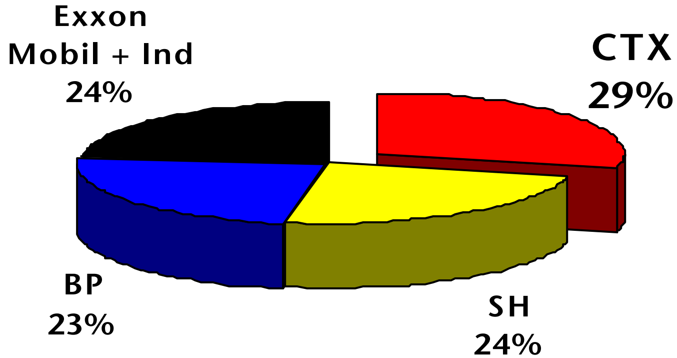
Company & Industry background

- The largest and only publicly listed downstream oil company in Australia
- Over 100 years of successful operations in Australia
- Merger of Caltex Australia and Ampol assets in 1995 created an entity with a market share in transport fuels of approx 29%
- Caltex operates through two divisions:
  - Refining and Supply: sources and processes crude
    - Approx 28% refining market share (including Port Stanvac production)
    - Owns 2 refineries, strategically located in the growth states of New South Wales and Queensland
  - Marketing: responsible for retail network, distribution & branding
    - leading retail network
    - > 1,200 branded stores with high proportion of entrepreneurial ownership
    - > 400 C-stores
    - emerging alliance with Australia's premier retailer, Woolworths

Petroleum trends & market shares

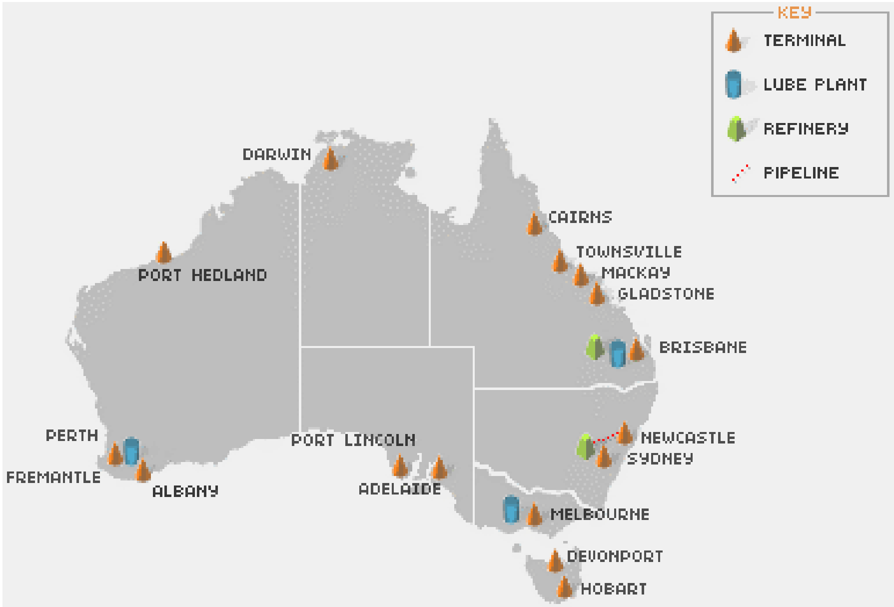
- Downstream oil industry has weathered a number of years with poor returns.
- Declining refining margins from US$4-5 prior to 1998 to a low of US$1.61/bbl in 2001, caused by:
  - oversupply from an influx of Asian product
  - regional instability with Asian financial crisis
- Australia has one of the lowest retail petroleum prices (excl. tax) in the developed world
- Signs are that refiner margins are firming above the current 5 year average
- 2002 estimated Transport Fuels Market Shares:



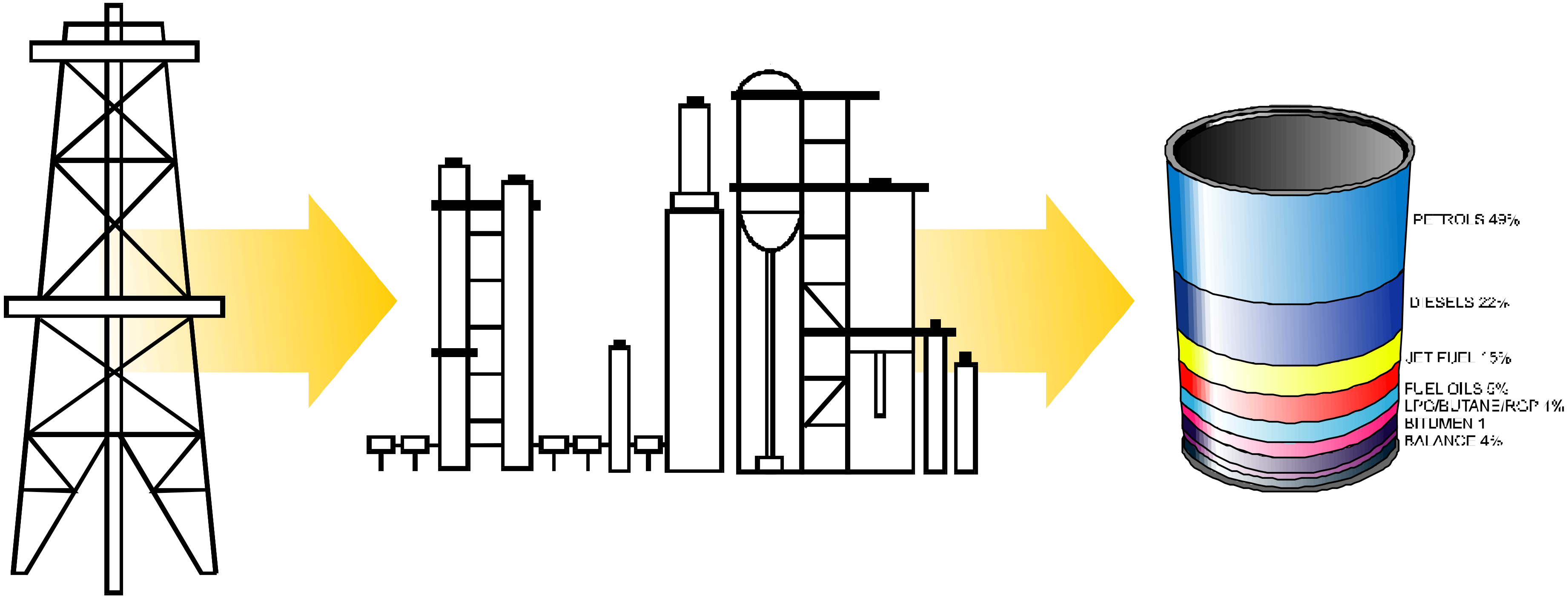
Refining and supply overview

- 2 fuels refineries with aggregate capacity of 225,500 barrels/day
  - largest in respective states, New South Wales and Queensland, the fastest-growing regions in Australia
  - Kurnell and Lytton are major suppliers of transport fuels for both the growth states of NSW and Queensland
  - 3,750 barrels/day lubricating oil refinery at Kurnell
- 229 km pipeline in NSW is longest multi-product pipeline in Australia

- 3 joint venture (with BP) lubricant blending plants produce high - margin product
- 16 seaboard storage terminals, including 4 jointly operated with other majors



