CALTEX

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18 May 2007

Company Announcements Office
Australian Securities Exchange

CALTEX AUSTRALIA LIMITED
MARKETING INVESTOR BRIEFING

Slides (titled *Marketing Investor Briefing*) and speaking notes for a presentation to investors and analysts being held today, 18 May 2007, are attached for immediate release to the market.

Helen Conway
Company Secretary

Attach.

Marketing Investor Briefing

18th May 2007

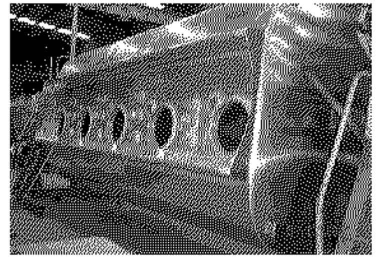
CALTEX

Agenda

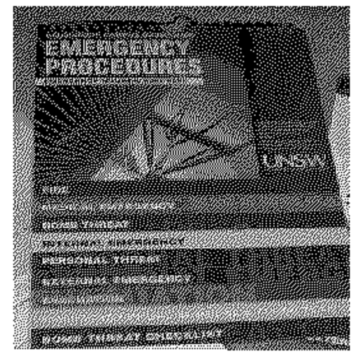
Content	Speaker
Welcome	Frank Boys
IFOT	Mike Raleigh
Marketing overview	Mike McMenamin
– "Motorist" segment	
– “Business” segment	
– Pricing	
Looking ahead	
Wrap-up	Des King

Achieve ZERO incidents
Helps differentiate Caltex as a logistics provider

- Asset integrity



- Transport management systems

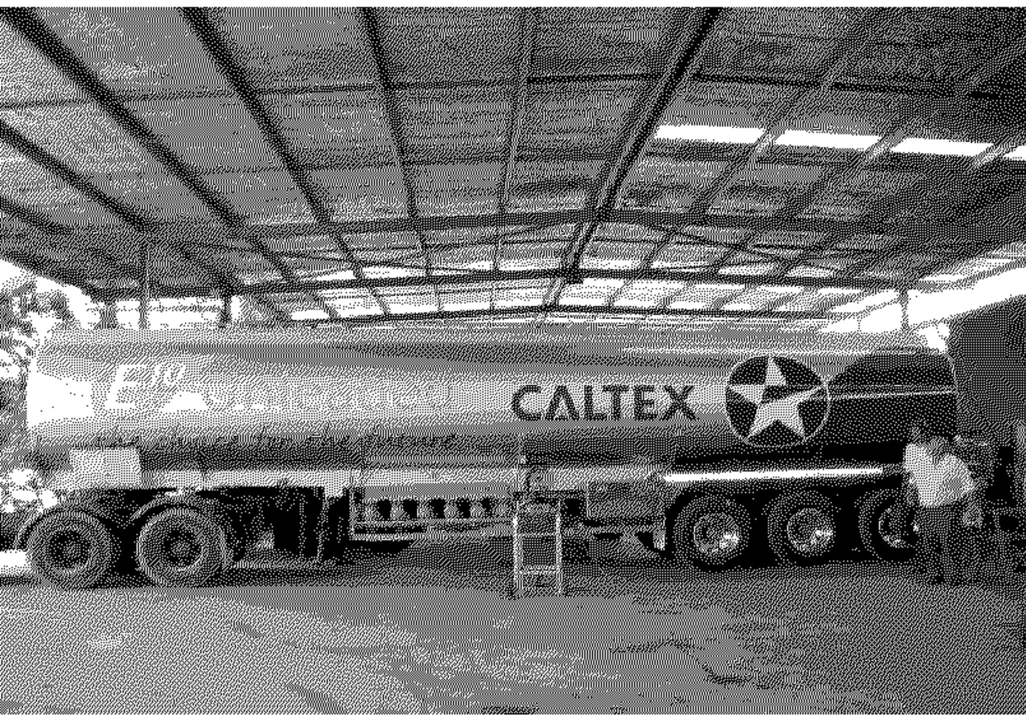


- People - skilled, competent & involved

What differentiates Caltex from its competitors in logistics?

- The last of the majors to run a "Company Fleet" operation
  - Allows Caltex to maintain in house logistics/ transport expertise
  - Flexibility & service providers
    - Supply points infrastructure at all major city locations
    - In rural areas with the reseller network
  - Focussed on
    - ZERO incidents
    - 100% compliance
    - Cost stewardship & optimisation
    - Strong contract management & partnerships
    - Strength & flexibility in customer relationship

Investing in Asset integrity & Technology

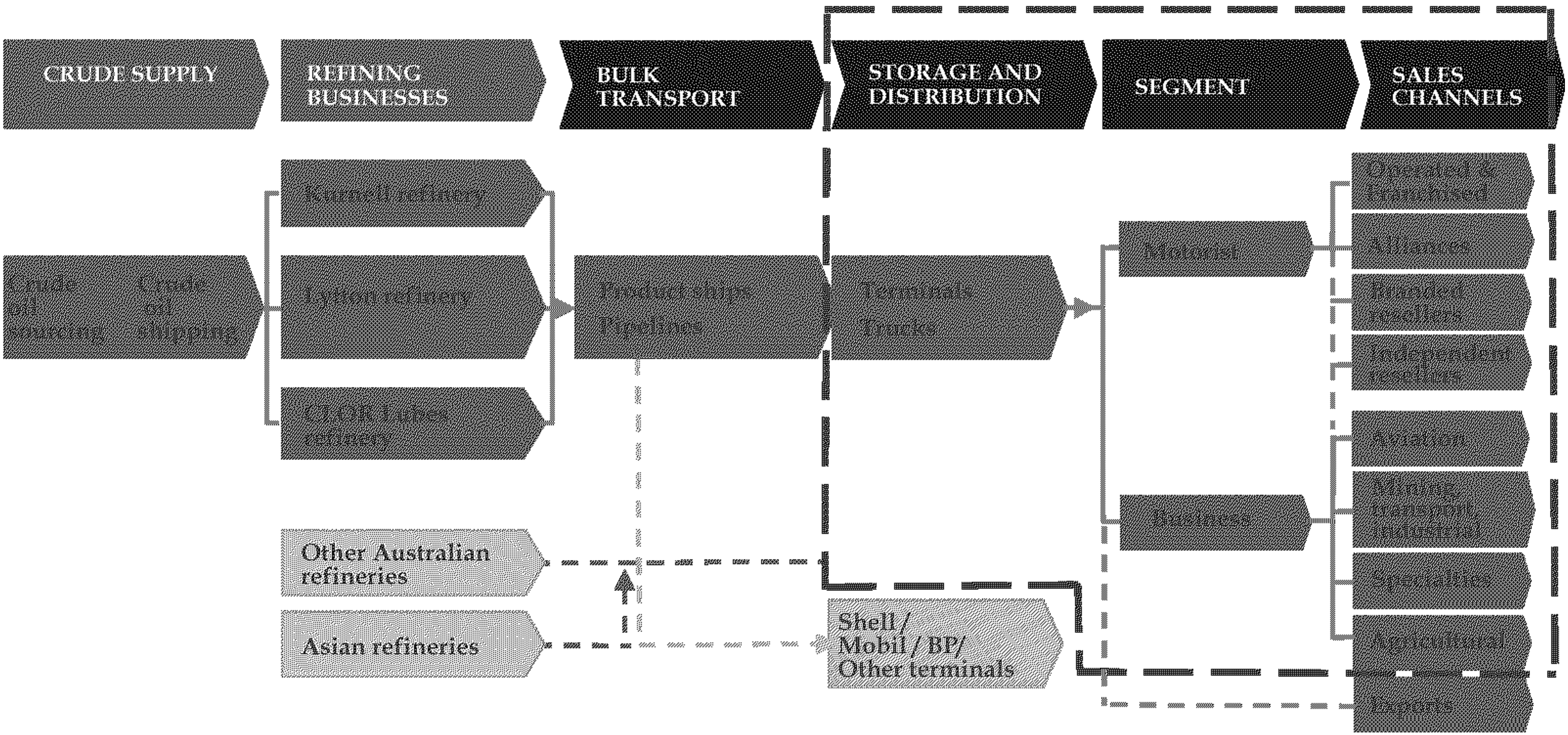


Marketing Overview

Mike McMenamin

The Marketing business is part of an integrated business

The Caltex Business Value Chain



Caltex is a national marketer of petroleum products

- Caltex sells 35% of transport fuels consumed in Australia
- Total sales volume 14.6 BL
- 1800 branded service station sites
- 11 terminals [1]
- 99 Depots

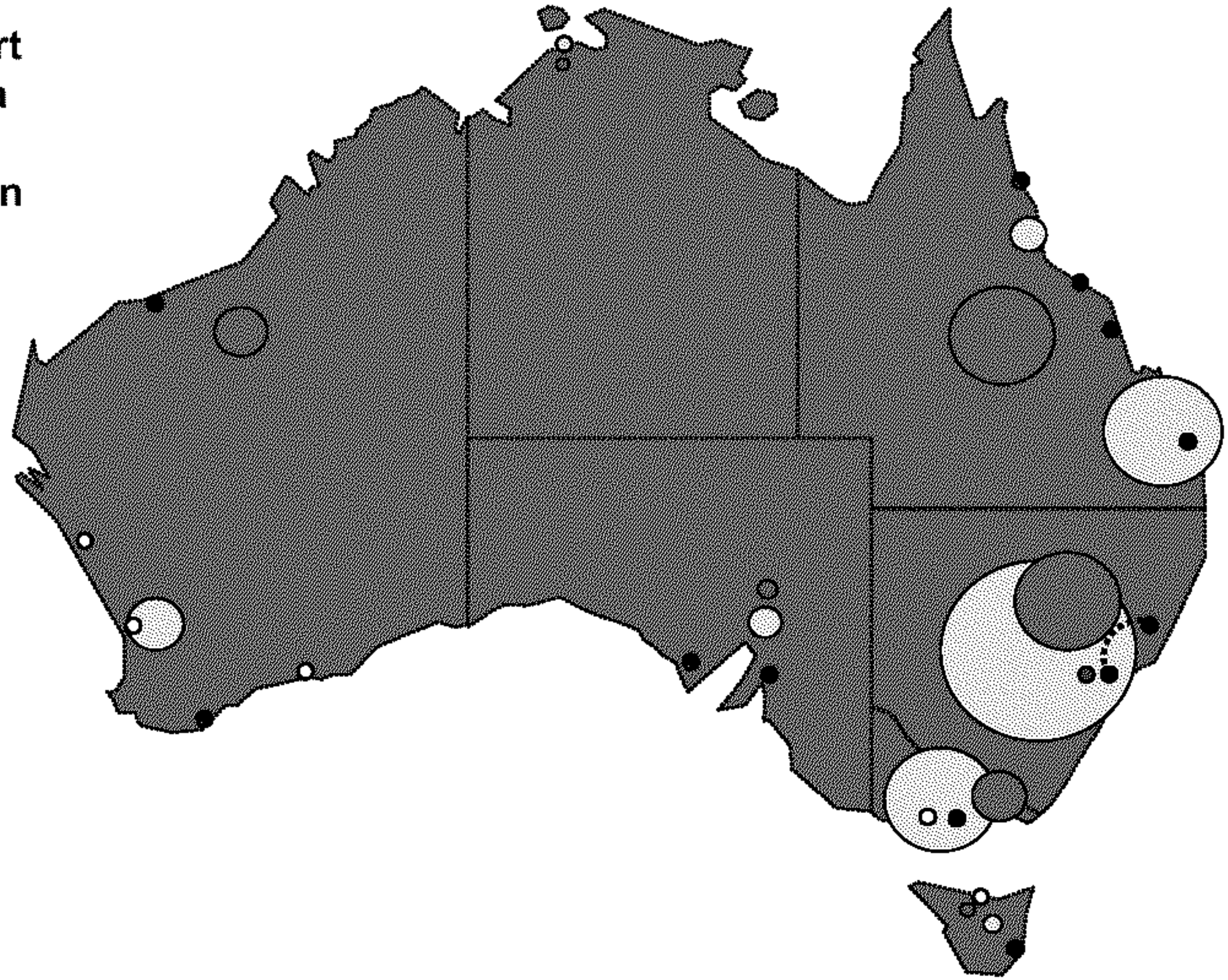
Legend

Relative size of transport fuels market

- Diesel
- Petrol

Key infrastructure assets

- 11 Caltex Terminals (own)
- 5 Shell Term. (host +JV)
- 3 Mobil Term. (host +JV)
- 2 BP Terminal (hosting)
- 1 Independent Terminal (Vopac)
- 1 Syd-Newcastle Pipeline



