CALTEX

CALTEX AUSTRALIA LIMITED
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23 September 2004

Company Announcements Office
Australian Stock Exchange Limited

CALTEX AUSTRALIA LIMITED
PRESENTATION – SEIZING THE ASIAN REFINER RENAISSANCE

Presentation slides (titled *Seizing the Asian Refiner Renaissance*) for a speech to be made by Simon Hepworth (Chief Financial Officer) to the UBS Global Oil & Gas Conference in Hong Kong on Thursday, 23 September 2004 are attached for release to the market.

The presentation slides include material previously lodged with the ASX for presentations made by Simon Hepworth (in April, May and June 2004) and Caltex Australia's 2004 half year results announcement (in August 2004).

Helen Conway
Company Secretary

Attach.

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Seizing the Asian refiner renaissance

23 September 2004

Simon Hepworth, Chief Financial Officer

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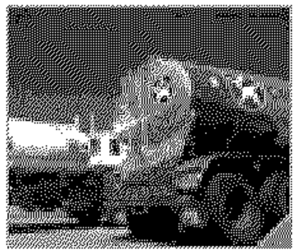


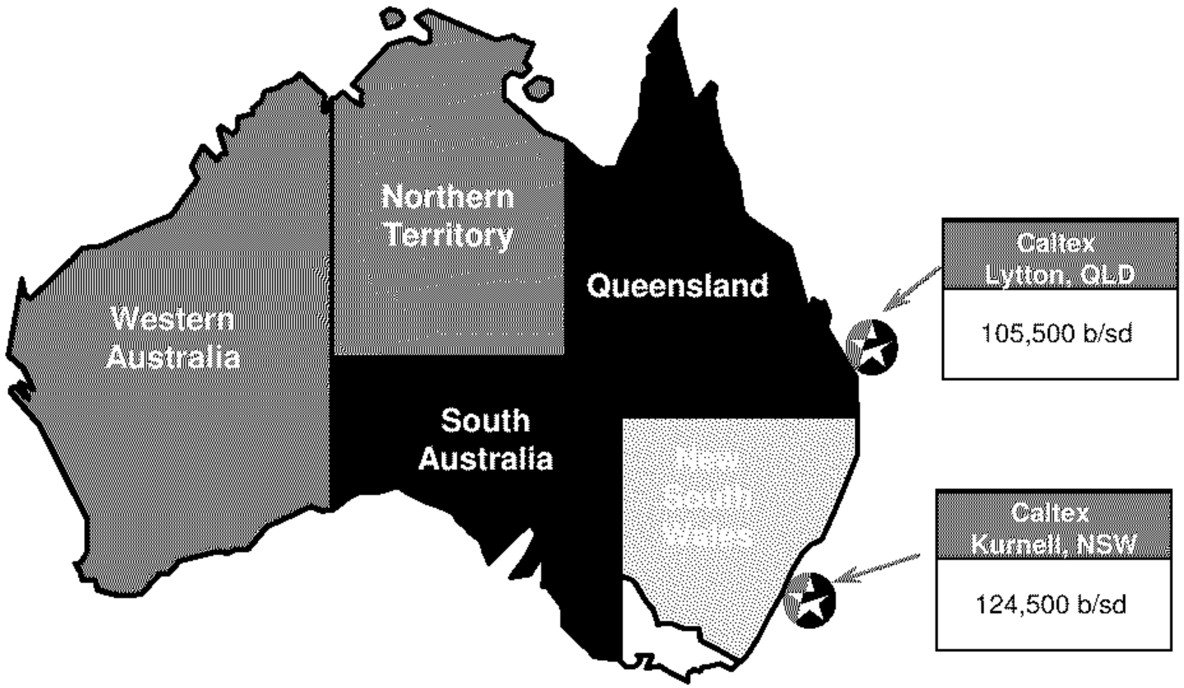
Caltex Australia Overview

- Caltex is the largest refiner and marketer in Australia
- Caltex Australia and Ampol merged assets in 1995 to create the current modern entity
- Caltex is the only publicly listed downstream oil company in Australia
- Top 100 company listed on the Australian Stock Exchange
- Financially stable with BBB+ credit rating
- Firm dividend policy now in place
- Operates through :
  - Refining and Supply
  - Marketing

Refining & Supply : Overview

- 2 fuels refineries with aggregate capacity of 230,000 barrels/day
  - largest in respective states, New South Wales and Queensland, the fastest-growing regions in Australia
  - Kurnell supplies 60% of gasoline for New South Wales and Lytton is leading supplier for Queensland
  - From September 2004 Caltex will operate the only lube oil refinery in Australia at Kurnell, with capacity of 3,750 barrels/day

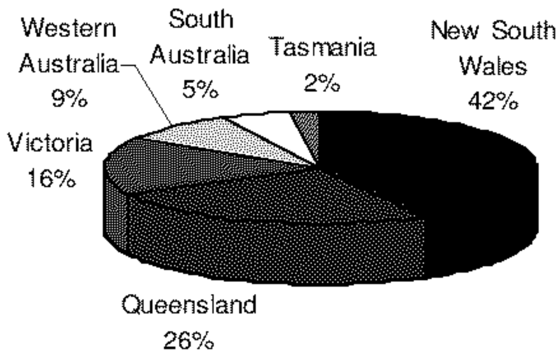
- 229 km pipeline in NSW is longest multi-product pipeline in Australia
- 16 seaboard storage terminals
- 126 depots to store products



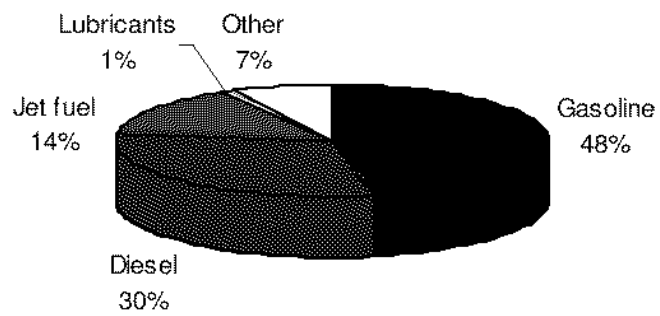
Marketing : Overview

- Strong presence across retail, commercial and wholesale channels
- Largest retail network in Australia
  - 1,800 branded stores
  - >470 convenience stores
- Major corporate clients including Qantas, Boral, Alcoa and Rio Tinto
- Distributor network that services non metropolitan areas
- Strong and growing brands : Havoline, Delo and Vortex products

Volume sales by region...