Processing crude into fuel products

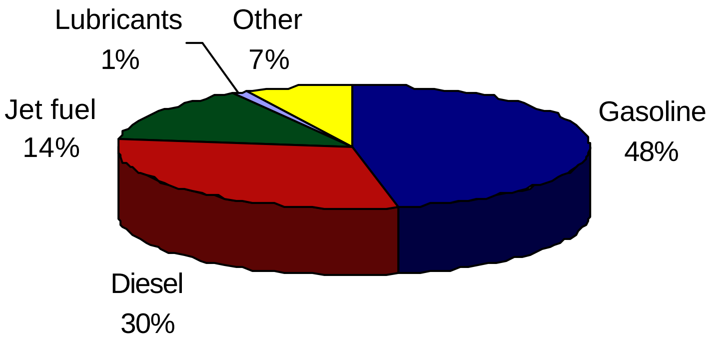


What we produce

- Propylene (RGP)
- Propane (LPG)
- Autogas (LPG/Butane for vehicles)
- Butane
- Chemical naptha
- ULP - unleaded petrol
- PULP - premium unleaded petrol
- LRP - lead replacement petrol
- Heating Oil
- Jet fuel
- Diesel
- Fuel Oil
- Carbon black feedstock
- Bitumen
- Lubricating oil basestocks
- Agricultural spray oils basestocks
- Food grade and other waxes
- Process oils for inks, rubber

Marketing: Overview

- Retail, commercial and wholesale channels
- Largest oil company retail network in Australia
  - approx 1,800 branded stores (take StarCard)
  - 433 convenience stores as at June 2003
- 69 distributors
- Brands under master license agreement
  - Delta logo
  - Star Mart, Star Shop
  - Havoline, Delo and Vortex products



Marketing: Retail Stores

- Regarded as best operated retail network in ChevronTexaco family
- Strong franchisee model for stores that supports
  - high level of entrepreneurship
  - revenue streams that include fixed franchise fee, fixed annual license fee and variable service fee (based on sales)
- 177 Star Marts (120 m^2 shops)
  - some sites have McDonalds, car washes, ATMs
- 256 smaller Star Shops (50 m^2 shops)

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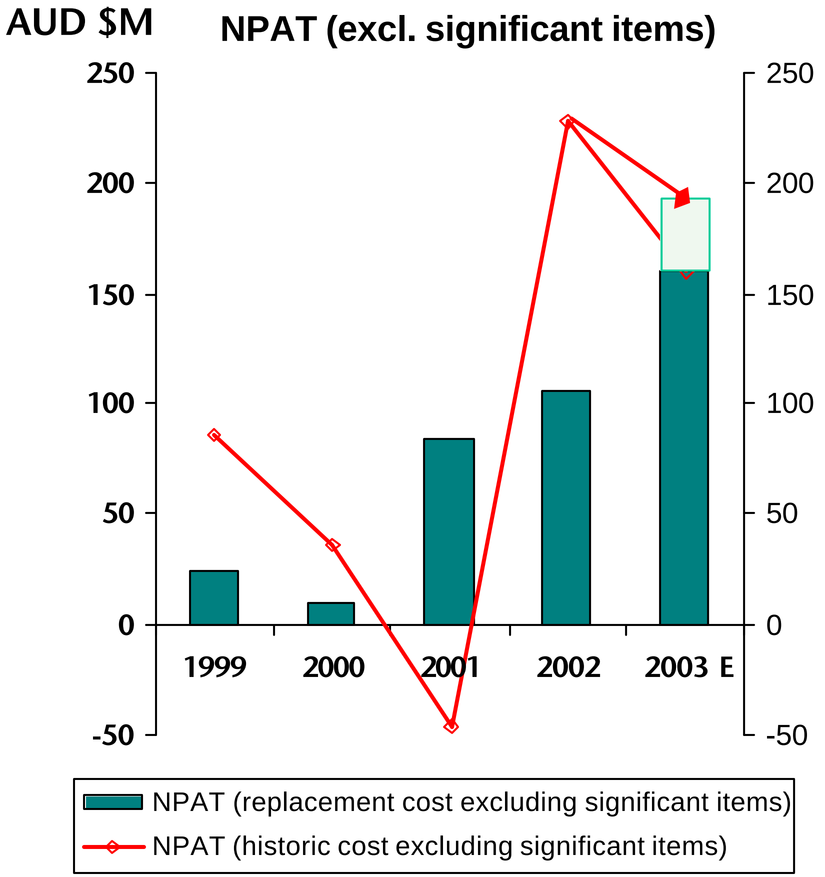
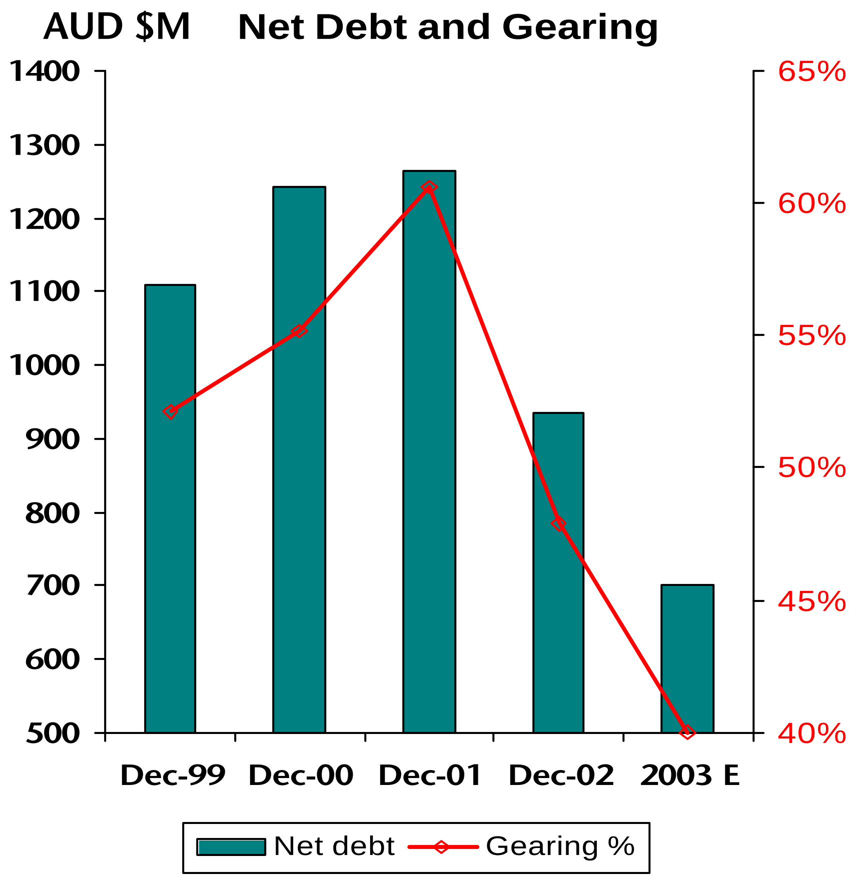
Overview of last 5/6 years

- Both the Asian region and Australia have seen supply exceed demand. This meant :
  - many companies were volume focussed
  - Australian refineries exported surplus to fill refinery capacity
  - independent unbranded retailer growth was promoted
- Over the past 18 months industry dynamics have become more favourable :
  - refiner margins in Asia have started to recover as Asian demand for petroleum products catches up with supply
  - one Australian refinery, Port Stanvac, operated by Mobil, was closed in 2003, moving the Australian market into a short gasoline and diesel position