[1] Access to a further 11 terminals via joint venture & hosting arrangements

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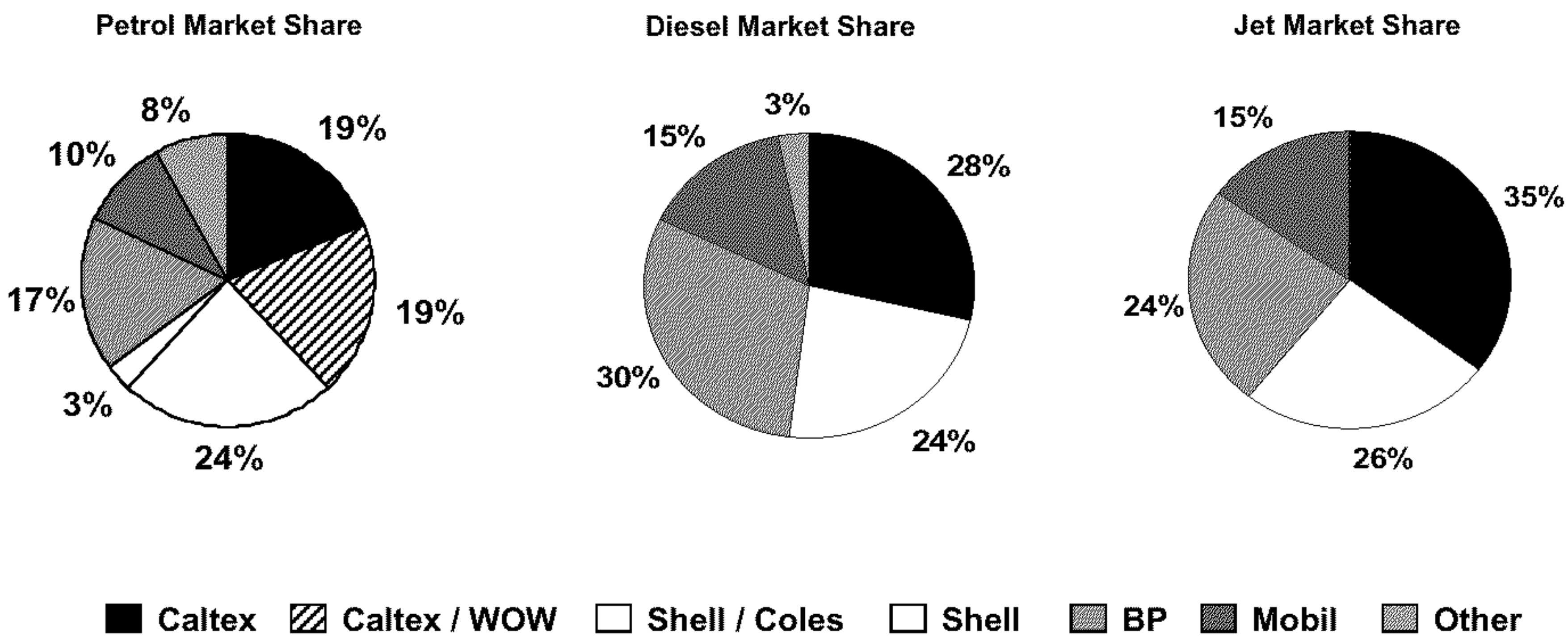
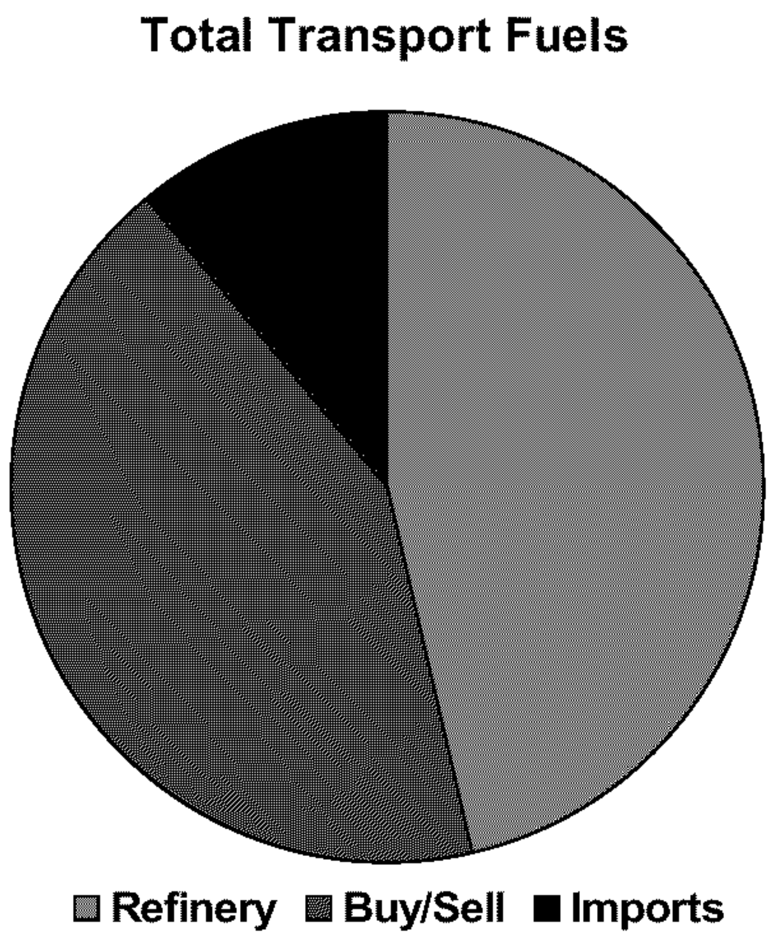
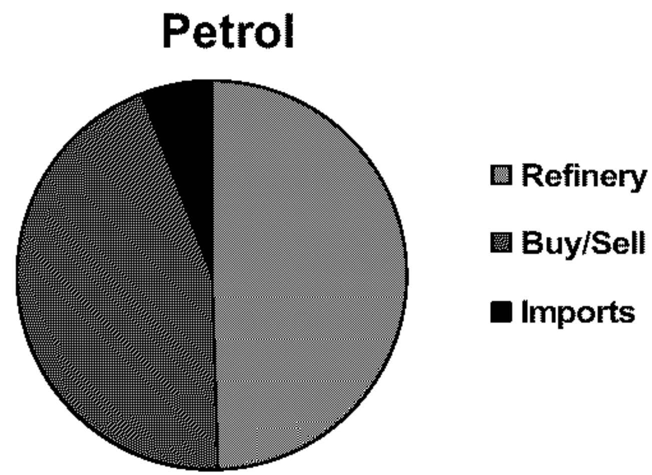
Caltex maintains its position as market leader

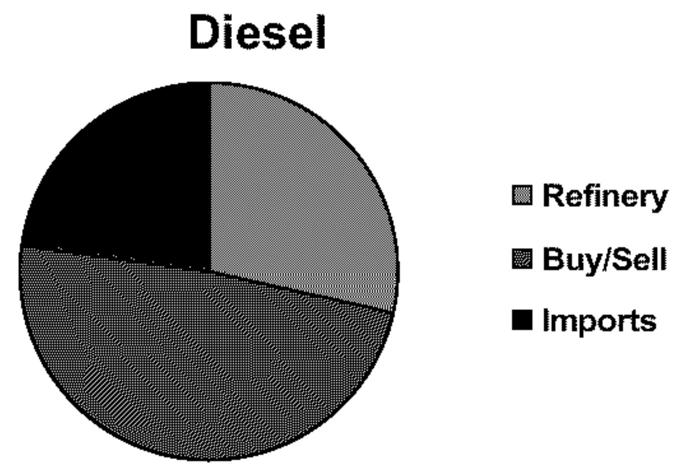


Source: Caltex analysis – data at June 2006

Source of products: Whilst integration with refineries is vital, strong supply chain underpins market leadership







2006 data - source of product for Caltex marketing sales volumes

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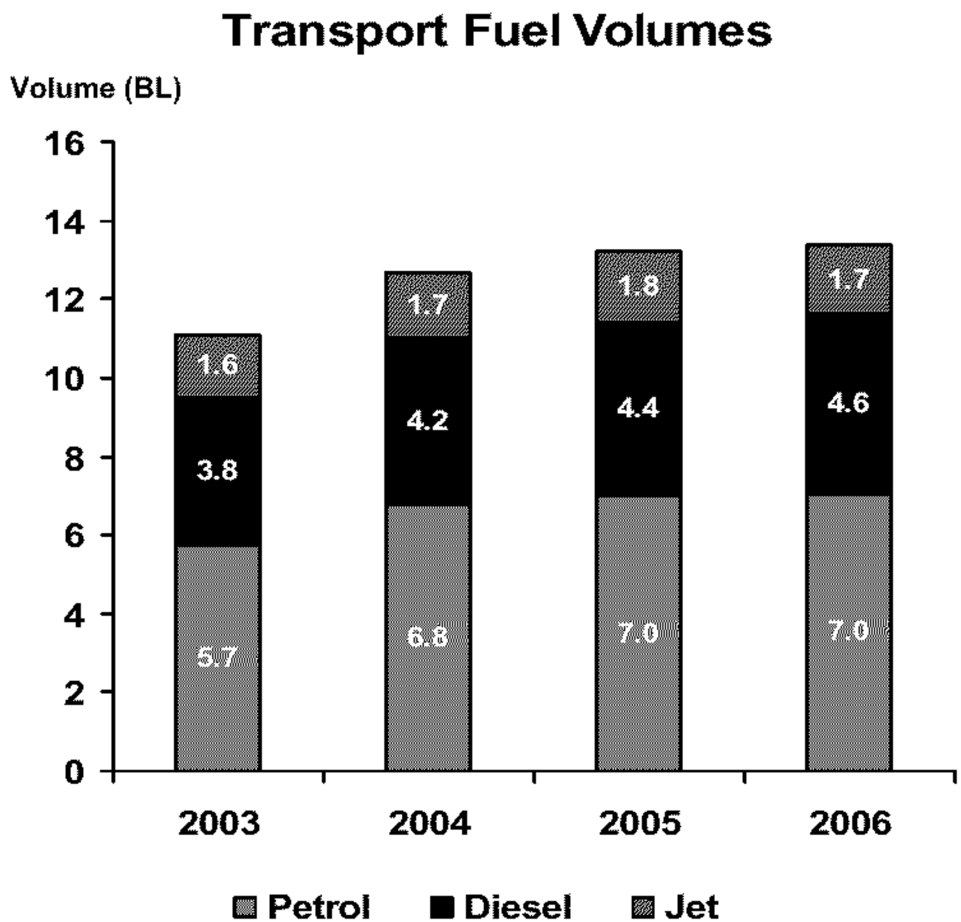
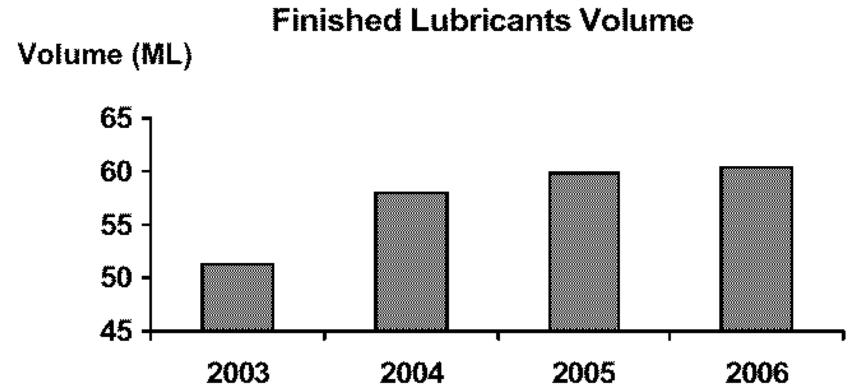
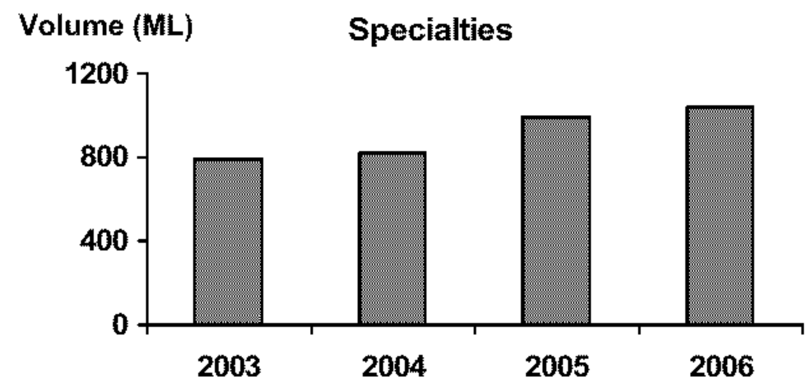
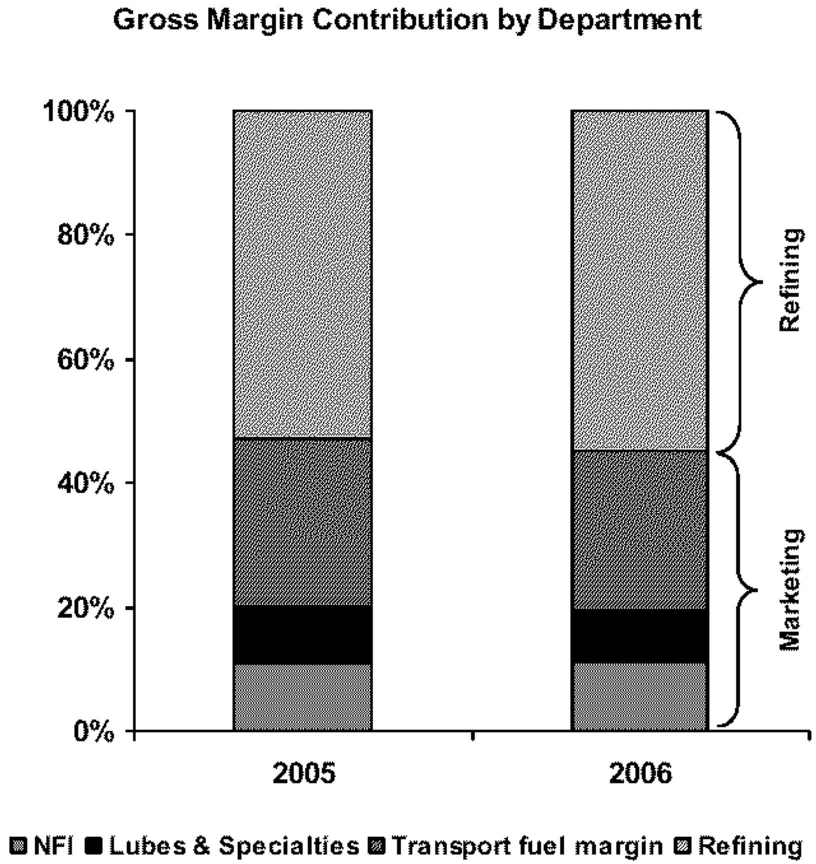
Caltex sales volumes