...and by product



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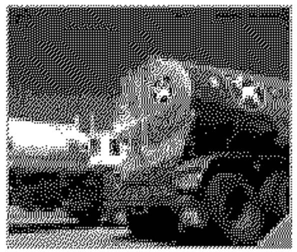
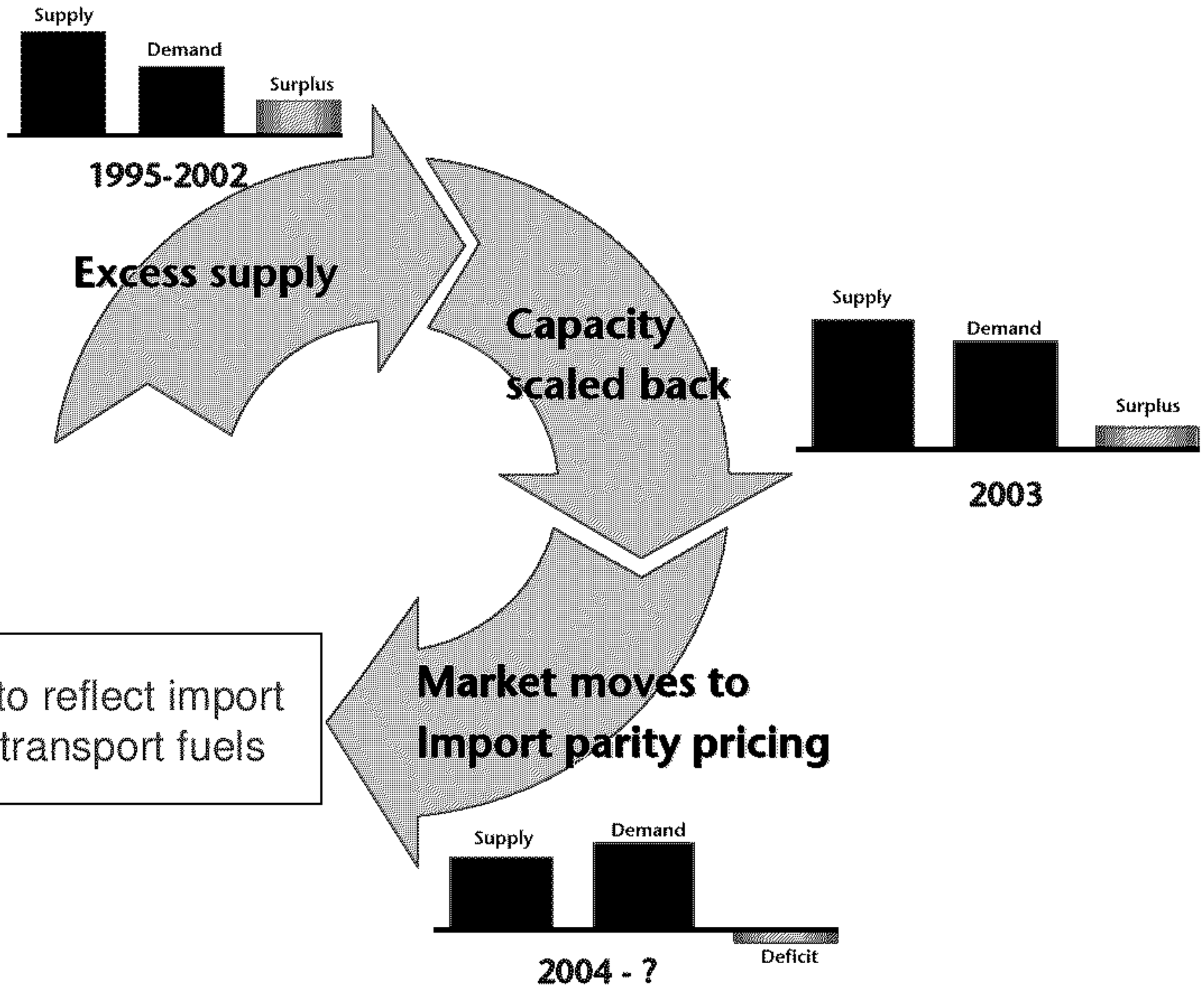
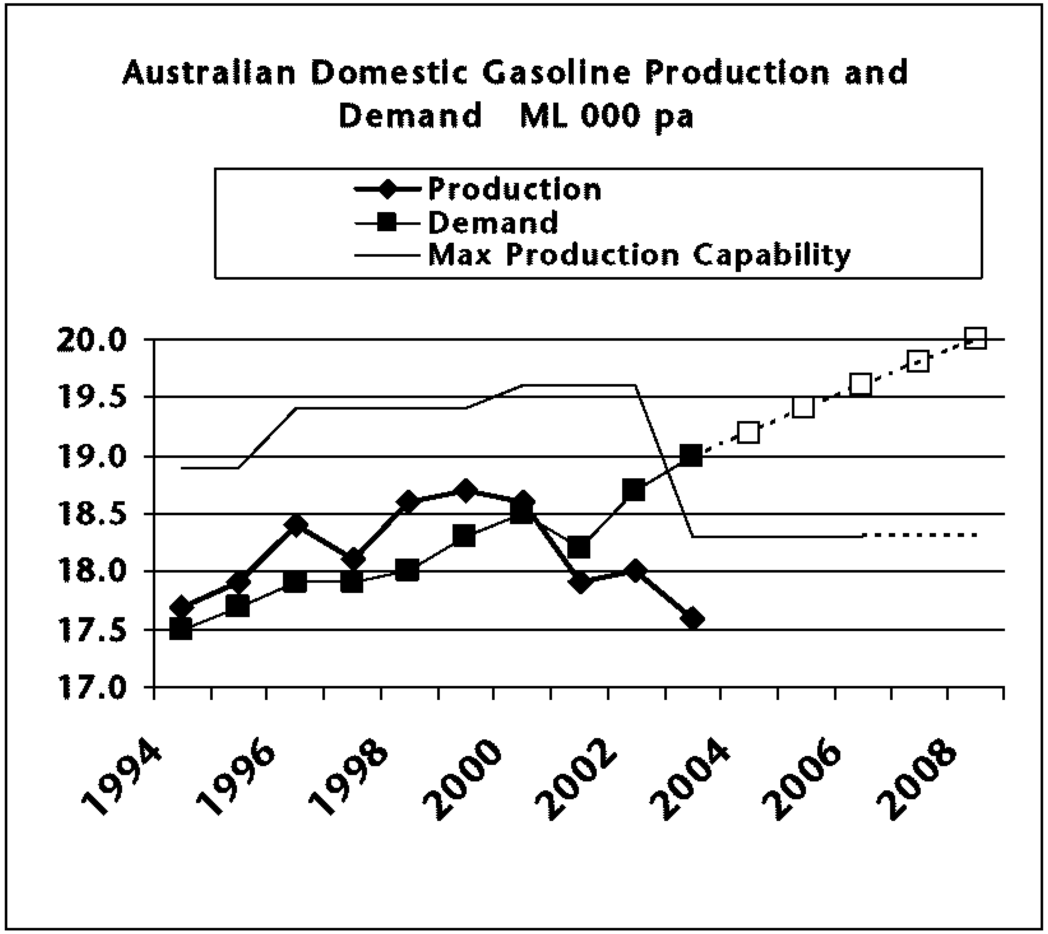