Strong improvement in financial position since the Asian crisis

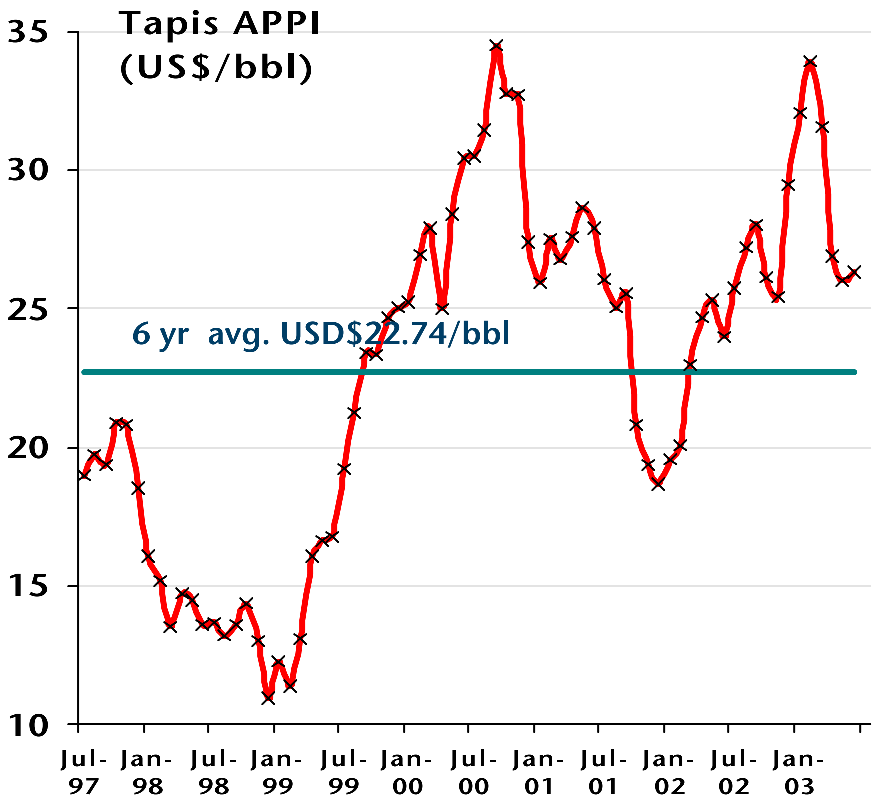
- **Press release dated 27 November 2003 :**
  - **Replacement cost net profit after tax in the range of $160-$180 million**
  - **Debt below $700 million and less than 40% gearing**

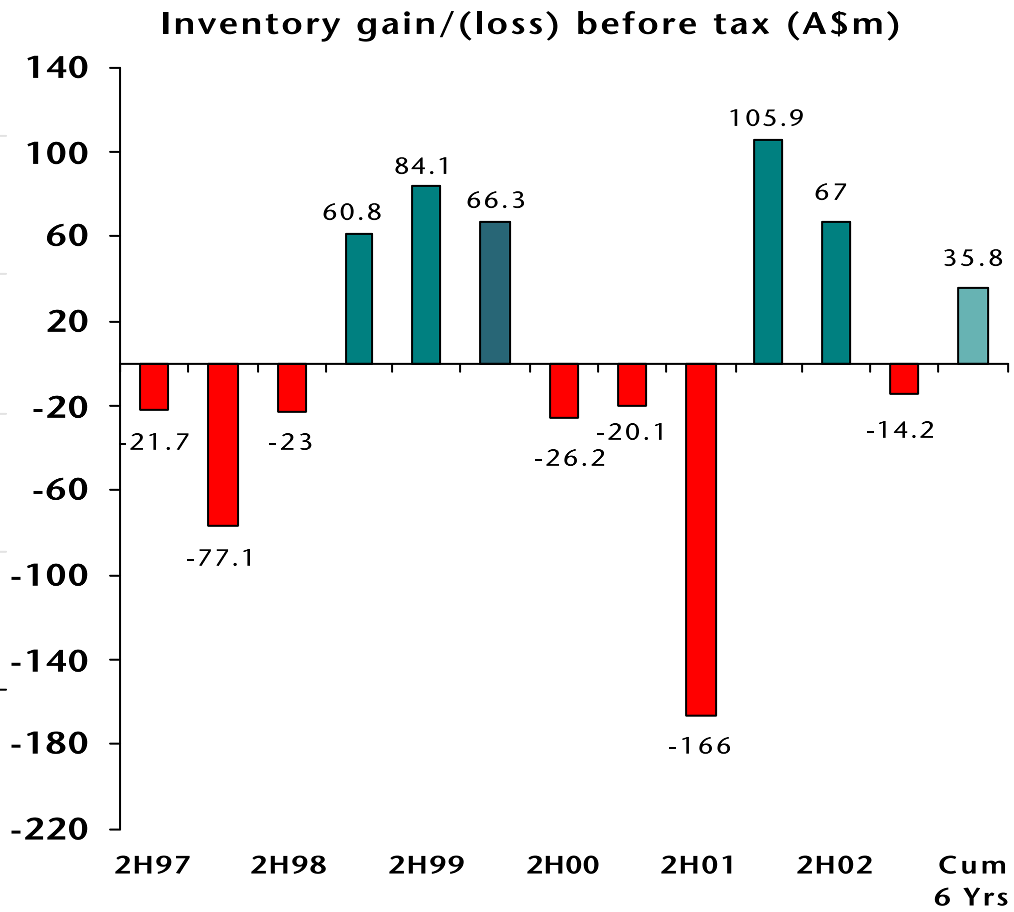




Crude oil price movements create volatility in statutory results, but even out over the long-term

Historic or Statutory cost results include gross inventory gains and losses from the movement of crude oil prices. Individual years results can be greatly affected by such crude price volatility. However, over the long term this effect is minimal.





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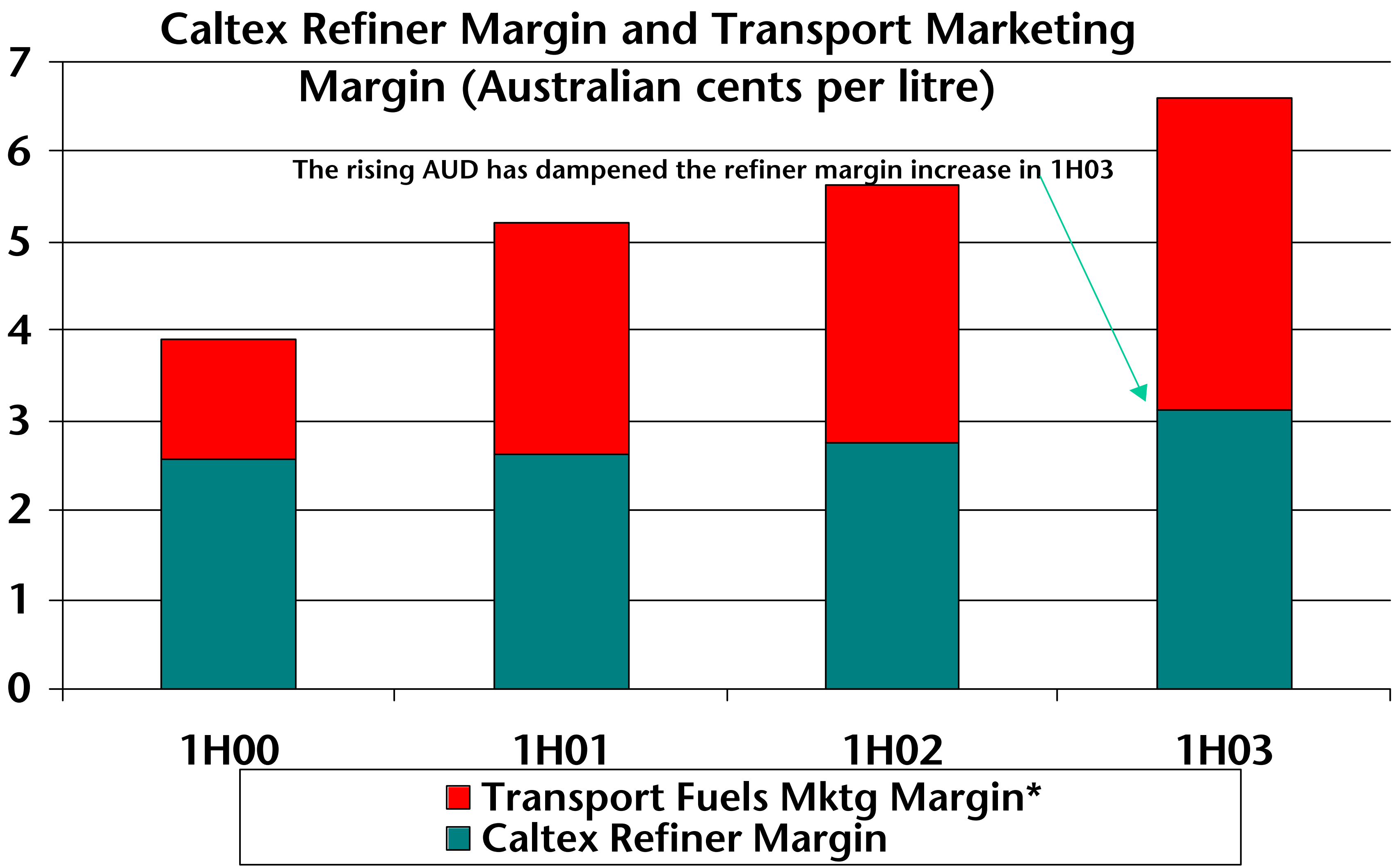
Key profit drivers