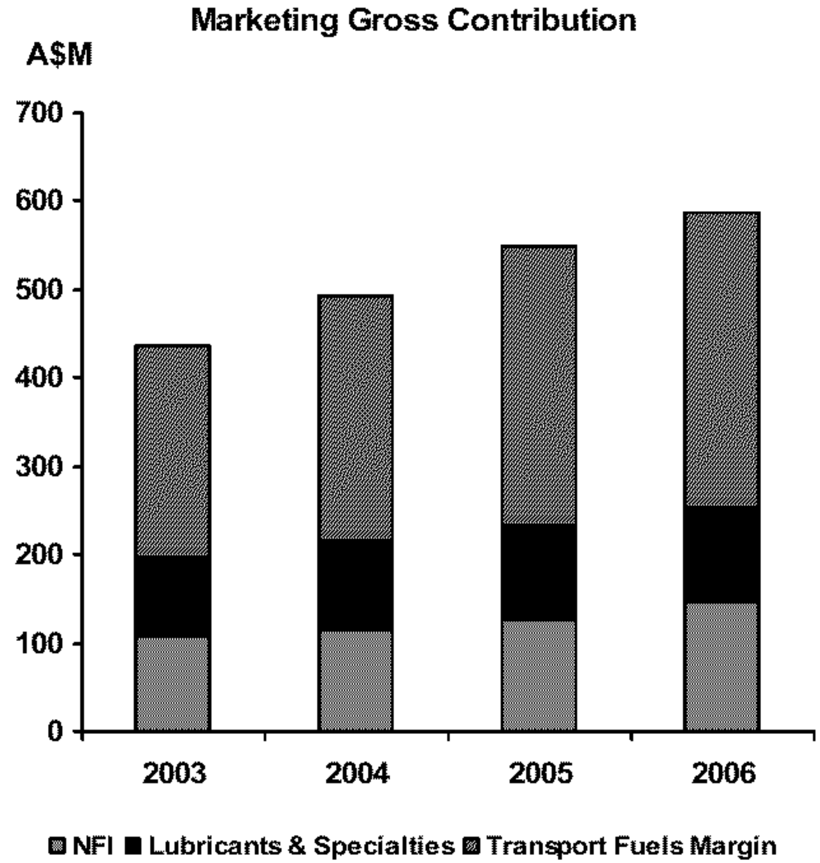






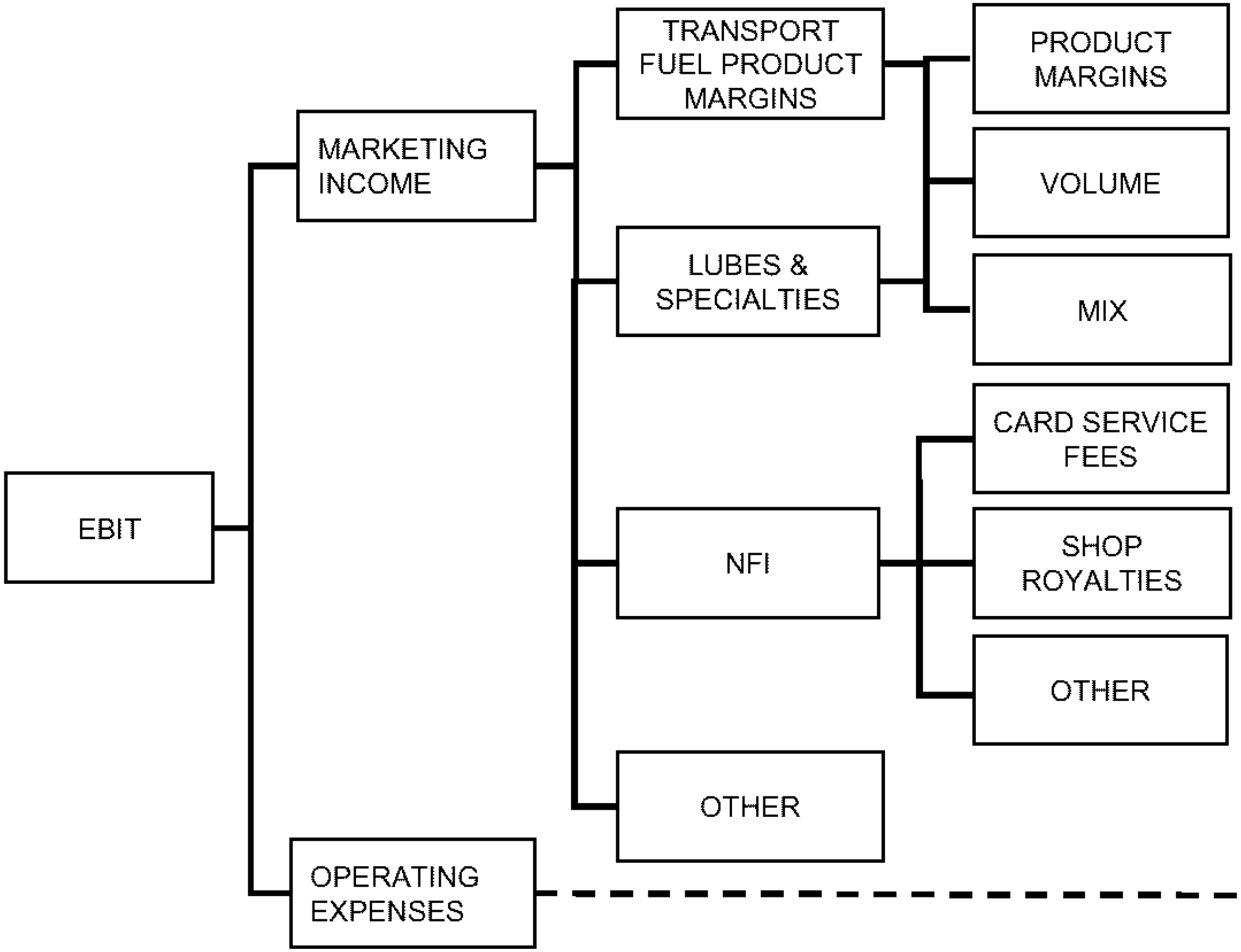
Marketing makes a significant contribution to earnings and adds diversification





Gross margin contribution is net of feedstock costs, inland freight costs and excludes all other opex.

Marketing key profit drivers



BUSINESS DRIVERS

- SALES CHANNEL
- PRODUCT
- PRODUCT MIX
- CUSTOMER BASE
- BRAND PREFERENCE
- SUPPLY CHAIN
- MARKET

- CARD OFFER
- FUEL VOLUME
- CUSTOMER BASE

- SHOP SALES
- RETAIL NETWORK

- VOLUME
- NETWORK STRENGTH
- SAFETY & RELIABILITY
- ORGANISATION CAPABILITY
- LABOUR AVAILABILITY

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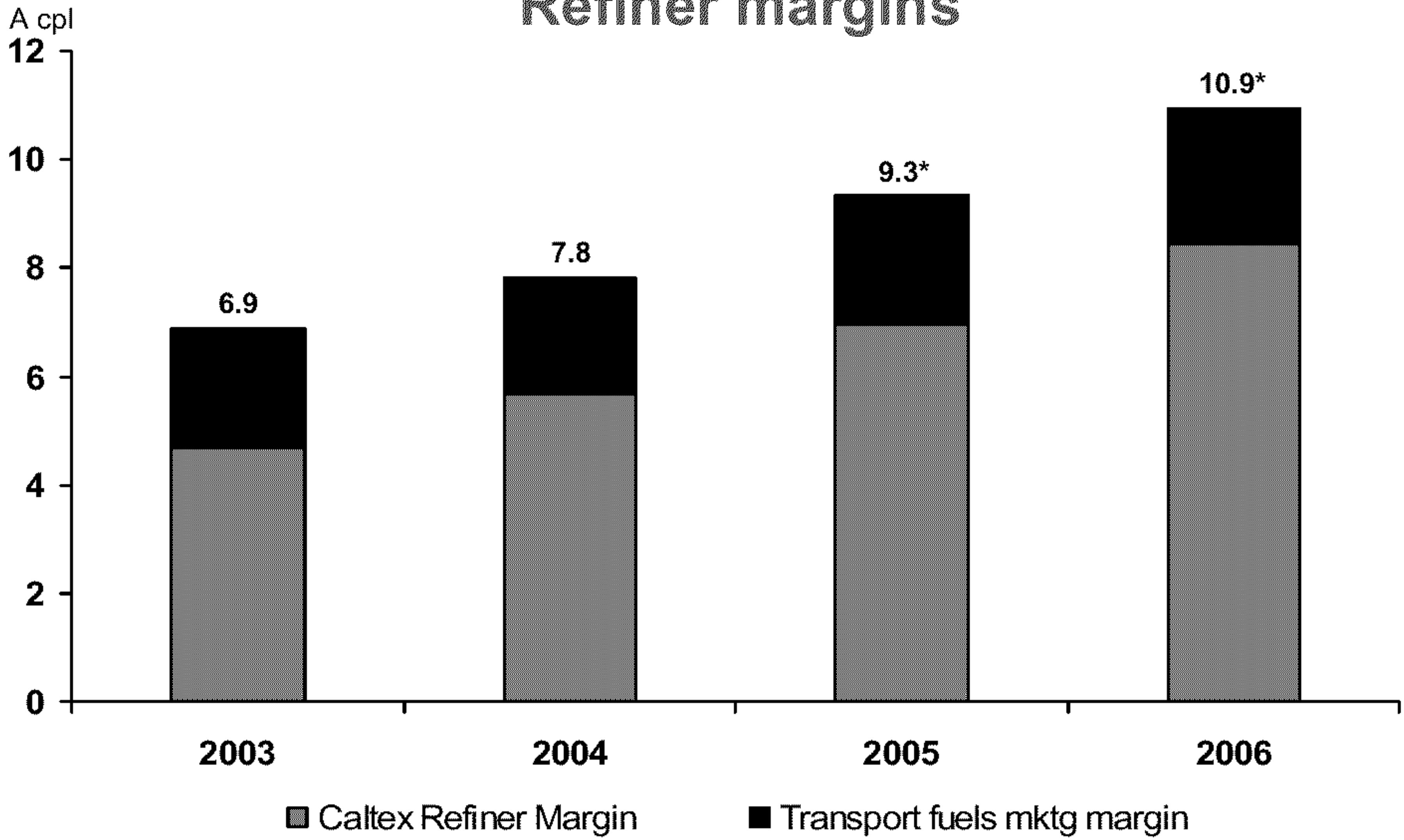
Marketing margins are stable relative to Refiner margins



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

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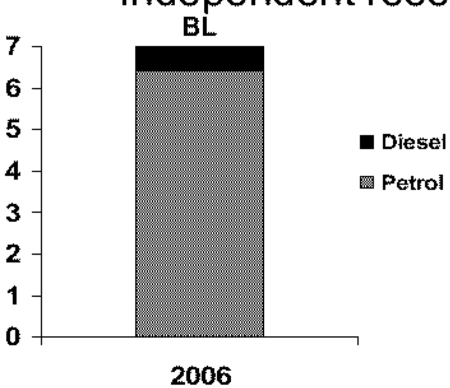
Caltex serves two broad segments

Motorist

Individual consumers who purchase fuel & convenience goods in our retail network

Retail sites
- Company operated
- Franchised
- 3rd party

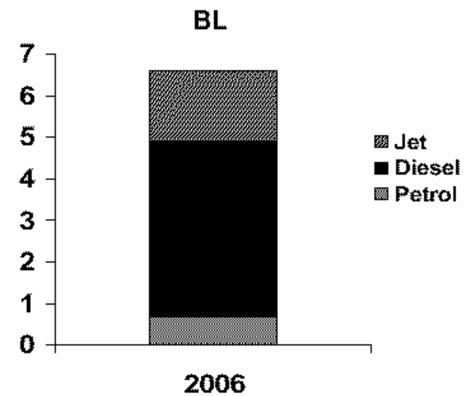
Alliances
- Woolworths
- Independent resellers