Structural change : Australia moves to an import parity based market for all transport fuels



- Margins now start to reflect import parity pricing in all transport fuels

Structural change : Australia moves to an import parity based market for gasoline



- Production exceeded demand throughout the 1990s
- 2000-2002 saw poor gasoline margins which slowed production
- Consistent demand growth has worked to reduce the surplus
- Closure of Stanvac reduced gasoline production capability by approximately 9%

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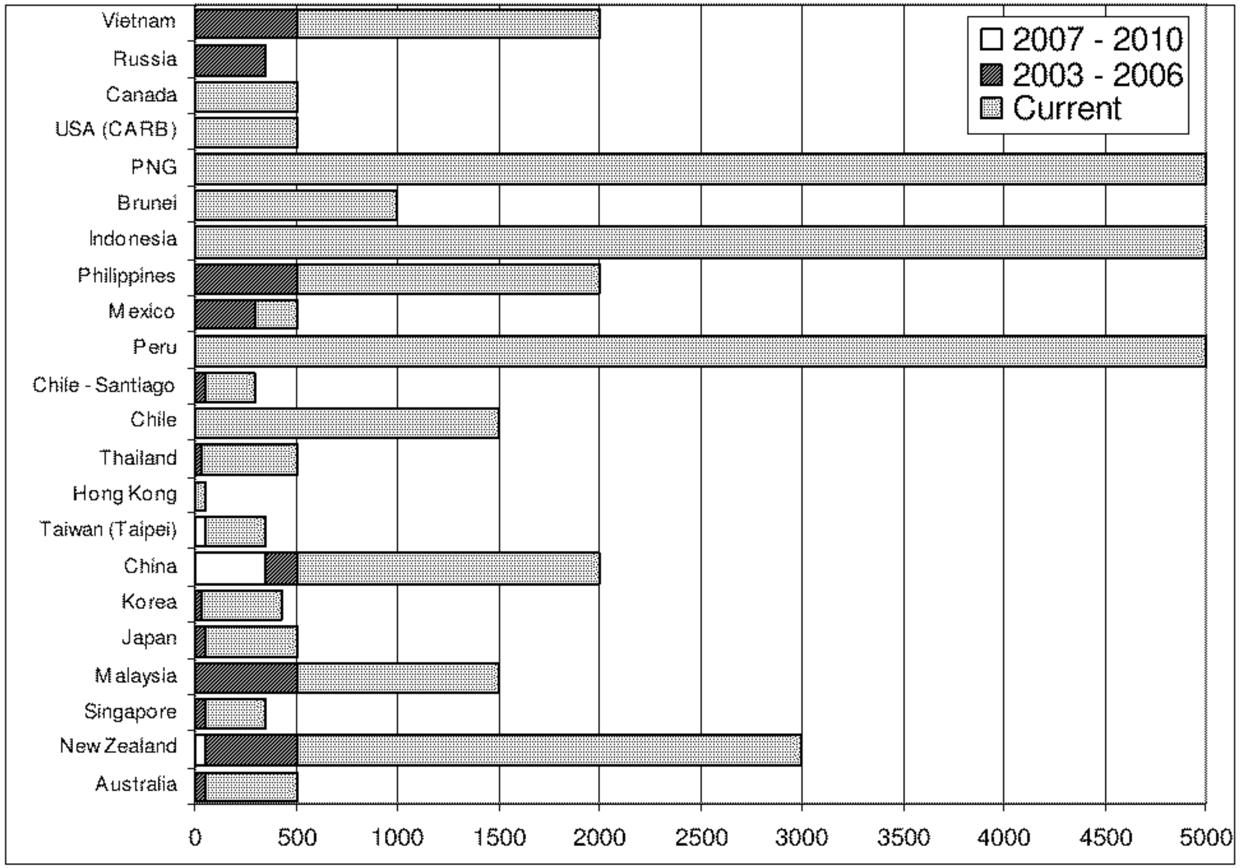
Structural change : Australian clean fuels regulations

- Australia is moving to more stringent product quality standards in 2006. The main limits for 2006 are :
  - Gasoline - less than1% benzene and 50 ppm sulfur in premium unleaded;
  - Diesel - less than 50 ppm sulfur
- Australian grade quality gasoline will be available, but less readily from the region
- Olefin specification limits the volume of catalytic cracked naphtha that can be included in the blend
  - Catalytic cracked naphtha is a major component of Chinese gasoline
- Diesel sulfur limit of 50 ppm or lower will not be possible for all refineries in Asia
  - Hydrogen availability and limited desulfurisation capacity are issues