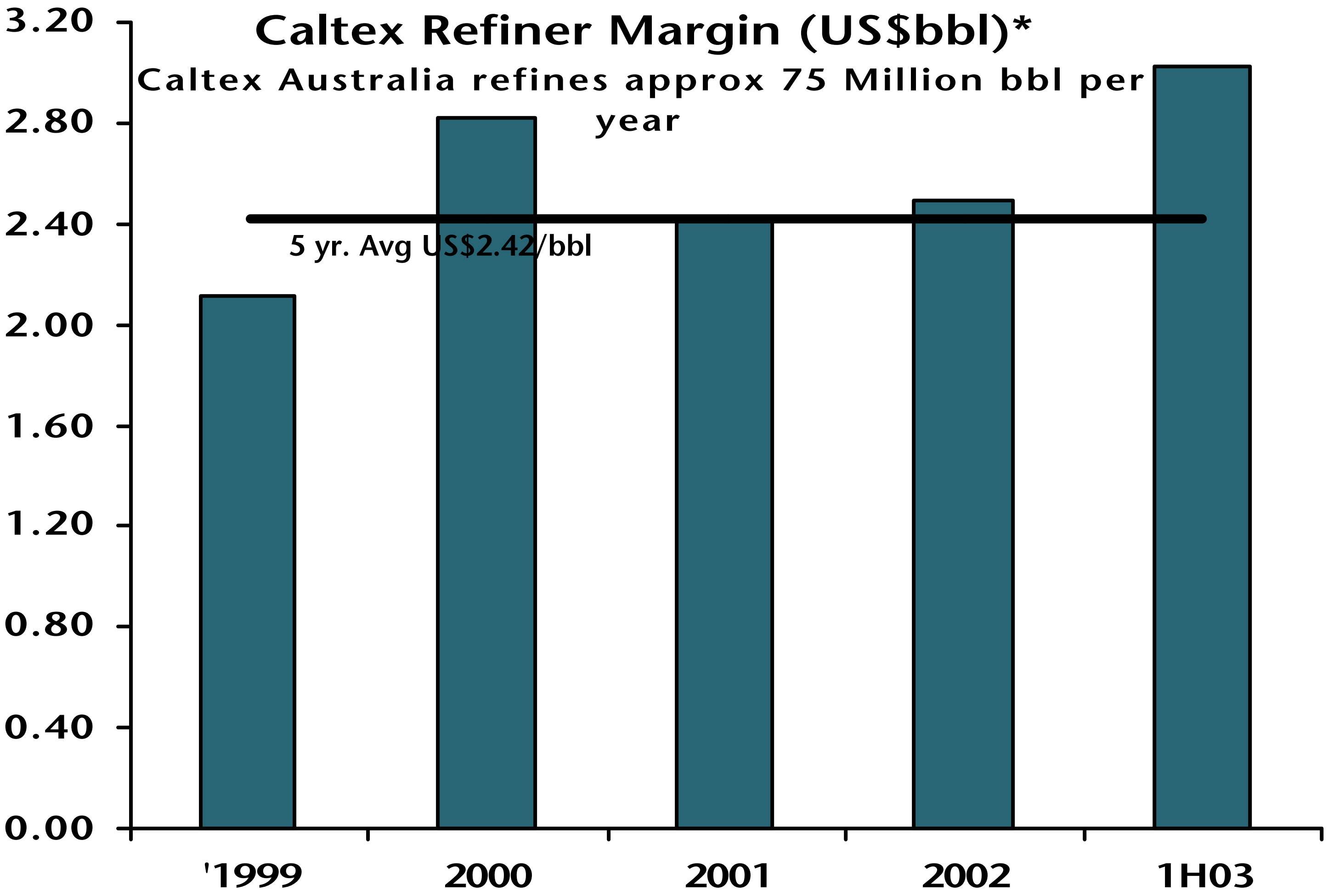
- Refiner margin + Transport fuels marketing margins
  = integrated total transport fuel margin
- Non fuel income from C-store operations and StarCard
- Lubricants and specialty products
- Refinery availability and economic utilisation

Integrated total transport fuel margin has shown a strong improvement since the Asian crisis



* Transport fuels comprises Petrol, Diesel and Jet. The transport fuels marketing margin is the achieved average net margin over deemed Import Parity Price (IPP) into Australia

1H03 Caltex Refiner Margin was above 5 year average



Caltex Refiner Margin

Equals

Singapore WAM

Add :

Product Freight

Crude Discount

Less :