Business

Customers range from small to large scale operations

By key industry sectors
- Aviation
- Automotive & lubricants
- Mining
- Commercial
- Industrial
- Specialty products



Key Enablers | Products | Pricing | Relationships | Brand | Card | Network | Infrastructure

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SEGMENT OVERVIEW - MOTORIST

Segment overview - Motorist

The motorist segment is predominantly individual consumers who purchase fuel and convenience goods at retail sites

Caltex services this market through

- Australia's largest national service station network
- An alliance with Australia's No 1 supermarket chain
- Australia's No 1 convenience store network
- Provision of a range of fuel and non-fuel products

Key customer drivers

- Price
- Convenience
- Location
- Reliability
- Range of product offering

Key Enablers

- Products
- Pricing
- Relationships
- Brand
- Card
- Network
- Infrastructure

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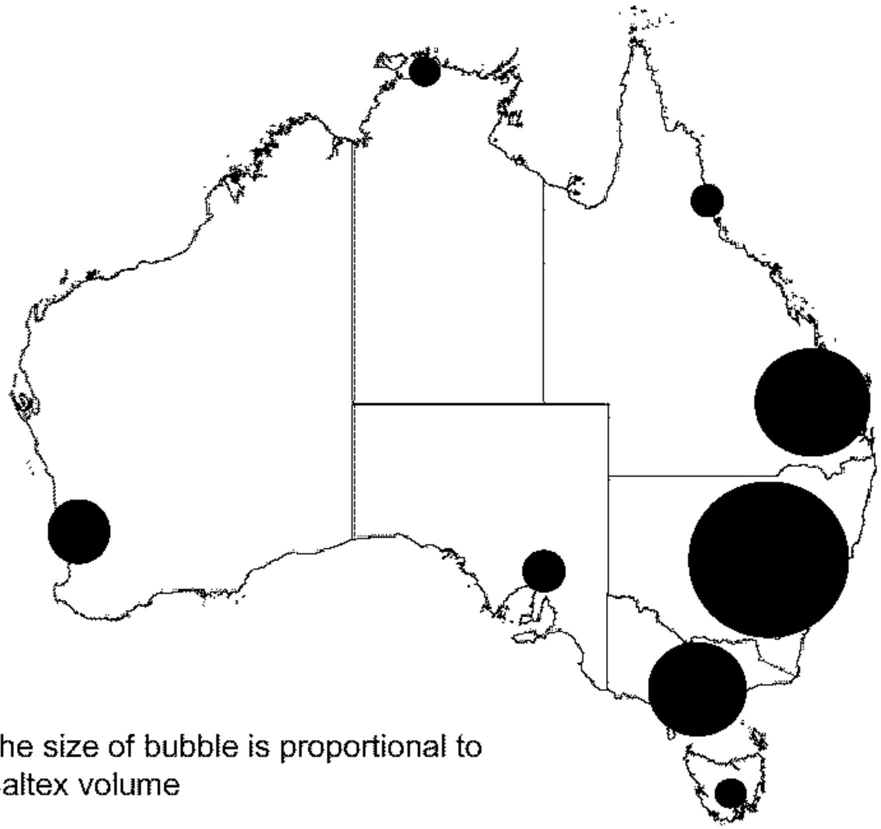
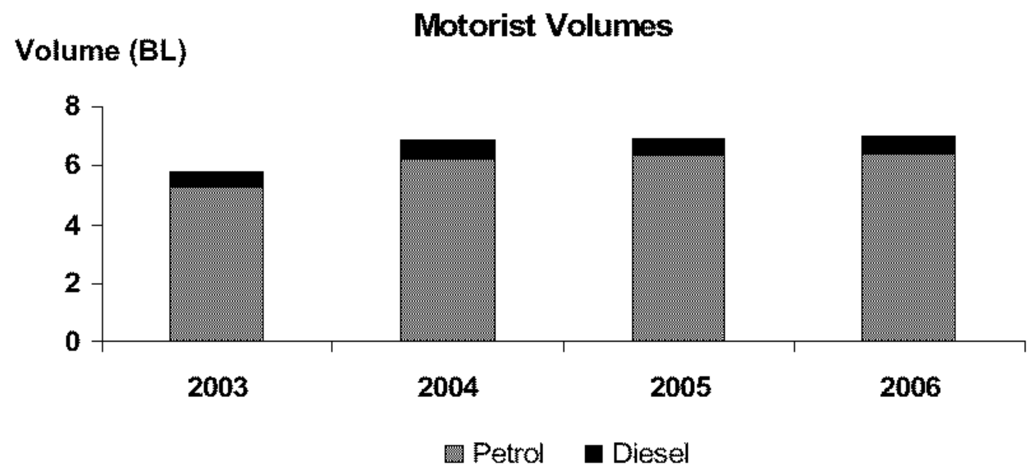
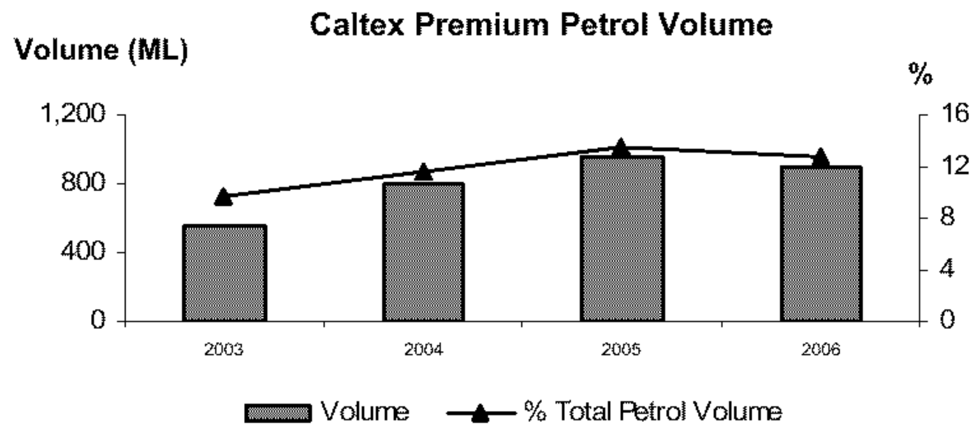
Whilst Caltex is a national marketer, volumes and market share are skewed to the east coast, particularly the refining states



The size of bubble is proportional to Caltex volume





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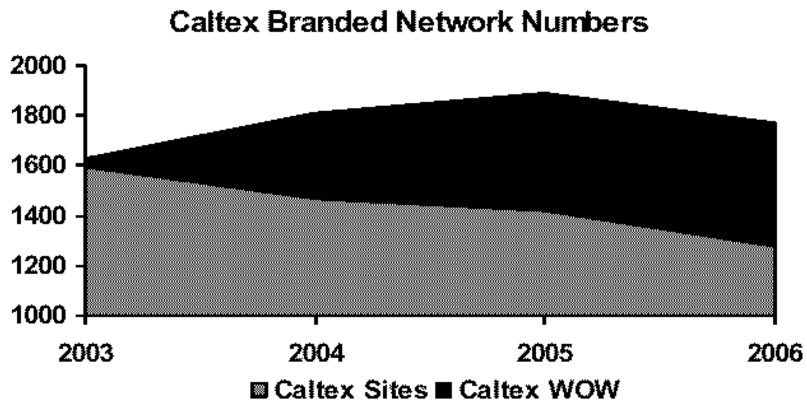
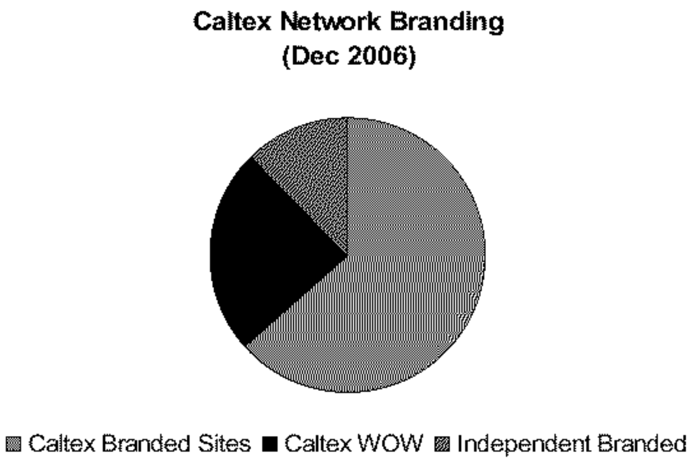
The Caltex network continues to evolve





The rationalisation of sites across the industry continues

Caltex supplies approximately 2000 sites:

- 1330 are Caltex branded
- 500 are WOW alliance sites
- 200 are independently branded

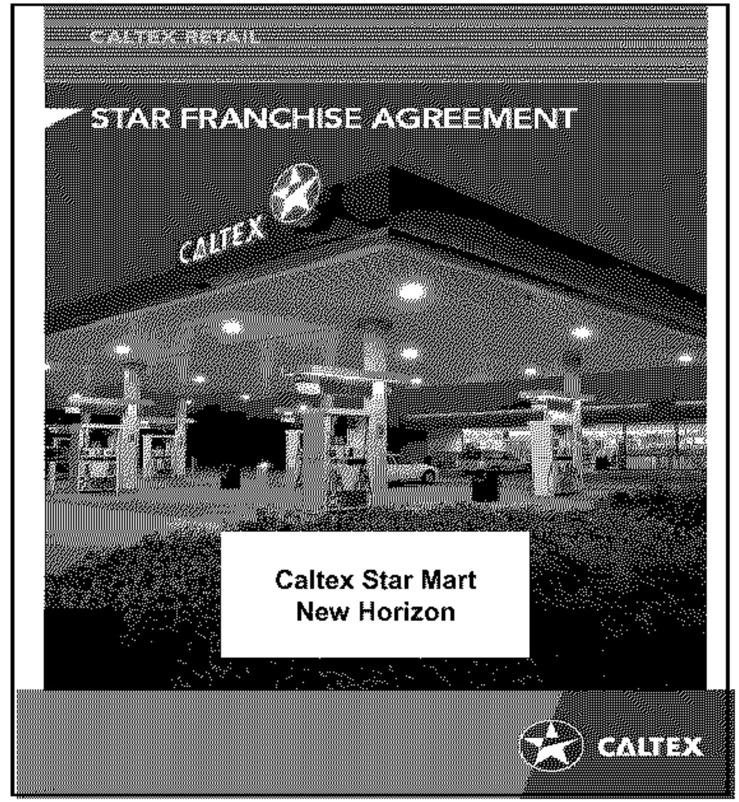
By operations, they are split:

- 200 are company operated
- 550 are franchised
- 1250 are independently operated

The Caltex franchise model

Franchise model

- Business owners with "skin in the game"
- 5 + 5 year option
- Single site agreements (up to 4 multi sites)
- Targeted recruitment: retailers v service station operators
- 550 franchise sites



Royalties/Rent:

Three components:

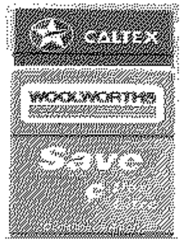
- Royalty: 5% of shop sales (weekly)
- "Turn-over" rental: flat rate (monthly)
- Initial franchise fee = "value of the franchise" (at beginning of initial term)

Impact of Oilcode:

- Greater flexibility
- Self determination of company v franchise site numbers

Caltex Woolworths venture

500 Venture Sites [1]



368 WOW Contributed Sites

- WOW operates C-store
- WOW prices petrol
- Caltex wholesale supply of fuel to WOW