Structural change : Asian clean fuel implementation will be piecemeal

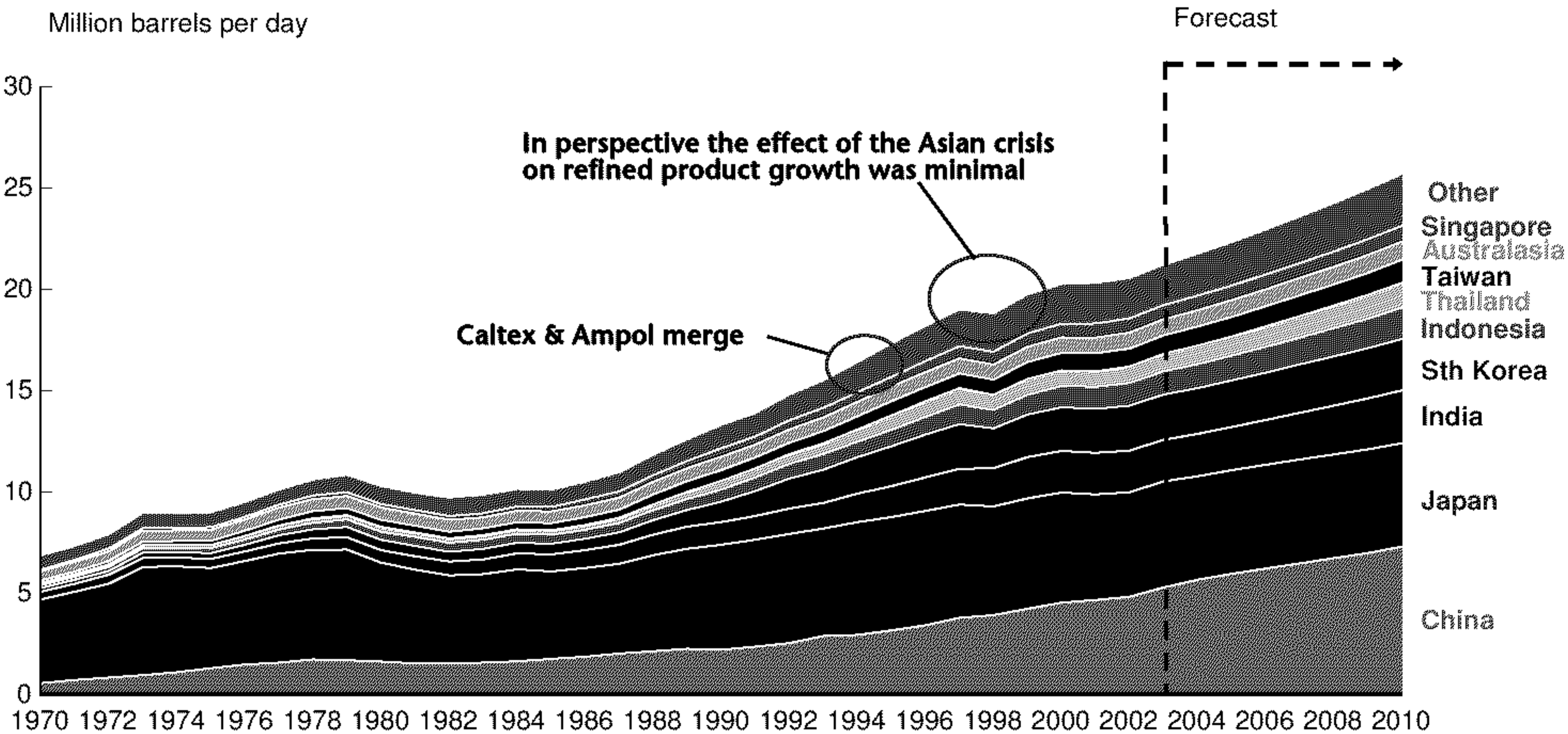
- Investment requirements climb to over $US32 billion as the region moves to more advanced fuel quality by 2012
- Korea, Japan & Taiwan are likely to lead the drive toward cleaner fuels
- Sulfur reduction will be the primary focus among most APEC member economies through the end of the decade



Diesel Sulfur Limit, ppm

Source: HART APEC Study

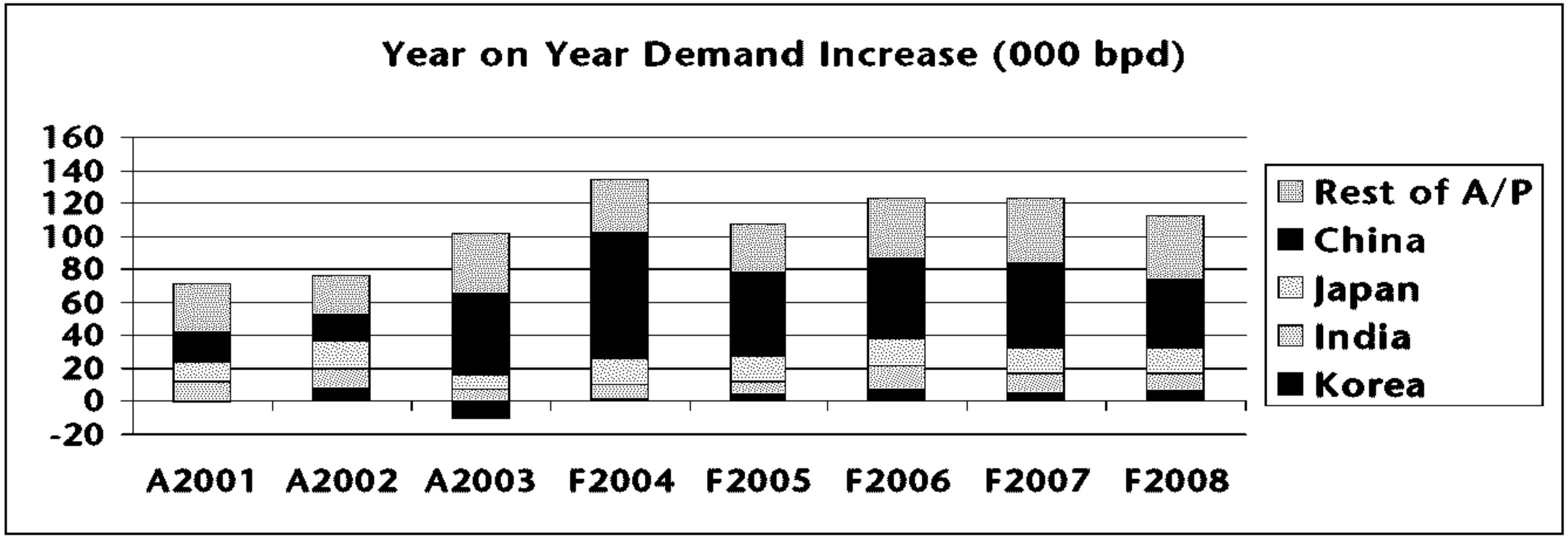
Asian demand recovers at pace



Forecast East- West Centre, 2004

Asia Pacific gasoline outlook

- Asian gasoline balance is moving from surplus towards balance
- Asian gasoline demand is continuing to grow even though weak economic periods. Cumulative increase forecast to be over 700,000 bpd from 2003 to 2008
- Increases in Chinese gasoline production capacity are being absorbed by deficits in Japan and Indonesia and significant demand increases within China itself