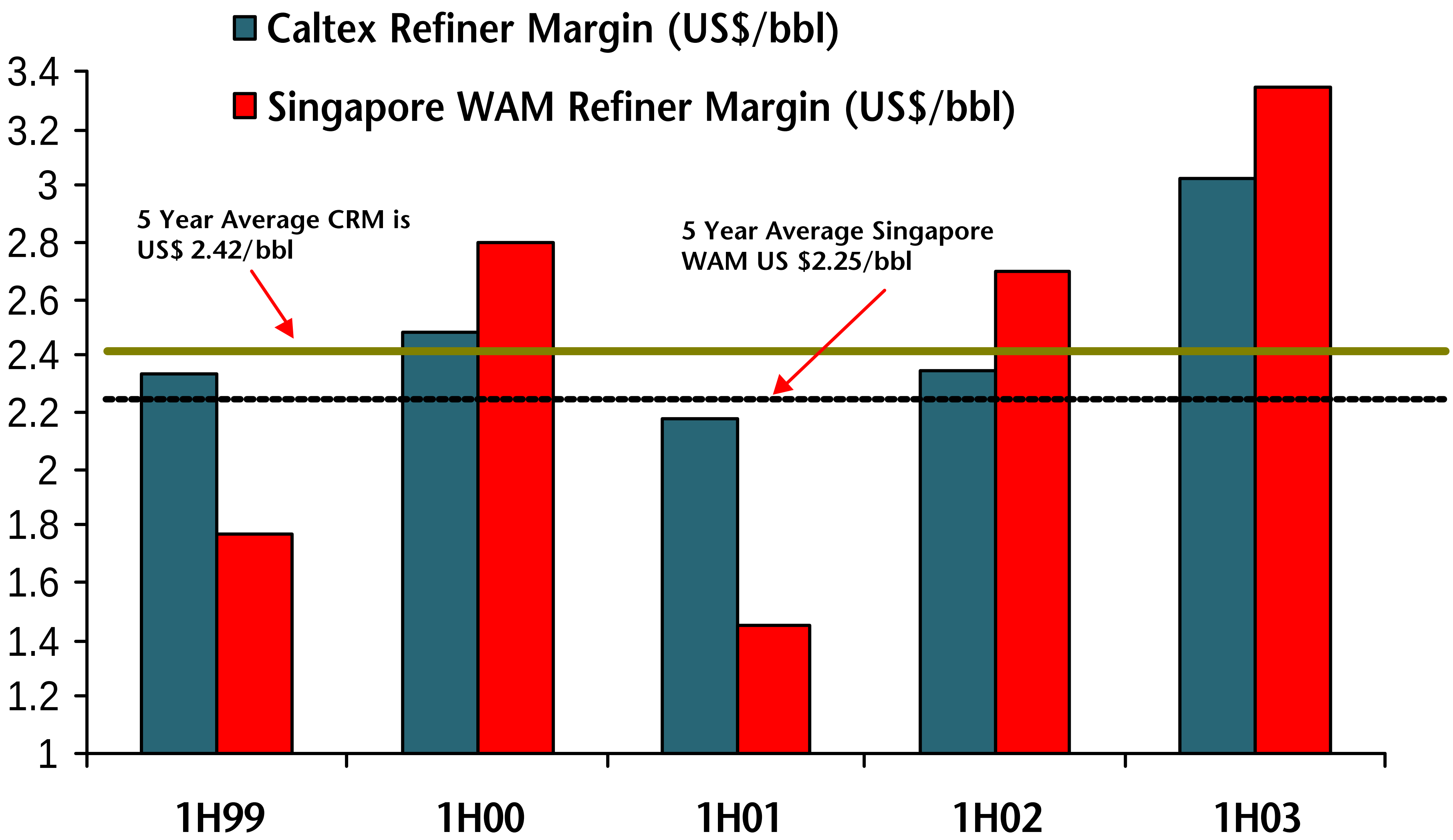
Crude Freight

Crude Premiums

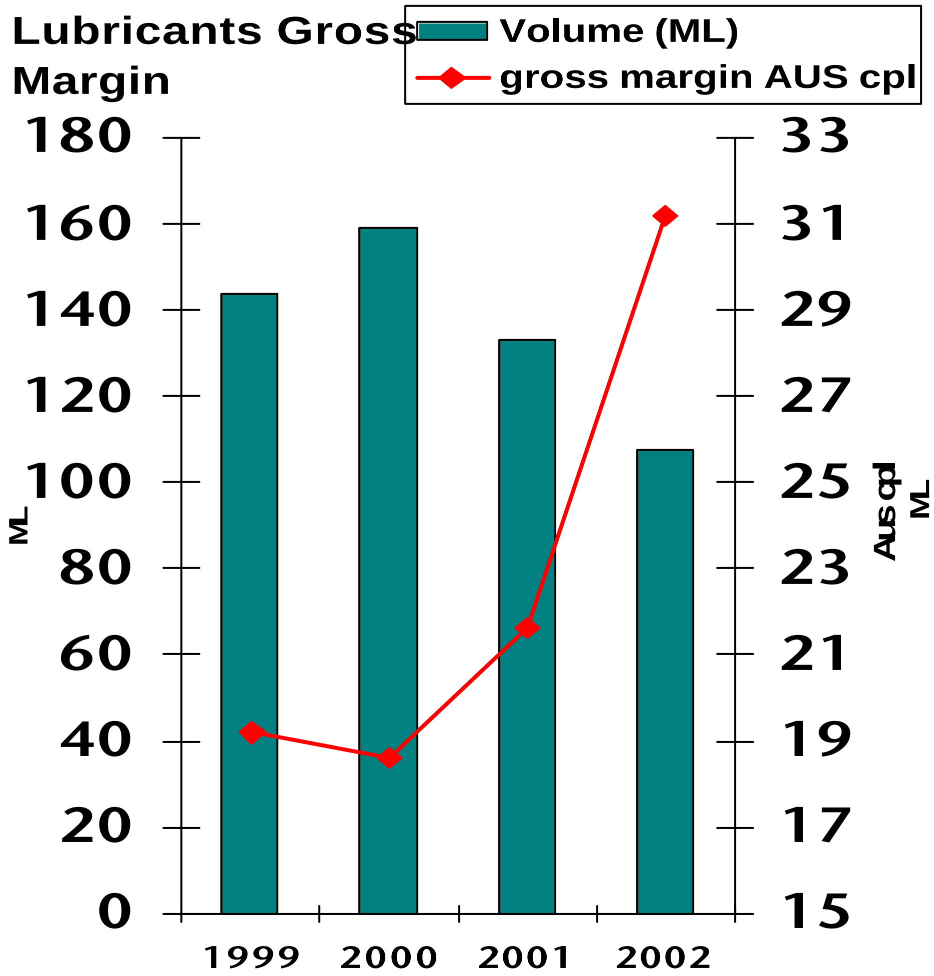
Yield Loss

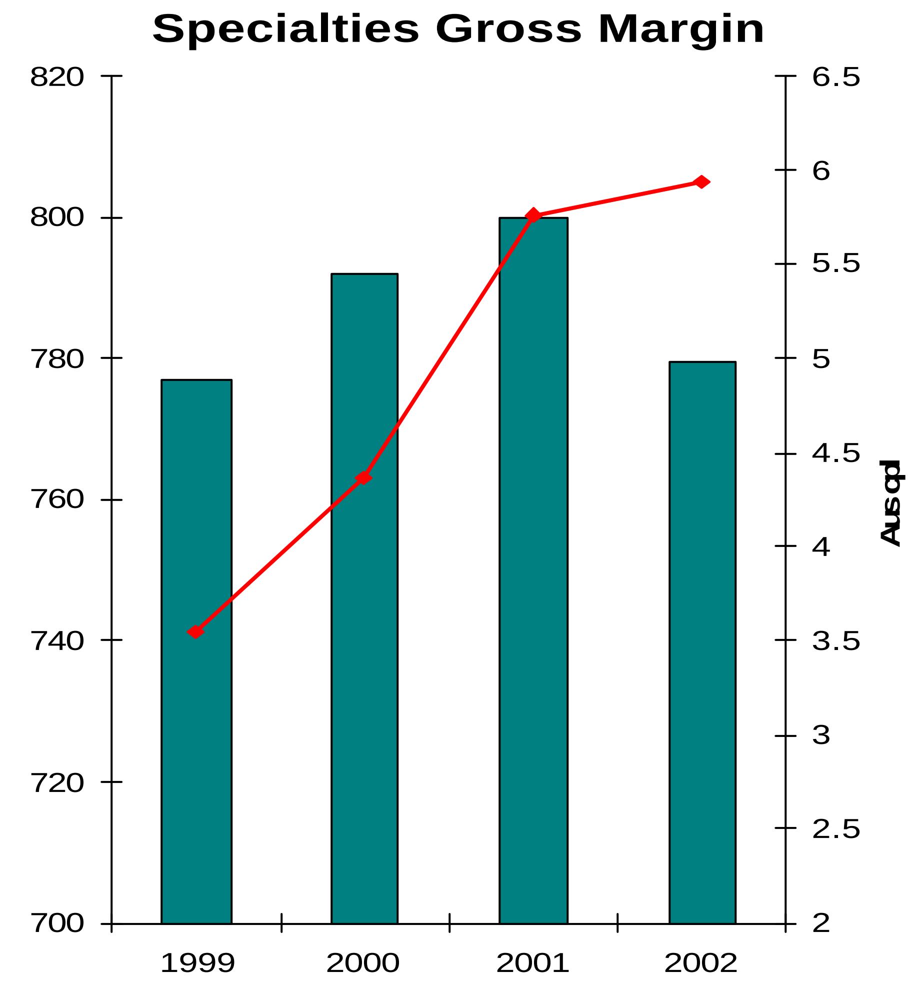
CRM represents the difference between the cost of importing a standard basket of products to Eastern Australia and the cost of importing the crude required to make that product basket. It is a proxy for the gross margin available to refineries in Eastern Australia before processing costs. Because it is based on a standard basket of products it does not include any premiums that might be paid for product that complies with specific state or national quality regulations