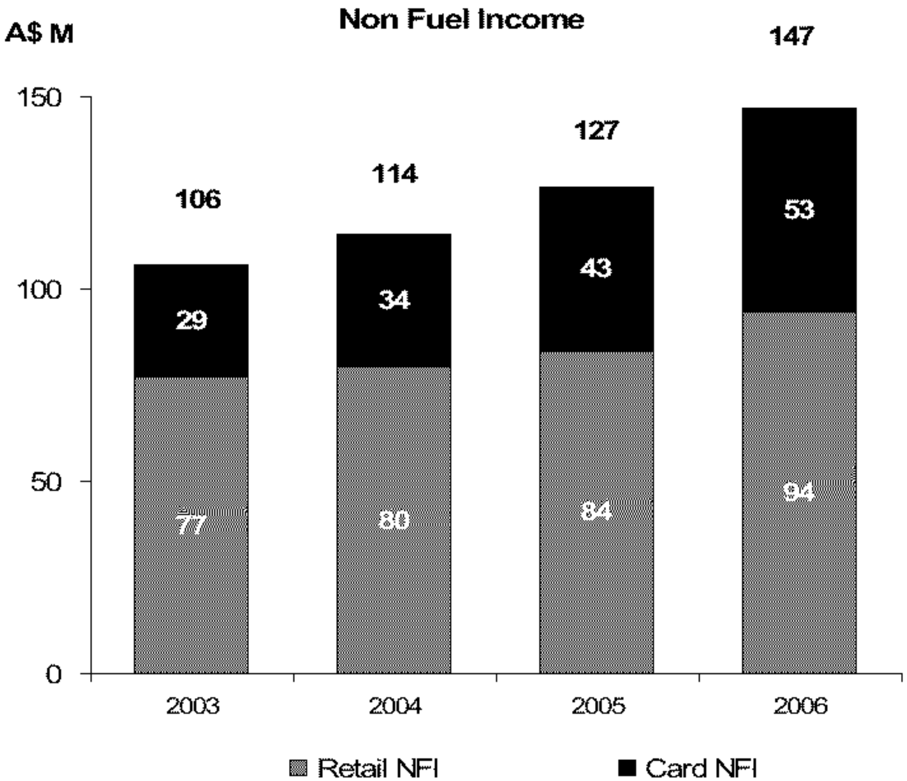
132 Caltex Contributed Sites

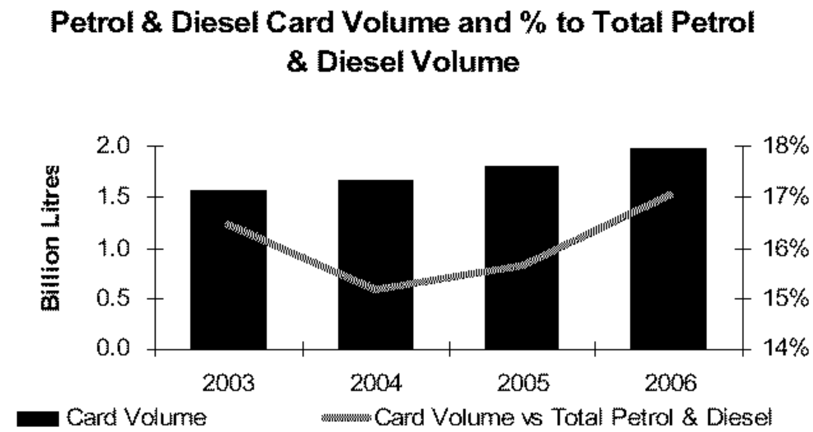
- WOW prices & sells petrol as an agent for Caltex
- Caltex wholesale supply of fuel to WOW
- Caltex (or franchisee) operates C-store

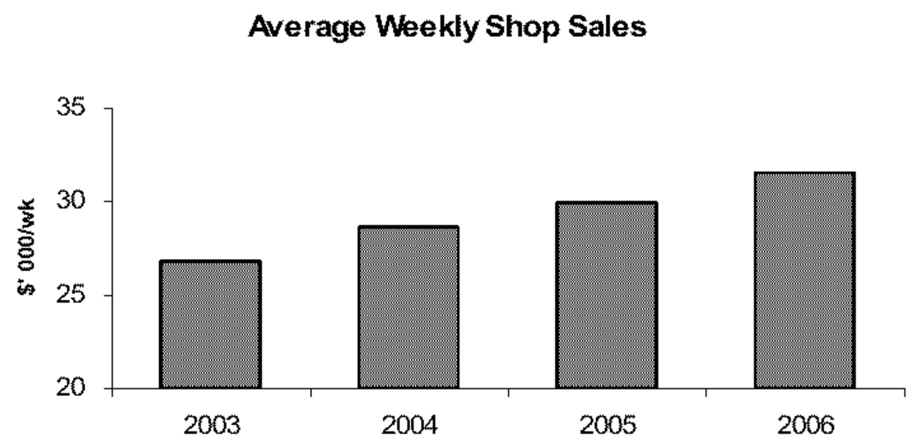
- Supply & branding agreement
  - Caltex branded forecourt and pumps
  - Woolworths/Safeway branded C-store
- 500 venture sites
- Voucher redemption represents approx 50% of fuel volume
- Dry goods arrangement with Woolworths provides access to Woolworths buying price on a range of shop products

[1] Data as at April 2007

Non fuel income continues to grow







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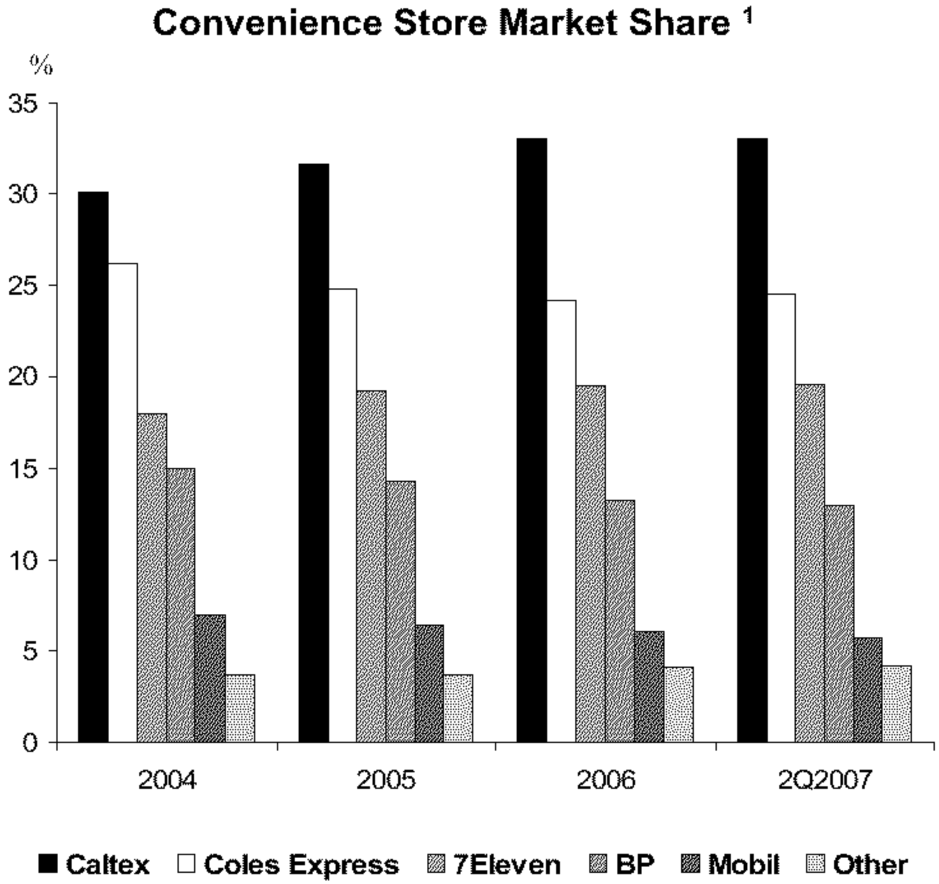
We are the leading convenience retailer in Australia



Key data

- 488 Star Mart convenience stores (including 65 company operated)
- 100 sqm average shop floor
- $800 million shop turnover pa
- 2,000 product lines
- Over 3 million customers per week

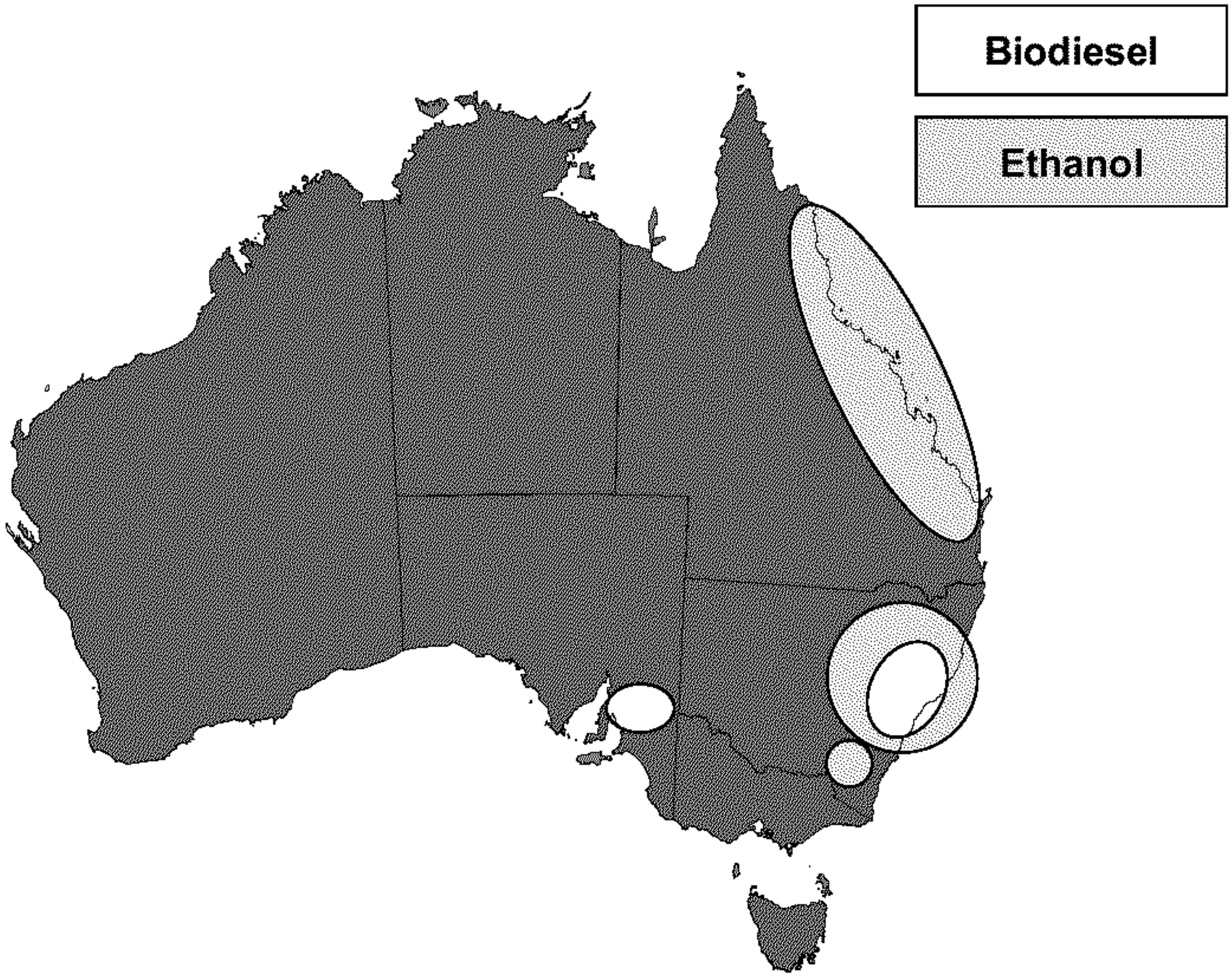
Top 5 categories

- Tobacco
- Carbonated beverages
- Communications – phone cards
- Confectionery
- Milk

Represents over 80% of total shop sales

1 Source : ACNielsen ScanTrack

The current biofuels landscape continues to evolve



Key Biofuels Issues

- Reliable supply
- Product Quality
- Comparative cost
- Customer preference
- Government proposed mandates in NSW & QLD

- Market E10 petrol, Next Generation Diesel (with 2% biodiesel) and B5 Diesel (with 5% biodiesel)
- Biofuels available at over 250 sites in the Caltex network
- Committed to meeting the Biofuels target agreed with Government

As at December 2006

RETAIL VIDEO

SEGMENT OVERVIEW –
COMMERCIAL AND INDUSTRIAL BUSINESS

Segment overview - Business

The business segment comprises over 30,000 customers ranging from large national customers to small-to-medium enterprises (SMEs). Caltex markets nationally a full range of fuel and lubricants to this segment.