Source: ESAI (April 2004)

Capacity growth will happen but the investment cycle may be longer than previous cycles

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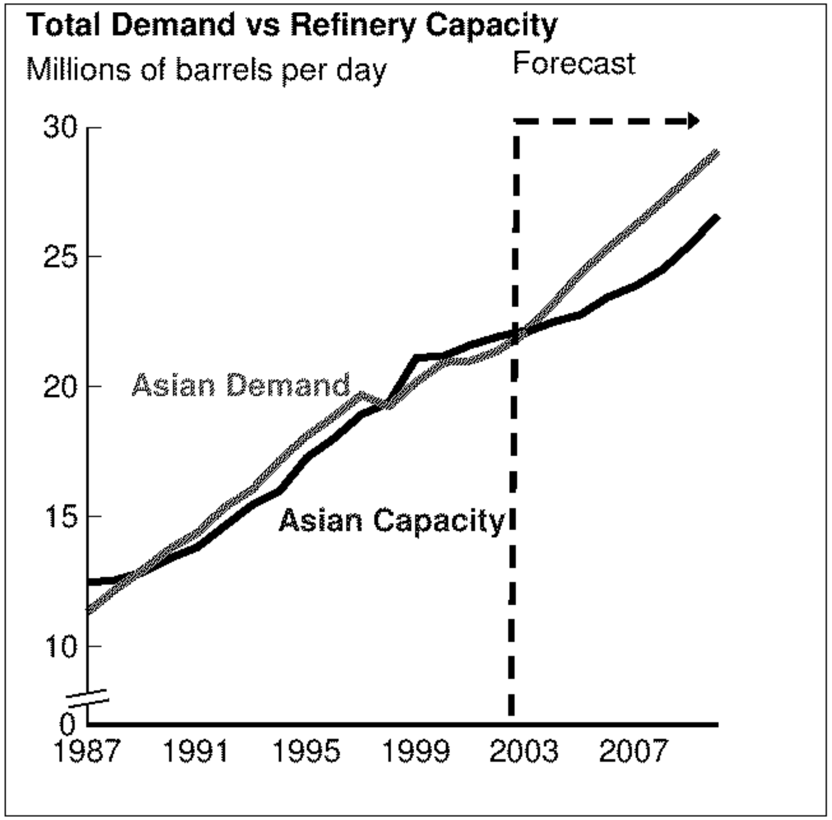

- **Planned capacity additions are below projected demand growth**
- **Capacity expansion will be concentrated mainly in China and India**

* Forecasts based on 'steady growth' Asian demand scenario (CAGR 4.0% 2004–2010) & 'forecast build' Asian Crude Distillation Capacity scenario (CAGR 2.6% 2004–2010)

Source: Historic : BP Statistical Review (1987–2002); Forecast East- West Centre, Port Jackson Partners 2004

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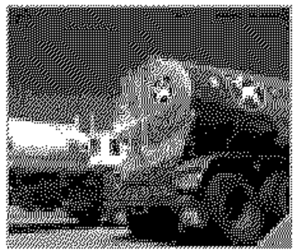


Caltex refineries are more complex than their Asian competitors

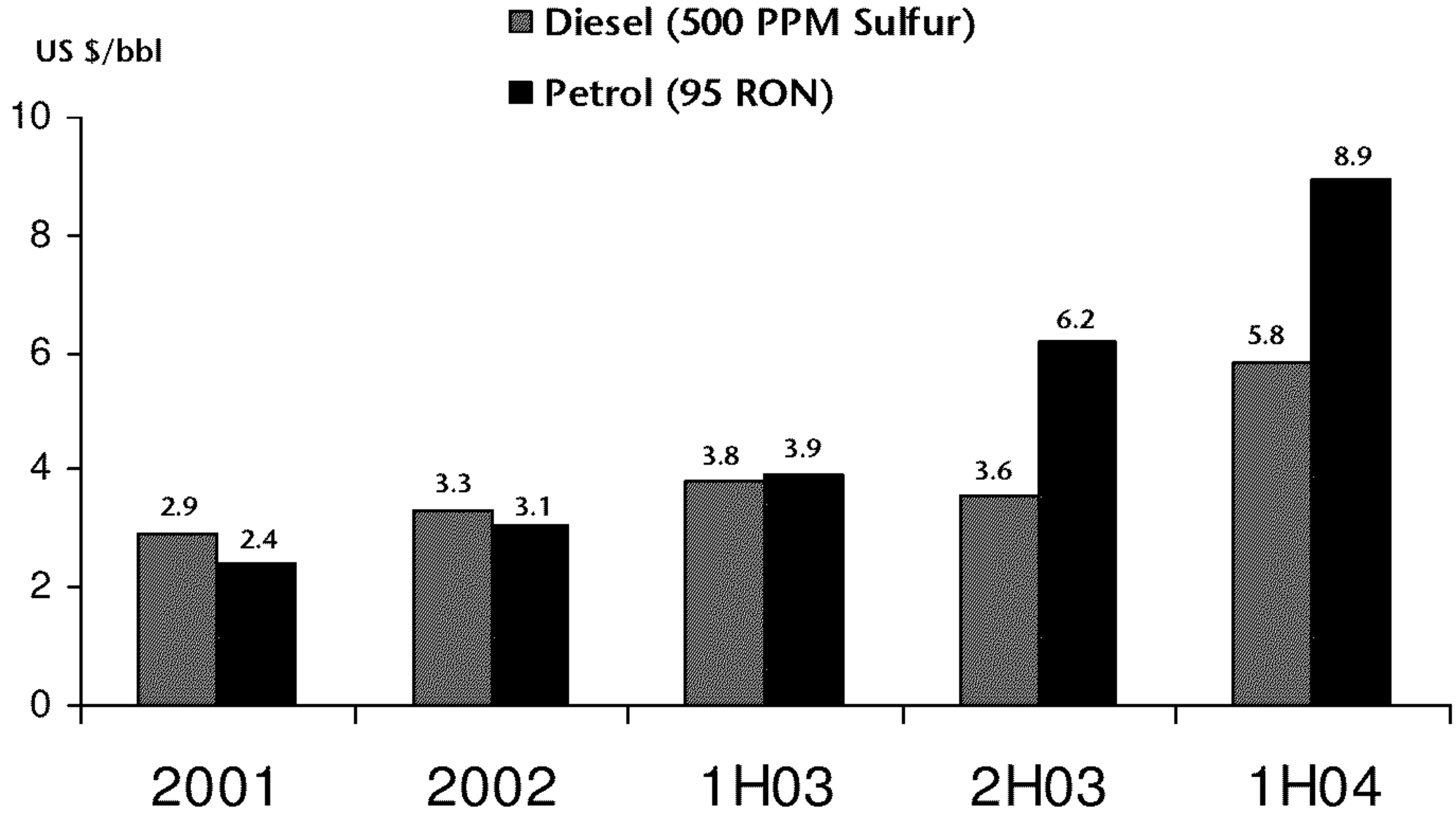
- <u>Simple refinery</u> - crude distillation, hydrotreating of middle distillates, cataltyic reforming of naptha to enhance gasoline yields
- <u>Complex refinery</u> - simple refinery plus a catalytic cracker, alkylation plant plus some gas processing