Over 5 Years the difference between CRM and Singapore WAM Refiner Margins is only US 17 Cents

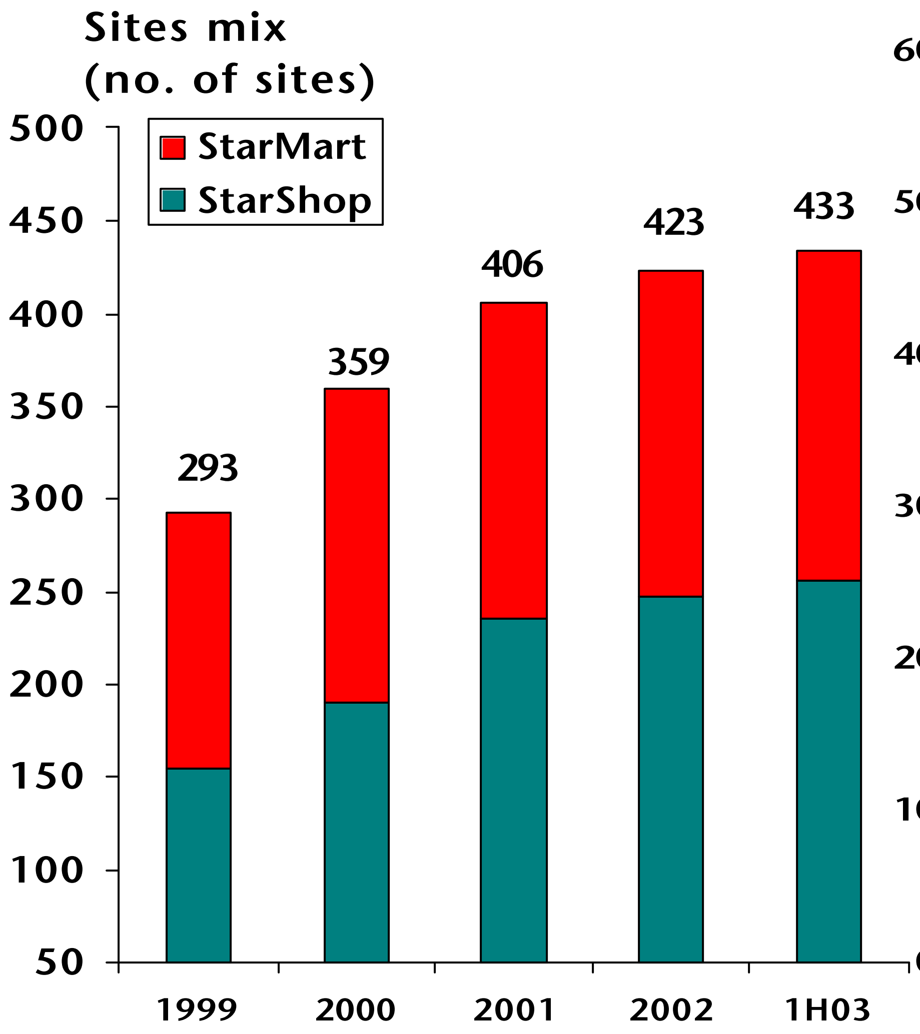


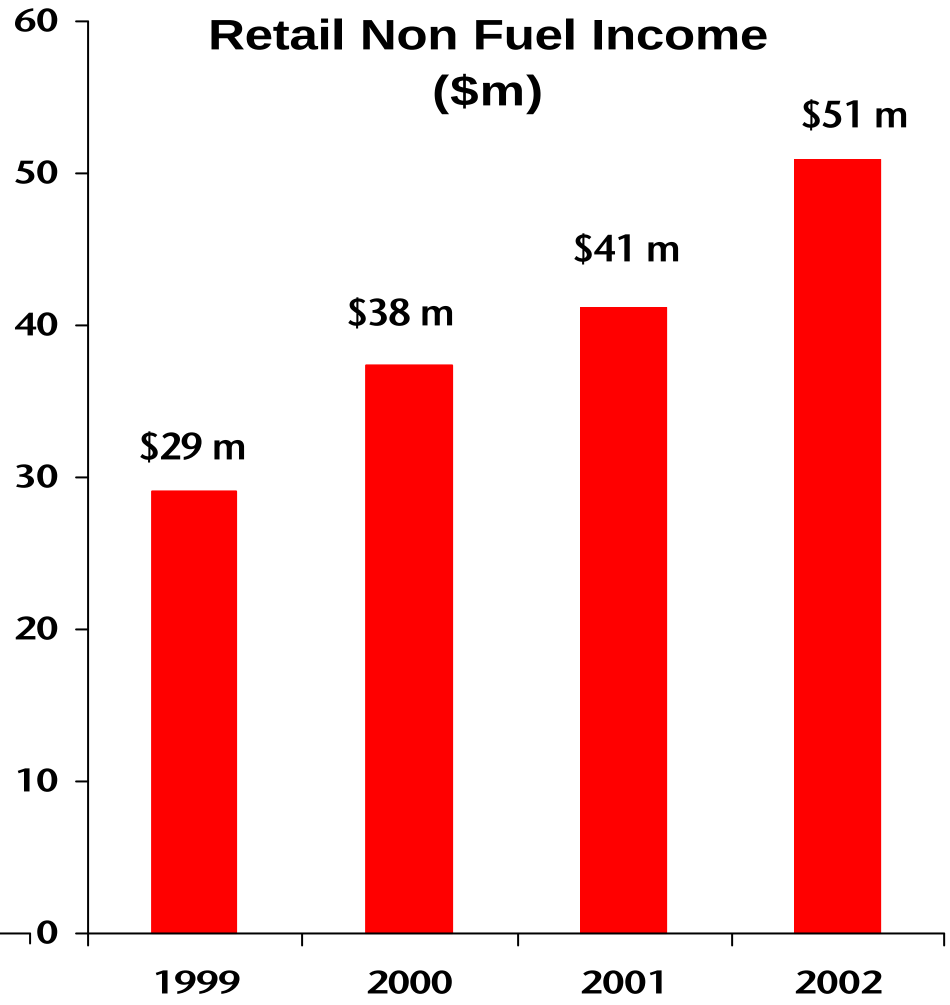
Focus on high margin products





Retail sites and non fuel income continues to grow





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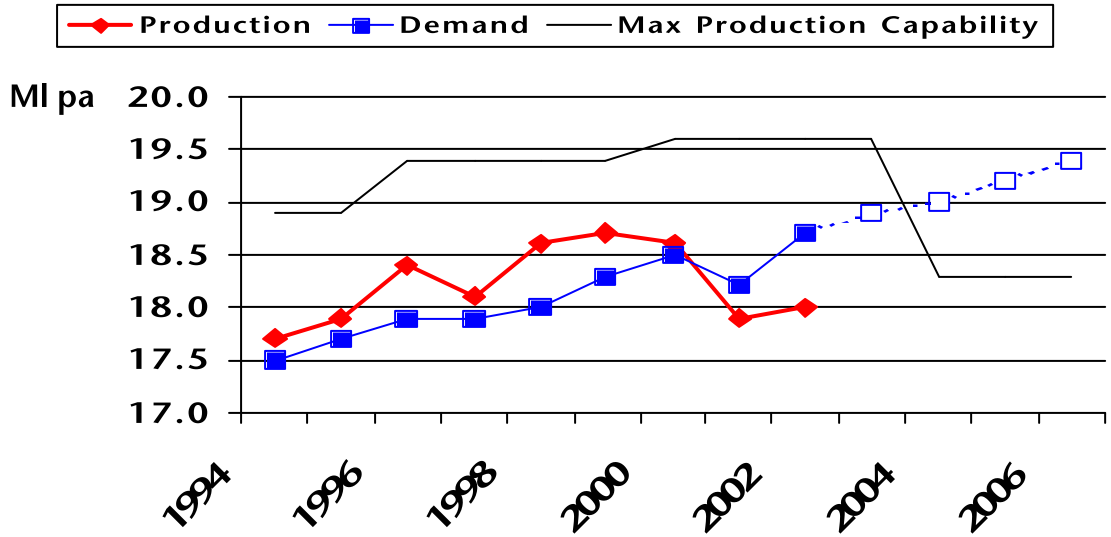
Asia is a diesel and fuel oil orientated market- Australia is heavily oriented to gasoline