Caltex services this market through:

- Direct relationship with large national customers
- Leverage of our reseller network for smaller customers and delivery
- Market position built on consistently delivering value to customers

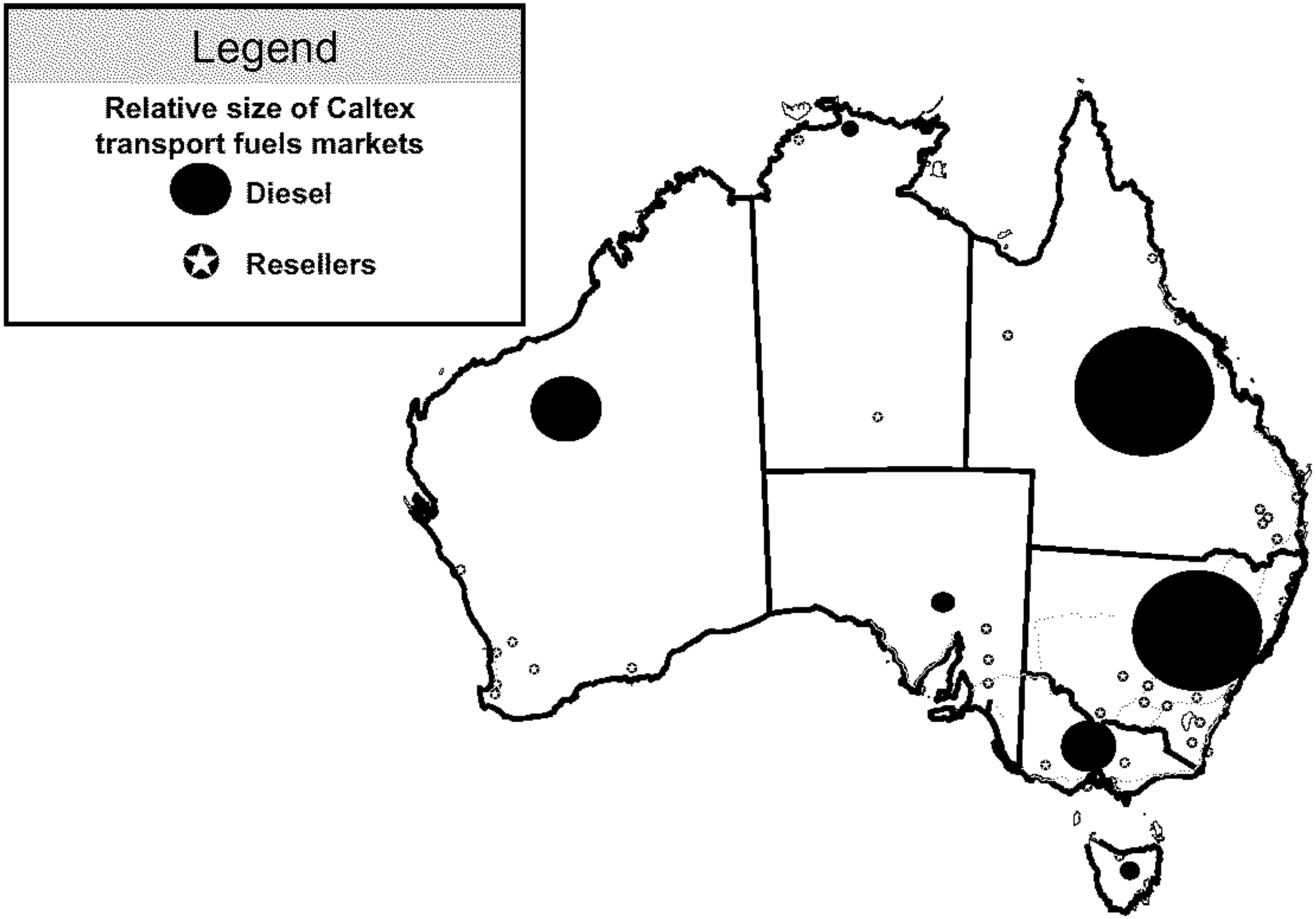
Key customer drivers:

- Security of supply
- Quality products
- Safe and reliable operations
- Local customer service and scheduling
- Competitive prices

Key Enablers

Products	Pricing	Relationships	Brand	Card	Network	Infrastructure

Business – scope of operations

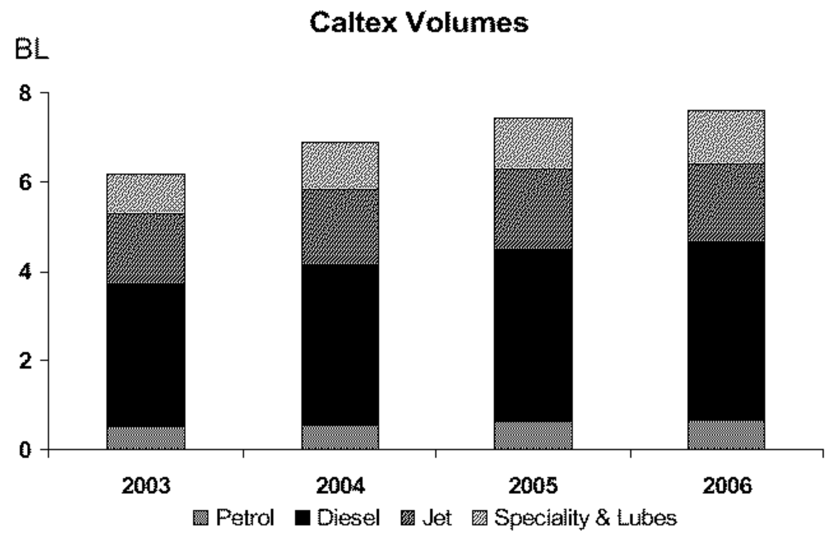


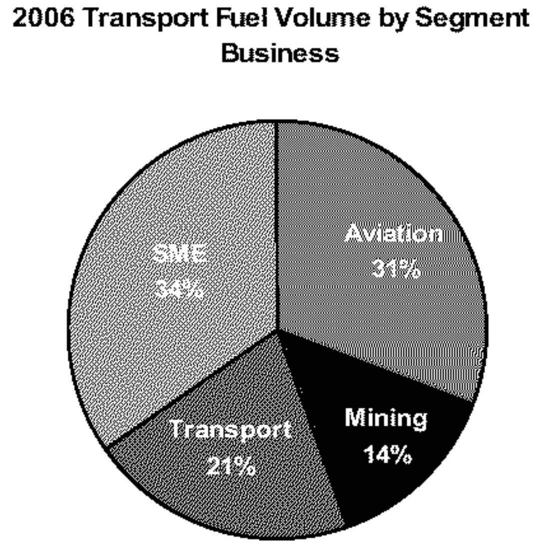
Fast Facts

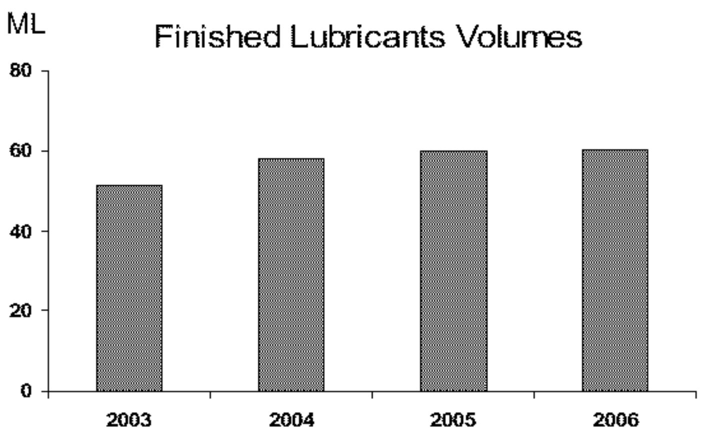
- 99 Depots
- 11 Terminals
- 66 Resellers
- Contracts terms typically > 1 year, volume & pricing subject to tender/negotiation
- Contracted volume is generally secure

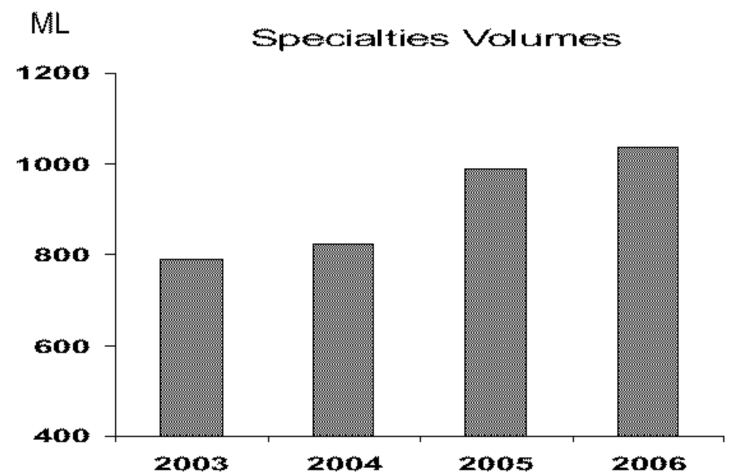
Source: Caltex analysis

Business segment volumes







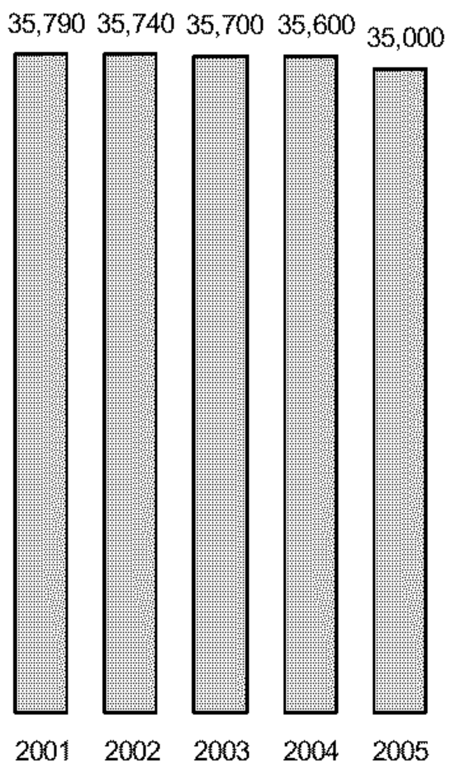


Specialties
- Fuel Oil
- LPG
- Bitumen
- Wax
- Petrochem feedstocks

SME volume includes small road transport customers

Road transport is a disaggregated but growing industry

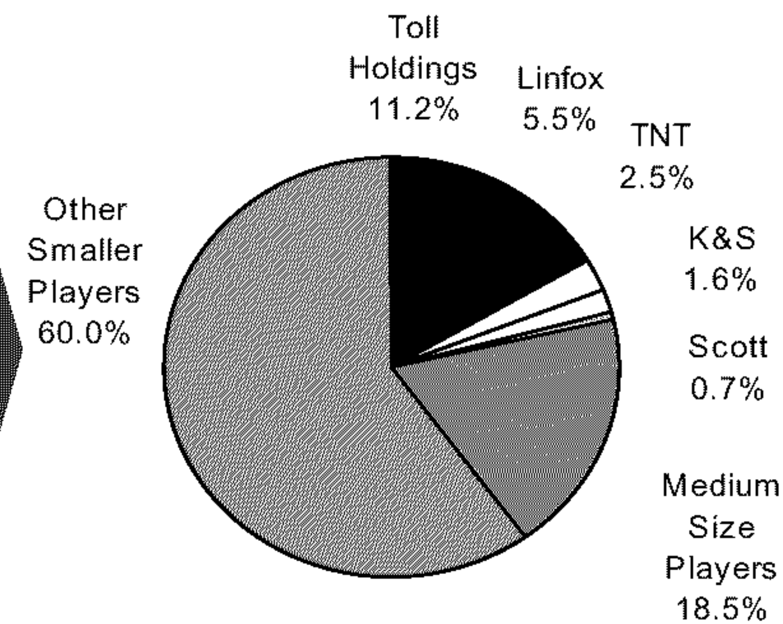
NUMBER OF ENTERPRISES



ENTERPRISES BY NUMBER OF VEHICLES 2005
Percentage

> 100 Vehicles	0.1%
50 to 99 Vehicles	0.1%
10 to 49 Vehicles	2.3%
5 to 9 Vehicles	4.6%
2 to 4 Vehicles	24.5%
1 Vehicle	68.4%

MARKET SHARE BY PLAYER 2005
In % of Turnover



Card is a key part of our customer proposition

StarCard enables customers to buy fuel, lubes and convenience goods through the Caltex service station network

The StarCard offer provides significant benefits to our customers:

- streamlines administration and invoicing by combining fuel, lubricants and vehicle maintenance into one card
- cost control for fleet managers
- ease of convenience
- strength of the Caltex network

PRICING

Factors underlying Australian fuel prices

Major price drivers & pricing dynamics

International factors

- Forces of global supply and demand on crude and product prices
- Shipping costs and availability
- $US exchange rate
- Geopolitical and climatic impacts

Australian factors

- Quality specifications
- Market competition, including supermarket retailers and oil majors
- Alternate energy sources
- Refining capacity
- Australian Government excise, GST and state government subsidies

Market and industry factors

- Local competition (market specific)
- Use of 7-day rolling averages in calculations to reduce price volatility
- Infrastructure capability
- Margins within Australia for storage and distribution, wholesaling and retailing

Customer Pricing

- Pricing is based on product import parity prices
- But determined by competition in each market / customer segment

Business

- Contract typically determines relationship, including price
- Contractual terms vary and are determined by
  - Duration
  - Volumes
  - Additional services
  - Credit
  - Cost to serve

Motorist

- Competition drives price cycles in major metropolitan markets
- Prices are regularly adjusted to maintain competitiveness in markets
- Caltex only sets prices at company operated (non WOW) and commission agent sites
- WOW sets prices at venture sites