% Yield	Simple	Caltex
Gasoline	15%	54%
Jet Fuel	10%	13%
Distillate	25%	30%
Residual/Fuel Oil	45%	3%
Fuel Loss/ (Gain)	5%	
Total	**100%**	**100%**

The major driver of Asian refiner economics

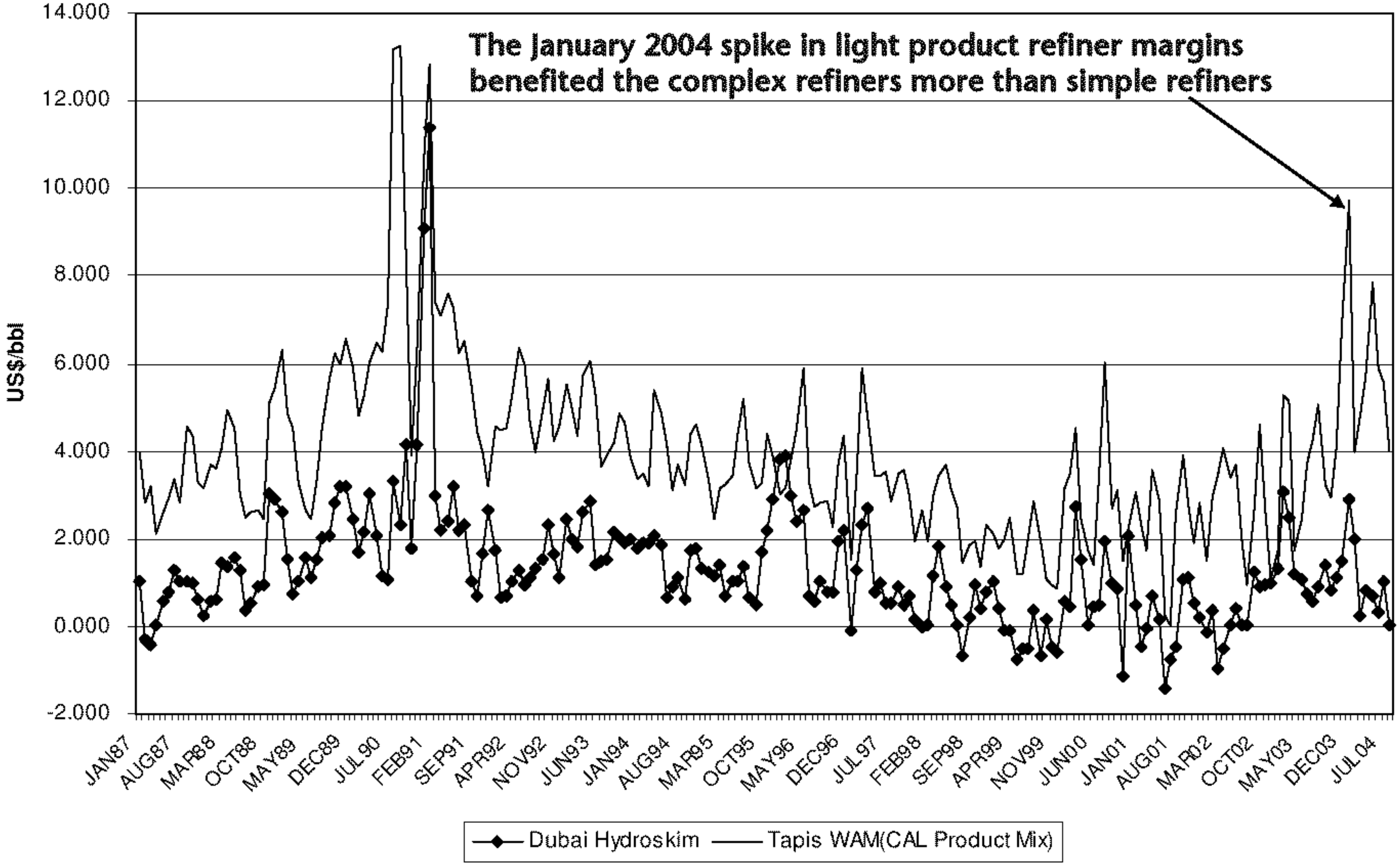
A major driver of Caltex refiner economics