	Asia Pacific %	Australia %
Light Distillates (incl. Petrol)	24	41
Middle Distillates	39	41
Fuel Oil	20	2
Other	17	16

Gasoline in Australia has firmly shifted from surplus to deficit and Caltex is well positioned in the main growth states

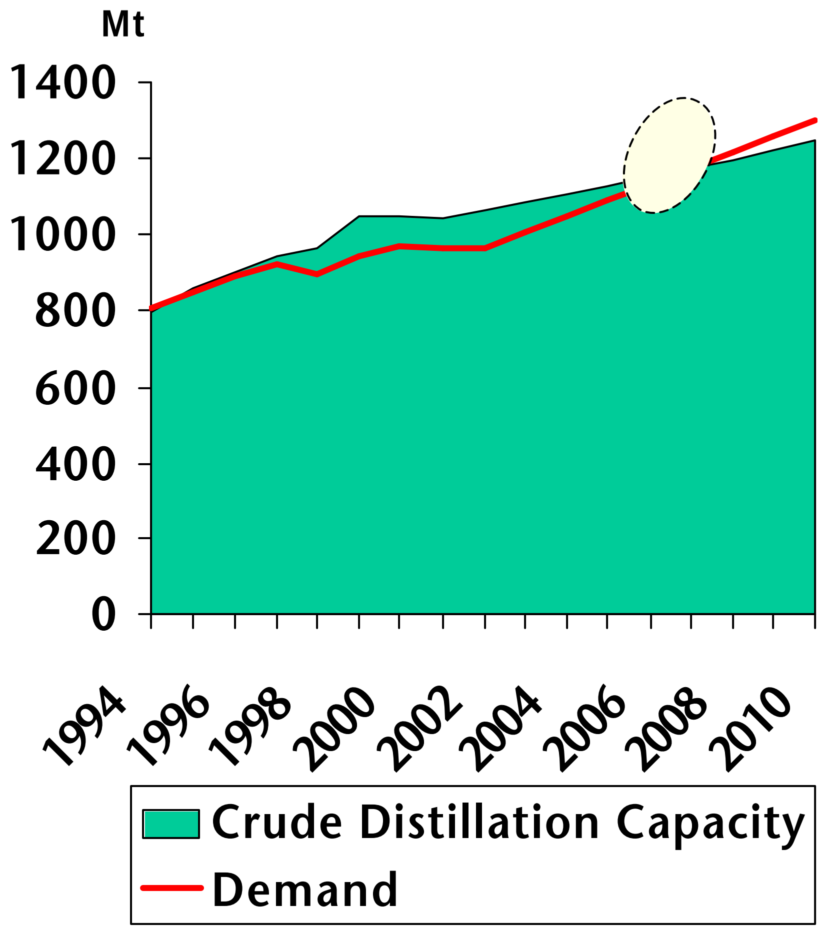
- In early 1990's refinery margins encouraged investment to increase production capability
- In 2001/2 poor/negative gasoline margins slowed production
- Consistent demand growth has worked to reduce the surplus
- Closure of Stanvac in 2003 has reduced production capability, by approx 9%
- Investment for clean fuels is more likely to reduce capability than to increase it



2003	Market Size	Surplus/(Deficit)	
	Mlpa	Mlpa	% of Market
QLD	4100	200	5
NSW	6200	(1200)	(20)
Vic/Tas	5400	800	15
SA	1400	(1400)	(100)
WA	1900	1000	53
Total Market Demand	19,000	(600)	(3)

Source: Caltex

Asia Pacific demand set to catch up with refining capacity



Source: Wood Mackenzie 2002

- Asia Pacific demand had been rising rapidly through the 1990's until the Asian crisis of 1997
- High Chinese growth is boosting regional demand, especially for gasoline
- Refinery utilisation rates will reach maximum levels and new capacity (creep, expansion or grassroots) is unlikely to come on stream until post 2006

At the same time that gasoline in Australia moves into deficit, the country is also moving to more stringent quality standards

	2004	2005	2006	2007	Later
Gasoline					
MTBE %	<1				
Benzene %			<1		
Sulfur ppm		150	I for 50 (PULP)*		50 (PULP)*
Diesel					
Sulfur ppm	500 I for 50		50	I for 10	10

I = Incentive available

* = premium unleaded gasoline (95 RON +)

Australian fuel quality availability

Gasoline

- Aromatics, olefins and benzene limits without MTBE will make Australian grade PULP more difficult to manufacture
- The key marginal exporter is China which is witnessing dramatic domestic growth for gasoline as the Chinese car population grows at pace
- Chinese gasoline is high olefin, low octane and without MTBE cannot currently be a source for import into Australia from 2004
- With the change in MTBE from 2004, we expect that pricing will at least partly reflect the cost of shipping from the Middle East, ie the freight arbitrage between the regions
- We expect to see significant volatility in quality premia for spot trades

Diesel

- 50 ppm sulfur diesel will be available in the region

Overall summary - outlook for key drivers

- Australia is moving to more stringent product quality standards
- Australian grade quality gasoline will be available but less readily from the region
- Australian grades are likely to enjoy higher premia
- These higher premia are likely to persist for a number of years
  - minor refinery changes <1 year, however
  - refinery investment lead time is about 3 years

• Singapore margins	- Slowly improving trend - (Moving from bottom of long term cycle)	⇒ Margins better
• Australian supply/demand balance	- Has improved and likely to remain short - (long term structural improvement)	⇒ Utilisation improved
• Australian product quality-2006 specifications	- Positive	⇒ Improved margins
• Relative cost of crude	- Likely to be higher cost due to factors driving improved Singapore margins and product quality	⇒ Partly offset margin improvements

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- Recent financial performance- where have we come from?
- Key profit drivers
- Industry fundamentals
- Company strategy
- Appendix

Great performance through great execution

- Focus on basics of execution in order to convert improving market conditions into value for our shareholders, franchisees and employees
- Market focus and sales growth to fully utilise our existing assets
- Improve reliability of refining system to lower unit costs and improve competitive position
- Maintain a strong financial position to prosper in a volatile industry