LOOKING AHEAD

Structural shifts in the Australian marketplace

Structural shifts

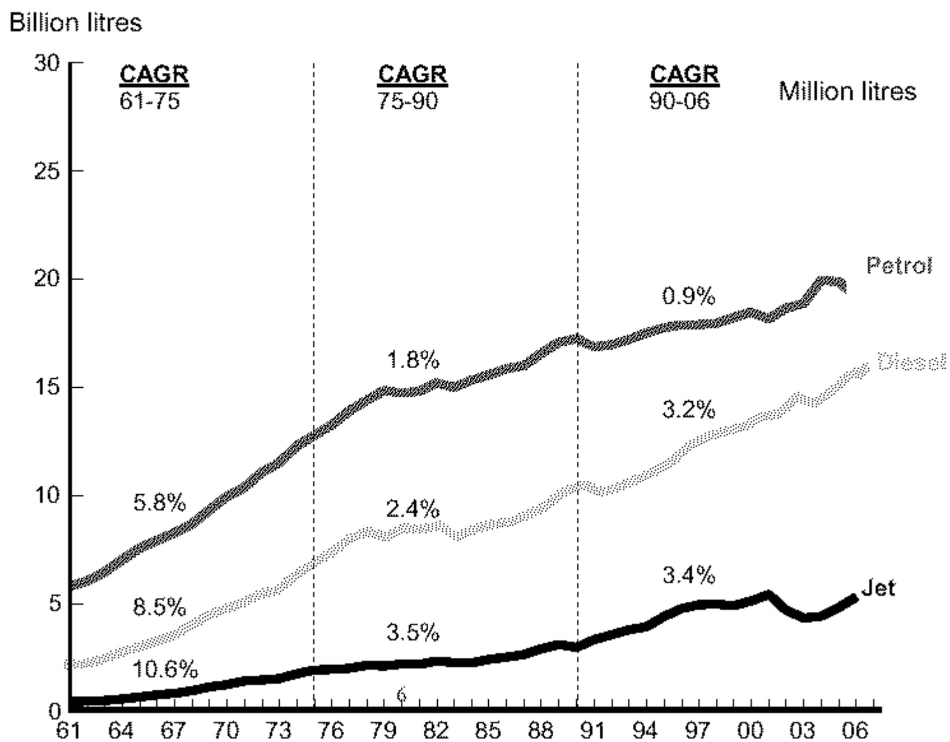
- Australia moved to import dependent
- Asia supply & demand tightened
- Increasing Australian product quality standards
- Entry of supermarkets
- Rapid regional economic growth
- Emergence of biofuels

Market impacts

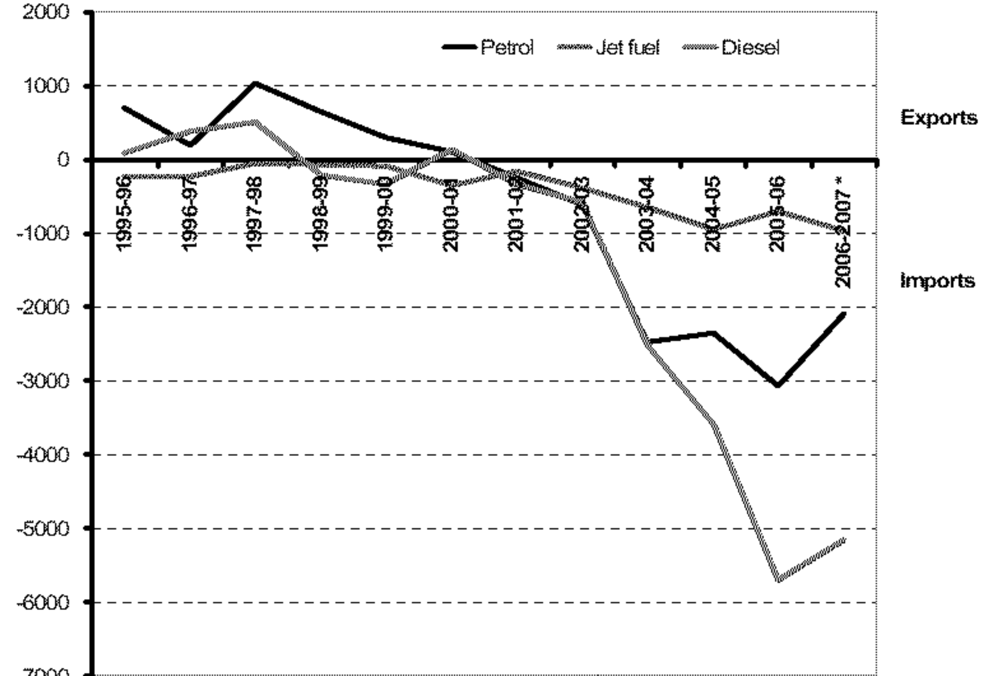
- Increasing value in supply chain security
- 'Dumping' of excess gasoline from Asia ceased
- Increasingly difficult to independently source compliant imports
- Stronger competition in retail market – independents impacted most heavily
- Commodity boom drives diesel growth

Competitive landscape is evolving

Total Australian Market Volume by product type



Australian net Import / Export volumes by product type



* 2007 annualised from July 2006-February 2007 data

Source: ABARE, Caltex analysis

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Drivers of future product demand growth

	Petrol	Diesel	Jet Fuel

Main Drivers	• Increase in vehicle fleet
	• Increasing fuel efficiency
	• Increasing demand for higher octane fuels
	• Product substitution
	  • Diesel
	  • Biofuels
	  • LPG
		• Strong GDP growth, driven by
		  • Commodity boom
		  • Mining & transport
		• Increasing fuel efficiency
		• Increasing penetration of diesel into passenger cars
		• Product substitution
		  • Biodiesel
			• Increasing passenger travel linked to economic activity / prosperity
			  • International
			  • Domestic
			• New airline market entrants

Projected Growth Rates	**0 – 1%**	**~ 4%**	**3 – 4%**

Source: ABARE, Caltex analysis

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Marketing – key strategies

Motorist

Strengthen market leadership

- Strong & efficient retail network
- Evolving convenience offer
- Strong business alliances
- Premium fuels
- Product mix

Supply Chain

- Infrastructure investments for growth and reliability
- Product sourcing
  - Leverage Chevron regional refining strength

Business

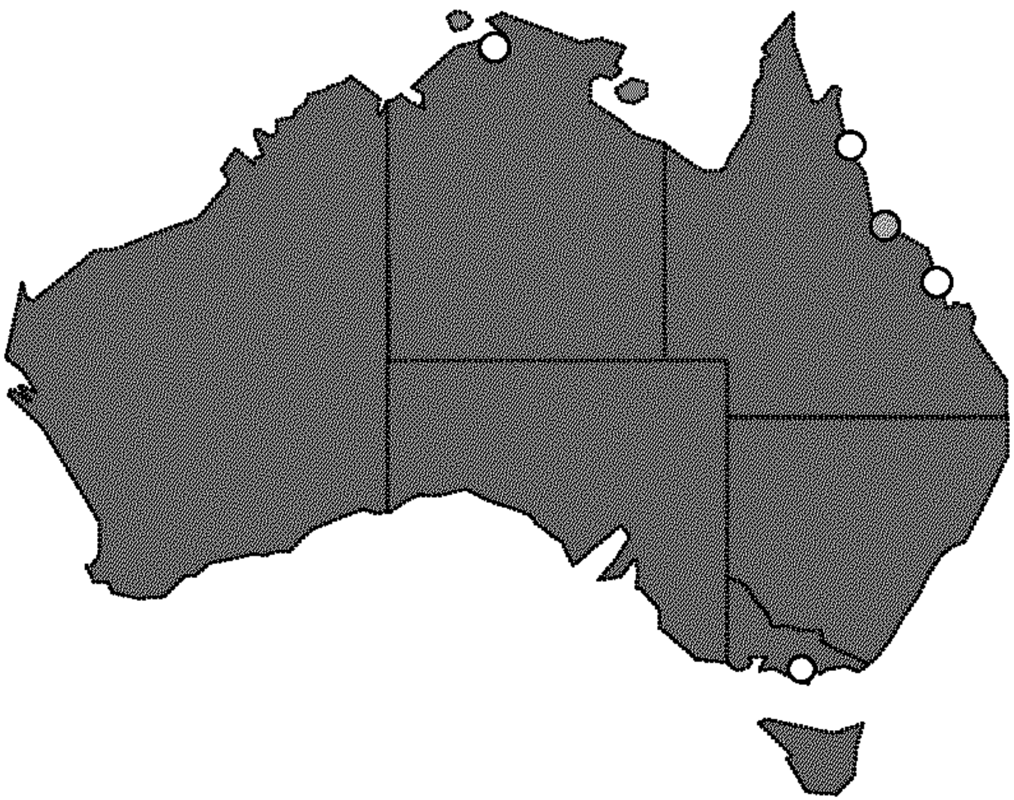
- Target profitable high growth sectors
- Leverage refinery RPIP investments for diesel
- Infrastructure investments and supply chain focus
- Lubes & Specialties

Other

- Many smaller initiatives to improve our proposition to customers and grow our business

Infrastructure is a key driver for Marketing

Provide a safe, secure, reliable & efficient supply chain by:
- improving facilities for risk reduction
- upgrading facilities to support sales growth



Completed projects
- ✓ Cairns upgrade
- ✓ Gladstone upgrade
- ✓ Newport upgrade
- ✓ Darwin terminal agreement

Projects in progress
- ✓ Mackay upgrade
- ✓ Biofuels infrastructure

Future focus areas
- ✓ Growth opportunities Qld & WA
- ✓ Further infrastructure upgrades (terminals and pipelines)
- ✓ Continued risk reduction program

WRAP-UP

Important Notice

This presentation for Caltex Australia Limited is designed to provide a high level overview of aspects of the operations of the Caltex Australia Group. The material set out in the presentation is current as at 18 May, 2007.

This presentation contains forward-looking statements relating to operations of the Caltex Australia Group that are based on management's own current expectations, estimates and projections about matters relevant to Caltex's future financial performance. Words such as "likely", "aims", "looking forward", "potential", "anticipates", "expects", "predicts", "plans", "targets", "believes" and "estimates" and similar expressions are intended to identify forward-looking statements.

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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Marketing Investor Briefing

Caltex Australia
18 May 2007

[Slide 0 – Cover sheet]

Good morning and welcome to the Caltex Marketing Investor Briefing. This Marketing presentation complements the Refining briefing that took place last year, and allows us to present more detail on the nature and breadth of our Marketing operations.

[Provide information on fire exits, high level itinerary etc]

[Slide 1 – Agenda]

I'll now quickly run through the agenda for the day. Today we will cover:

- An overview of our Marketing operations,
- Some detail on our two major customer segments,
- A brief discussion on how pricing is set in these two segments, and
- A brief look ahead to those issues impacting our business and how we are addressing them.

Mike McMenamin, the Acting General Manager of Marketing here at Caltex, will take you through the material. Simon Hepworth and I will be in attendance throughout the morning as will Mike's leadership team. As always, this is a relaxed affair, so if you have any questions or clarification at anytime, feel free to put your hand up. You all, of course, don't need reminding that we cannot respond to questions that we consider may result in selective disclosure or may be confidential.

You are aware, at any meeting where more that 5 people are present, it is Caltex custom to start with an Incident Free Operations Topic. Today, I would like to introduce Mike Raleigh, our National Customer Service and Operations Manager, to present the IFO topic.

[Slides 2 – 4 – Incident Free Operations Topic]

We need to combine the core elements of Asset Integrity, Systems and Procedures and People, to achieve our goal of ZERO incidents in Logistics.

We will start with the **Assets**, which are primarily are trucks and tankers.

- The objective here is to have the right equipment that meets our stringent specifications to ensure we can distribute products with consistent safety, efficiency and reliability. Core components here include the Fleet Replacement Program, as well as a comprehensive Maintenance and Inspection Program. Linehaul Trucks tend to be replaced every 4 years whilst the life of a tanker tends to be 10-15 years (depending on road conditions and site conditions).

The **Transport Management System** follows an Operational Excellence format which includes five steps:

1. Vision & Objectives
2. Assessment
3. Planning
4. Implementation
5. Review

Core elements include:

- Standard Operating Procedures
- Driver Handbook
- Carrier Accreditation
- Equipment Specifications
- Contract Carrier Management

We could have the best equipment in the world, with the best operating procedures and yet still have incidents if we don't invest in our **people**. Core elements here include:

- Recruitment
- Induction & Training
- Skills & Competency Assessments
- Observations through Behavioural Based Safety programs
- Reward and Remuneration
- Performance Measurement and Management

All three legs of the stool need to be connected and operating reliably, to achieve ZERO.

[Slide 5 – Marketing Overview]

[Mike Raleigh]: Let me now pass you over to Mike McMenamin.

[Mike McMenamin]: Thanks Mike.

Provide brief introduction & background on self

I would also like to introduce the members of the Marketing Leadership Team, who are present here today. *[Present team members]*

I'd like to start the presentation this morning by providing a brief overview of our Marketing business.

[Slide 6 – The Marketing business is part of an integrated business]

As you can see, Caltex Australia is an integrated downstream business. We source crude, both domestically and from overseas to our two refineries, to produce predominantly transport fuels – petrol, diesel and jet fuel. These products, and any imports, are transported via pipeline or product ships to a network of seaboard terminals. From here, the products are transported by trucks to our customers.

Currently, the Marketing organisation manages and operates the supply chain from those seaboard terminals to the end customer. The main arms of our business include:

- Logistics and operations to supply fuel to our customers
- A sales organisation to provide customer support
- Marketing functions to support the sales functions

These operations are all integrated with the Refining and Supply parts of our business. However, the efficiency of our operations is constantly under review and, from 1 July, the logistics and operations functions will come under the umbrella of our Supply group who will then have accountability for the entire supply chain from Crude sourcing to delivery to the end customer. This, we believe, will give greater focus to optimisation of the whole supply chain.

[Slide 7 – Caltex is a national marketer of petroleum products]

Our Marketing operations provide a full national coverage for the market. Caltex supplies around 35% of the transport fuels sold in Australia. We do this through a network of terminals, depots and service stations.

The 'bubbles' in the map represent the geographic spread of our petrol and diesel volumes through Australia. You can clearly see the differences between the two products in their geographical spread. I will touch on some of these differences later in the presentation.