Caltex has benefited more from the firming Gasoline margins in Asia



Based upon Singapore quoted prices relative to Tapis quoted days

Singapore margins are recovering



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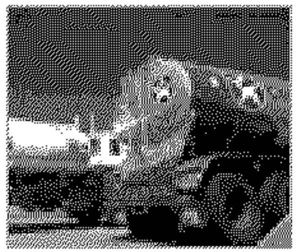
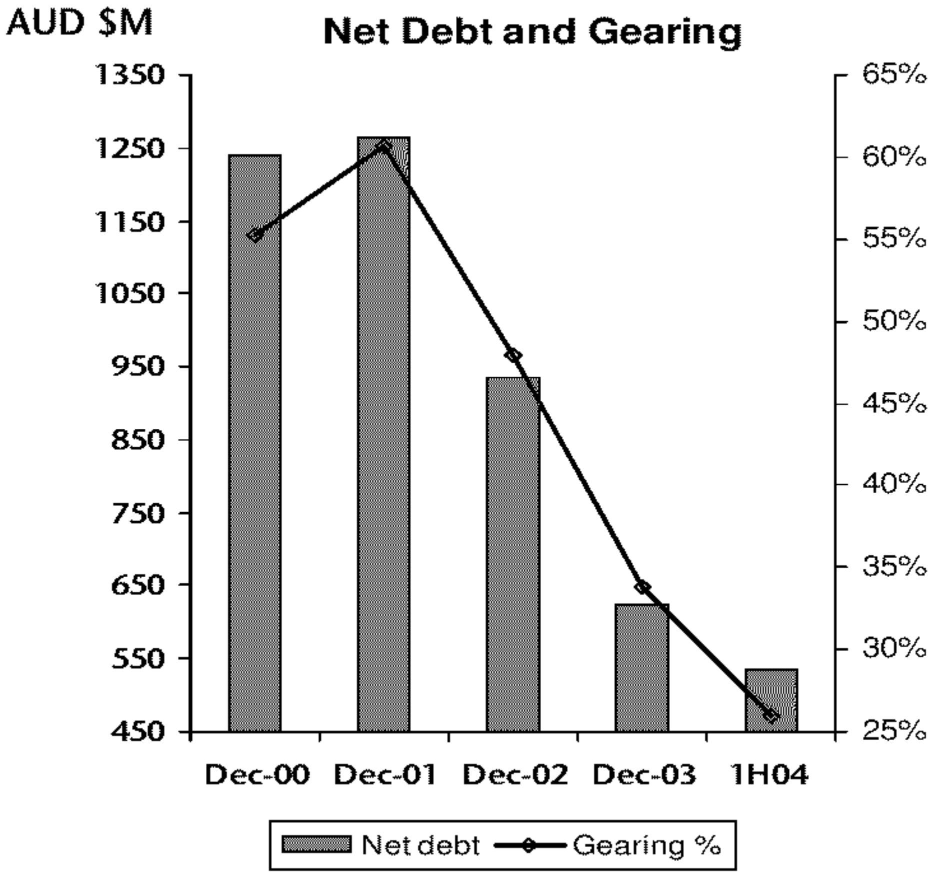


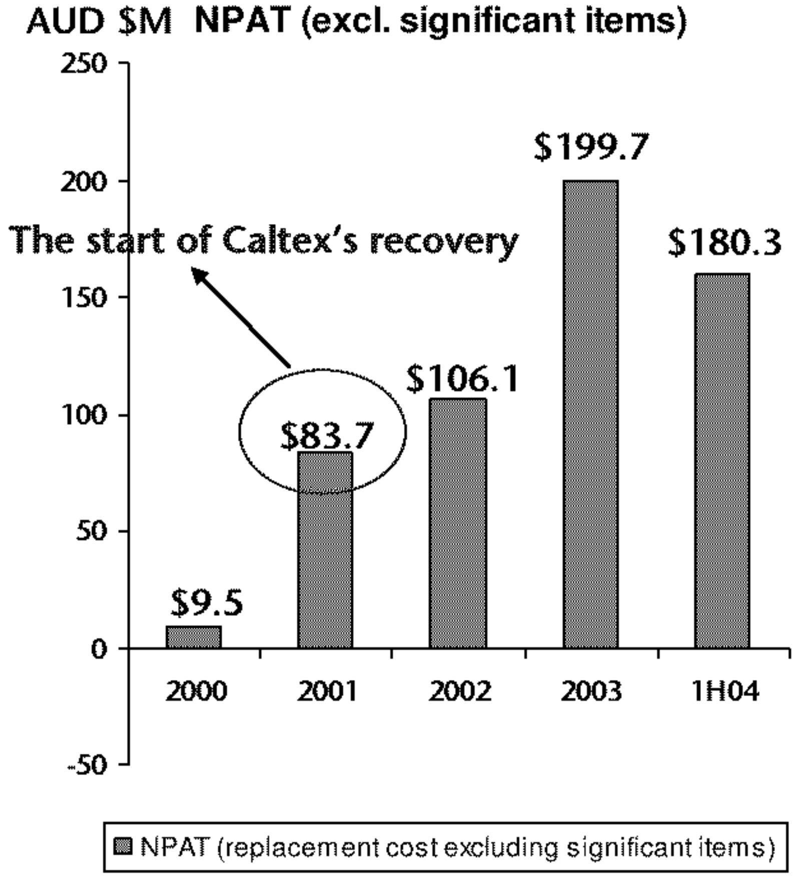
Caltex Australia opportunities

- How will Caltex take advantage of the positive changes in both the Asian and Australian market fundamentals :
  - Company wide focus on incident free operations
  - Lifting refinery utilisation post clean fuels to 85%
  - Reducing unit operating costs
  - Supply chain focus, crude to customer : excellence of execution in a short market is paramount
  - Invest to upgrade marketing infrastructure and brand