Focus Areas

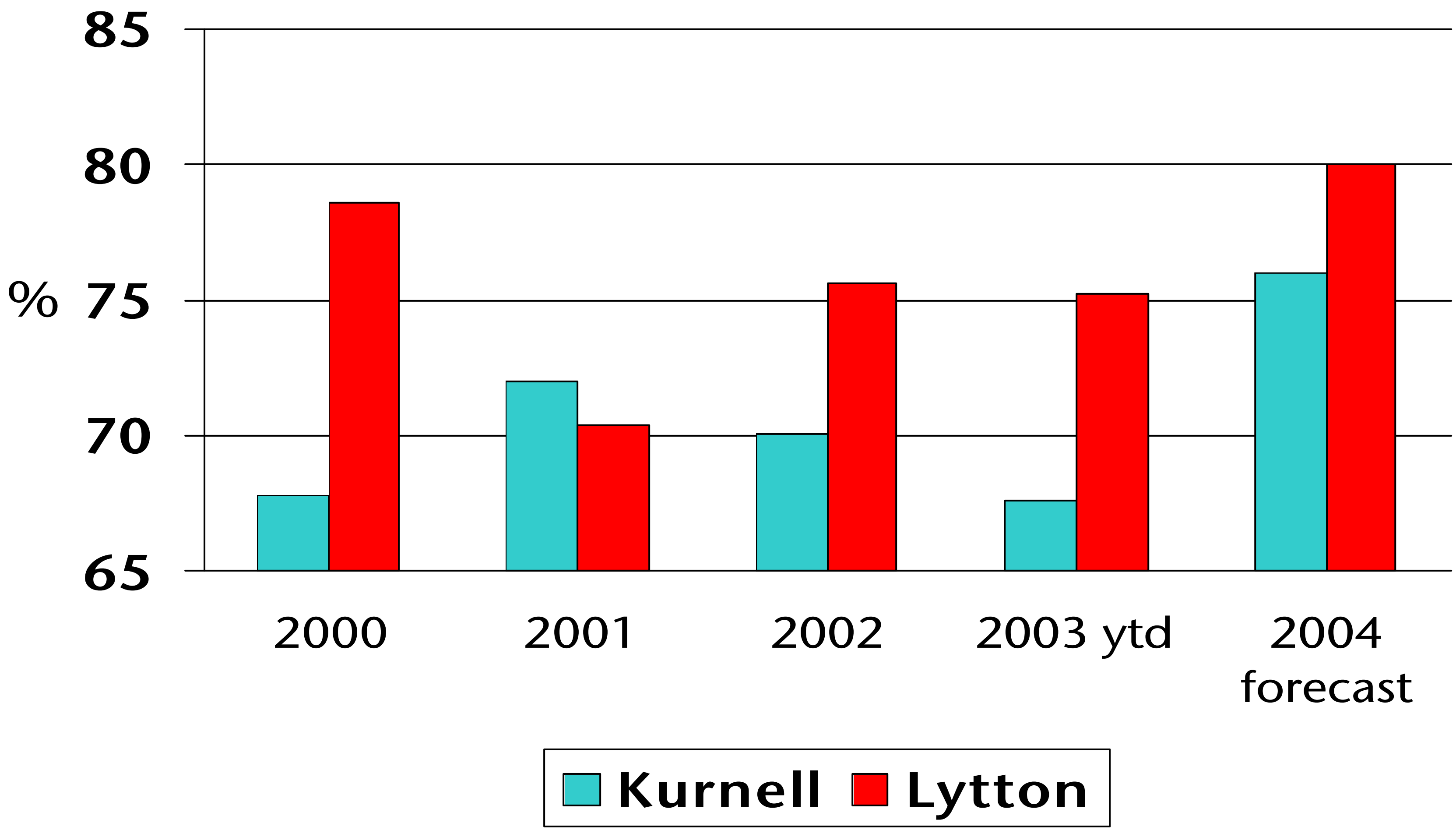
- **Key areas of focus for Caltex over the next few years are aligned with our Vision, Values and Strategic Intents (VVSI) :**
  - **Operational excellence**
    - **Improve safety performance**
    - **Improve refinery reliability**
    - **Implementation of Loss Prevention System (LPS)**
  - **Cost management**
    - **reduce unit operating costs**
  - **Capital stewardship**
    - **successful clean fuels project implementation**
    - **ensure lower debt level is maintained**
  - **Strong and sustained profitability**
    - **continue to enhance franchise model for retail**
    - **extend the brand and utilise assets through Woolworths alliance**
    - **refining improvement plan**
  - **Partnering with employees and other stakeholders**

Operational excellence

- Solomon's (an independent refinery benchmarking consultancy) currently ranks Caltex's refineries in the lowest Australian quartile on a number of measures. This creates opportunity :
    - for Caltex to lower unit production costs
    - to raise utilisation to meet increased demand
    - to create value from existing assets through improved execution
    - to obtain the full value from the clean fuels investment
- Higher prospective sales generated by the Woolworths alliance will require distribution infrastructure (terminals, depots etc) to operate efficiently and reliably

Refinery utilisation is a large opportunity, facilitated by the emerging Woolworths alliance

- Utilisation is a measure of the match between plant capability and market demand



Clean fuels project update

- 1% benzene in gasoline and 50 ppm sulfur in diesel by 1 January, 2006.
- Projected cost about AUD $250 million +/- 10%
  - Estimated spend to 31 December, 2003 $39 million
  - Projected spend to 31 December, 2004 $105 million
  - Projected spend to 31 December, 2005 $99 million
- Final approval request to the Board in February 2004
- Leveraging ChevronTexaco resources to ensure successful implementation

Franchise and Woolworths alliance update

- Continual development of franchise offer to ensure that Caltex maintains a leading industry position, and that our franchisees remain competitive in a changing market
- The emerging retail alliance with Woolworths, Australia's largest grocery retailer, will have many benefits including :
  - growth in branded market share via 290 existing Woolworths sites
  - facilitates increased refinery utilisation , reducing unit costs and capturing improving refiner margins
  - maintains Caltex's position at the forefront of industry change

Financial strategy

- Target capital structure :
  - debt $400-$500 million
  - gearing (d/(d+e)) approximately 25% on a lease adjusted basis
- Current Standard and Poor's rating BBB stable with expectation of a rating upgrade
- Caltex returned to paying dividends in 2003 with Interim dividend of 4 Cents per share
- Caltex wishes to pay consistent and reliable dividends, without impacting on the company's ability to achieve :
  - a strong long term capital structure, and
  - successful completion of the required clean fuel investment by 2005
- Upon finalisation of clean fuels investment in 2005, Caltex will be in a position to review its dividend policy

Great performance through great execution

- Caltex is benefiting from improving industry dynamics
- Debt is now under control and will be reduced further
- Underlying profit performance has improved
- Increased refinery utilisation and availability will lead to the capture of any increase in refiner margins and a reduction in controllable unit operating costs
- Operational excellence programs, ie Loss Prevention System LPS will assist in reducing controllable operating costs

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Caltex Leadership Team

CEO
David Reeves

Chief Financial Officer
Simon Hepworth

General Manager, Marketing
Mark Burrowes

General Manager, Planning,Supply & Corporate Services
Alex Strang

General Manager Refining
Eion Turnbull

General Counsel & Company Secretary
Helen Conway

Group Manager Human Resources
Lisbeth Long

Manager Corporate Risk, EHS
Chris Hogarth

Manager Corporate Affairs
Richard Beattie

Introducing Dave Reeves

- Dave was appointed as Managing Director and CEO on 11th August 2003 and has a 3 year contract
- Before joining Caltex, Dave was President of North America Products at ChevronTexaco, responsible for refining and product marketing activities, pipeline transportation and ChevronTexaco's global aviation fuels marketing
- Dave joined Chevron in 1978 and has a degree in Civil Engineering from University of Washington
- Dave brings a wealth of experience and will be a great asset in guiding Caltex to deliver superior financial performance, especially in the following key areas :
  - On going focus on operational excellence and successful implementation of the Loss Prevention System (LPS)
  - Clean fuels project investment execution and efficiency
  - Retail offering development and brand positioning
  - Focus on profit enhancement and operating cost control

Shareholding profile overview

- As at December 2003 Caltex has approximately 23,000 shareholders and has 270 million shares outstanding
- There is only one class of equity securities, which are fully paid ordinary shares
- The shareholding profile at December 2003 was :
  - ChevronTexaco 50.0%
  - Australian institutional investors 21.2%
  - Overseas institutional investors 7.9%
  - Retail and other investors 20.9%
- Please refer to the latest annual concise report to view the breakdown of the 20 largest holders of Caltex shares as at the relevant date

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