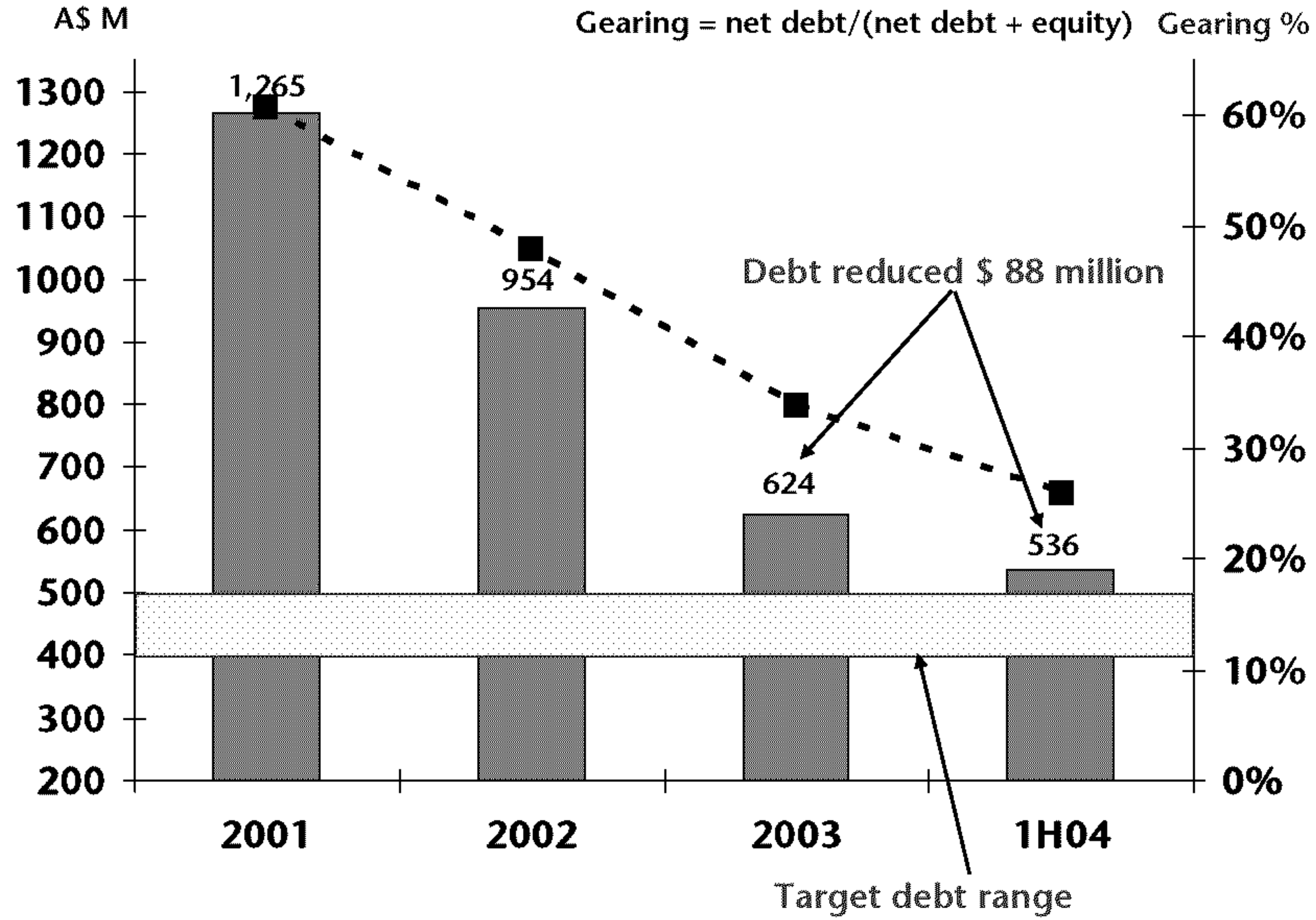
Strong improvement in financial position since the Asian crisis

- 1H04 replacement cost net profit was $180.3 million (1H03 $86.1 million)
- Net debt shrank $88 million to $534 million at 30 June, 2004





Debt approaching target range



Caltex dividend policy

- The company intends to pay ordinary dividends of 20% to 30% of the Replacement Cost Profit After Tax (excluding significant items) in 2004 and 2005
- Post 2005, Caltex intends to increase the pay-out ratio to a range of 40% to 60% of Replacement Cost Profit After Tax, also excluding any significant items
- Surplus cashflow above the target pay-out ratio of 40% to 60% will be distributed via a special dividend and/or other capital management initiatives
- The company is targeting a capital structure with gearing (Debt/Debt plus Equity) between 20-25% and core debt (excluding lease liabilities) in the range of $400 million to $500 million
- All foreseeable future dividends will be fully franked (franking account at 30 June 2004 is $186 million)
- The declaration and amount of dividends are at the sole discretion of the Board and are dependent on Caltex's earnings and cashflow requirements and financial conditions at that time

Caltex- the journey

- [x] Caltex is the market leader in Australia
- [x] Caltex is investing to maintain its leadership, clean fuels investment
- [x] Debt is under control, credit rating lifted to BBB+ stable
- [x] Clear dividend policy is now in place
- [x] Caltex is now part of the Standard & Poor's ASX 100 index
- [x] Venture with Woolworths

Our focus is :

- [ ] On Safety: Incident Free Operations
- [ ] Raising refinery utilisation
- [ ] Being the best in the markets we choose
- [ ] Crude and fuels supply chain
- [ ] Lower unit costs
- [ ] Returns to our shareholders

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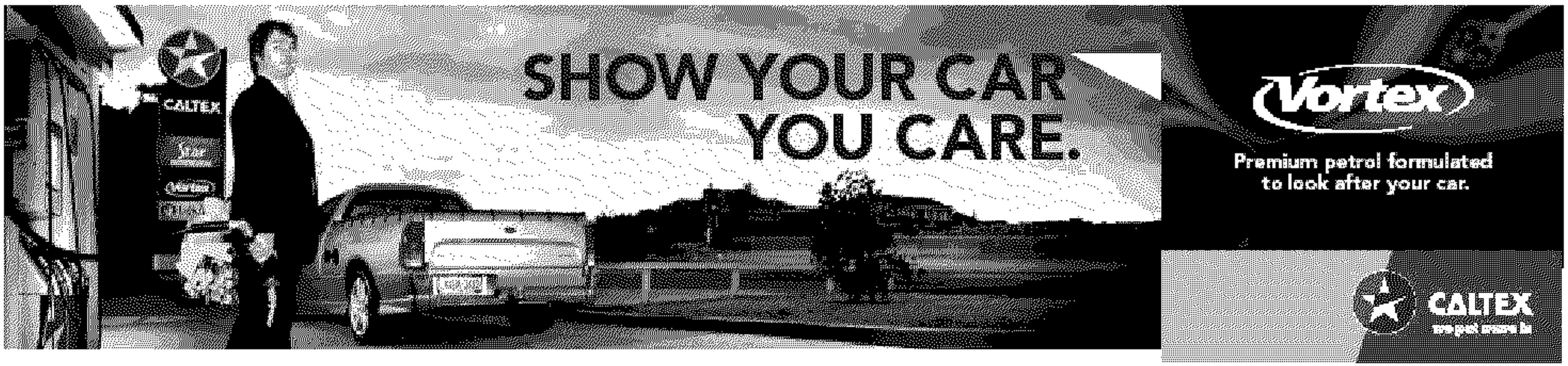
Good To Great



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