[Slide 8 – Caltex maintains its position as market leader]

While market share data is difficult to determine accurately, Caltex is a market leader in all three products, including jet fuel.

In petrol, you can clearly see the impact of the supermarket chains, with Woolworths and Coles capturing around 40% of the market – both Caltex and Woolworths have benefited from the alliance. In this highly competitive segment of the market, the majors and particularly other independents have lost market share to the supermarket chains.

The markets for diesel and jet fuel operate in a different manner to petrol, which is reflected to some degree in the market shares. Independents, and particularly the supermarket chains, do not participate in these markets. We are one of the top 2 players in these markets.

[Slide 9 – Source of product]

Our Marketing business buys its product from three principal sources:

- Our two refineries at Kurnell and Lytton;
- From our competitors' refineries in our non-refining states; and
- From imports, predominantly from Asia, where we are able to leverage our strong relationship with Chevron, our 50% shareholder.

While most of our product is sourced directly from our refineries in NSW and Queensland, a significant proportion is purchased from competitors in other states. Our requirement for imports is currently around 10%, but is increasing as our sales volumes grow.

For our two major products, petrol and diesel, the breakdown of our supply source is different. For petrol, around half the volume is supplied from our refineries, with imports providing a relatively small proportion of our volumes.

For diesel, we are more reliant on our competitors and imports for our volumes. To a large extent, our reliance on imports reflects the national statistics – across Australia approximately 40% of the diesel sold is imported.

There are two additional points to be made on these charts. The first is that it emphasises the benefits of a secure and reliable supply chain. With the need for imports growing, our ability to first source Australian grade product from Asia, and then to effectively import and distribute to the market is of critical importance to our customers.

Secondly, you are no doubt aware that Caltex is spending of the order of $250 million to construct and commission a new diesel hydrotreater at our Lytton refinery in Brisbane. This will increase the capability of our refineries to produce Australian grade diesel by approximately 40% when it comes on line in the first half of 2009. This will enable us to decrease our reliance on third parties.

[Slide 10 – Caltex sales volumes]

We have presented our sales volumes to the market for a number of years. Transport fuels are the bulk of our sales volumes, with petrol the main product. Our product mix has evolved, with petrol volumes increasing markedly on the back of our alliance with Woolworths. Going forward, diesel will grow faster than petrol and the overall sales mix will evolve slowly over the next few years.

Lubricants and specialties are different markets. In lubricants, volumes have been steadily growing, while specialty products volumes were impacted by the Clean Fuels project construction in 2005 and 2006. During this period, the production of fuel oil was higher than typical, which increased the volumes for sale through our specialty products team.

[Slide 11 – Marketing makes a significant contribution to earnings and adds diversification]

Turning now to financial metrics, the Marketing arm contributes significantly to the overall performance of the company. Over the past two years, we have contributed around 50% of company earnings, with Refining providing the remainder.

The two operations complement each other. As you are aware, Refining earnings are leveraged to regional refiner margins which, while strengthening over the past few years, are quite volatile. The Marketing earnings have different financial and value drivers, and are largely indifferent to the refiner margin. As a result, the strong Marketing contribution to earnings diversifies our financial performance, which sets us apart from a number of our Refining peers in Asia.

I will take some time now to explore the drivers of our Marketing earnings, and how we have been performing in recent years.

[Slide 12 – Marketing key profit drivers]

The EBIT tree on this slide shows the main drivers of our financial performance. On the income side, there are three main areas in which we earn our money:

- The sale of transport fuels
- Sale of lubricants and specialties, and
- Non-fuel income

For the first two categories, the key drivers are the margin on each product, the total volumes sold and the mix of products in that volume. Non-fuel income is predominantly accrued from our convenience store network and the related royalties, and from our card operations.

[Slide 13 – Marketing margins are stable relative to Refiner margins]

This chart shows the integrated margin for Caltex since 2003. As you can see, this has grown strongly, largely as the result of improving refiner margins. You will no doubt be aware that the refiner margins are impacted by regional an global forces, and have been quite volatile over this period. For example, in 2006, the Caltex refiner margin varied from a low of $1US/bbl to a high of $18/bbl.

A key point from this slide is that through this volatility in the refiner margin, the marketing margin has remained quite steady. Our Marketing operations are largely indifferent to the Singapore refiner margins. It is this key difference in value drivers between our Refining and Marketing operations that provides the diversification in the Caltex earnings stream.

[Slide 14 – Caltex serves two broad segments]

The Australian market can be segmented in a number of different ways, but a key differentiation is into two main segments – Motorists and Business.

Motorists are primarily individual consumers of fuel, who are serviced through our network of retail sites. Our network is a mix of company operated and franchised sites, supported by alliances with resellers – the largest is Woolworths.

The Business segment includes a wide variety of customers, from large national operations to sole operators. This market can be further differentiated into industry categories such as Aviation, Mining and Commercial. These customers are often supplied directly to their operations, either directly from one of our terminals, or though our network of resellers who operate throughout the country.

This distribution and supply chain is supported by a number of what we call 'Enablers' – items such as our product range, card offer, infrastructure, network presence and pricing strategies.

The volume split between these two segments shows that they represent approximately equal volumes – around 6.5 to 7.0 billion litres each. However, note the two segments are focussed on different products.

The Motorist segment accounts for over 90% of the petrol volume sold in Marketing. The diesel volume currently represents a small portion of the total fuel sold.

The Business sector unsurprisingly accounts for all the jet fuel volumes and the majority of the diesel volumes. Again, this reflects the high use of diesel in industry and transport sectors, with the petrol volumes provided largely to business car fleets.

[Slide 15 – Segment overview - Motorist]

I'd like now to spend some time exploring the Motorist segment:

[Slide 16 – Segment Overview - Motorist]

As I mentioned earlier, this segment consists of individual consumers who purchase both fuel and convenience goods at our retail sites. We service this important market through:

- the largest national network of service stations in the country,
- an alliance with Australia's leading supermarket chain, and
- the No.1 convenience store network.

In this market, the key customer drivers are:

- Price – this is a very competitive market sector, particularly following the entry of the supermarket chains;
- Convenience – this ensures that customers are easily able to make their purchase from a Caltex site;

- Location – the reach of our network is important;
- Reliability – this can sometimes be overlooked, but it is important to ensure that product is available;
- Range of Offering – this includes both fuel and dry goods. We are continually evolving our offer in this market.

While all enablers assist us in this sector, some are more important. These include our network, brand, pricing and products.

[Slide 17 – Caltex is a national marketer]

As this is a segment consisting of individual consumers, the market is concentrated in the major metropolitan areas. The bubbles on this map show the relative volumes we market across the country. It is apparent that while Caltex is a national marketer, the volumes are skewed to the east coast, particularly in our home refinery states of NSW and Queensland.

As you are aware, our volumes have been growing in this segment, with the large increase in 2004 and 2005 the result of the Woolworths alliance.

Premium petrol is a growth area for us, and we have been growing these volumes from 2003. Volumes did decline in 2006 for two main reasons:

- Increasing crude oil prices, particularly in the first half of 2006, adversely impacted the total market volumes for these fuels – total market volumes declined as some consumers reverted to cheaper, lower octane fuel. Volumes did recover though the second half of 2006 as crude prices eased.
- We needed to readjust our margin / volume balance. Up to 2006 we were constrained by our refinery production of Vortex fuels. As they have increased their production capacity, and we have continued to roll-out Vortex fuel through out network, we are adjusting our 'go to market' strategy

[Slide 18 – The Caltex network continues to evolve]

One of the main features of the entire retail market over the past 10 – 15 years has been the steady rationalisation of service station sites. This chart shows that we continue to rationalise our own network. Excluding the impact of the additional Woolworths alliance sites to our network, we have been consistently upgrading our network through divestment of tail sites. In this market, the intense competition requires sites to have scale to maintain adequate returns.

As you can see, our network can be segmented in a number of ways:

- We supply fuel to approximately 2000 sites, of which around 200 are independently owned and branded;
- Of the 1800 Caltex or Ampol branded sites, around 200 are company operated, 550 are franchised and 1250 are independently operated.

[Slide 19 – The Caltex franchise model]

As you can see from the previous slide, the majority of sites in our network are operated by franchisees. We believe the franchise system we have developed brings us advantages over a fully company owned network as the franchisee has 'skin in the game'. Our franchise agreements are established as a 5 + 5 year option, typically on single site agreements.

There are three main components to the franchise model:

- There is a weekly 5% royalty charge on shop sales
- A monthly 'turn over' rental payment,
- An initial franchise fee at the term

You may be aware that the Sites Act has been recently repealed, and replaced by the Oilcode. One major change that arose from this change in legislation was a lifting of the restrictions on oil company operation of retail sites. However for Caltex, there will be little impact as we remain committed to the franchise model.

[Slide 20 – Caltex Woolworths venture]

This slide shows the structure and key facts of our alliance with the Woolworths. In March the 500th site in the venture was opened – 132 of these sites have been contributed by Caltex, with the remaining 368 sites contributed by Woolworths. Note that the fuel alliance is primarily a supply and branding arrangement, not a joint venture.

On the fuel supply side, Caltex supplies fuel to all 500 sites in the alliance. For the 368 Woolworths contributed sites, Woolworths operates the convenience store, and sets the petrol price at the pump. At the remaining 132 Caltex-contributed sites, Woolworths prices and sells the petrol as a commission agent for Caltex, while Caltex (or the franchisee) operates the convenience store.

All 500 sites are branded "Woolworths' (or Safeway) on the convenience store, while the pumps and forecourt are branded Caltex.

In addition, we are currently rolling out a dry goods arrangement, where Caltex has access to Woolworths' buying price on a range of convenience store goods.

[Slide 21 – Non fuel income continues to grow]

Non fuel income is another key part of the Motorist segment. You can see here that around 2/3 of our non fuel income is derived from our convenience store network, while the remaining third comes from Card operations – our Starcard and Starfleet products.

The growth in our convenience store and related royalty income is supported by the growth in average shop sales across our network to around $32,000 per week.

Our card income is also steadily increasing, with total volumes sold via one of our card products approaching 2 billion litres last year. The reduction in the proportion of card volume to total volume occurred due to rollout of the Woolworths alliance in 2004. The bulk of the increased volume that occurred was not conducted on card, and so 'diluted' the card volumes.

This is a good example of the integration between this segment and the 'Business' segment. The fuel income from our Starcard products accrues to the retail sector, as the card is used through our network. However, the customers who utilise this product are predominantly fleet and transport customers in the 'Business' sector. The non fuel income represents card fees and merchant service fees generated by the use of the card.

[Slide 22 – We are the leading convenience retailer in Australia]

As I indicated on the earlier slide, our Starmart convenience store network contributes strongly to our non fuel income stream. In this area, we are the market leaders, with nearly 1/3 of the market. For our retail sites, this is an important part of their operation, as it can account for 60 - 70% of a franchisee's income.

The total turnover of our network is around $800 million per annum, through our 488 convenience stores. We have also listed our top 5 categories of products, which account for over 80% of total store revenue. Note that, for a franchised site, the convenience store gross margin accrues to the franchisee. The franchisee then pays a royalty to Caltex based on the store turnover.

We are continuing to evolve and improve our operations in this area. We are currently rolling out our Centralised Logistics Program, which will streamline the supply of dry goods to our network. In addition, we are about to pilot our '21CC' convenience store format, which looks to adapt our offer to meet the changing needs of our customers.

[Slide 23 – The current biofuels landscape continues to evolve]

Biofuels is an evolving, but growing part of the fuel environment. Caltex is the market leader in the supply of biofuels to the Australian market – both ethanol-blended petrol and biodiesel blends. As you can see on the map, our supply area is predominantly on the East Coast, to match the available supply of biofuels. We market E10 unleaded petrol along the Queensland Coast from Cairns to Brisbane, as well as in a large area of NSW and the ACT. Next Generation Diesel (with 2% biodiesel) is supplied from our Newcastle terminal, while we supply a B5 blend in Adelaide. In total, we currently have around 250 sites across the country marketing biofuels blended product.

We met the Australian Government Biofuels Action Plan target in 2006 and remain on track to meet our volume commitment this year. In addition we are working to meet the proposed NSW and Queensland Government mandates for ethanol.

Our preferred strategy for biofuels at present if to secure supply from producers, and blend this product into crude oil sourced product at our terminals. There are four key issues around biofuels that we are addressing in our rollout. The first three – supply, quality and cost – relate to the supply side. They concern our ability to secure adequate supply volumes of quality biofuels at a competitive price. The final issue relates to the customer – the acceptance of biofuels in fuel by consumers is growing, but a significant portion of the market remains reluctant to use biofuels-blended product.

[Slide 24 – Retail Video]

A short video presentation on the Caltex convenience store network

[Slide 25 – Segment Overview – Commercial & Industrial Business]

I'll now turn our attention to the Business segment of the market.

[Slide 26 – Segment Overview – Business]

This is a very different market segment to the motorists. In this sector, our market is over 30,000 customers, who range in size from a relatively small number of large national (and international) operations, to a large number of small to medium sized enterprises (SME's). We market a full range of fuels and lubricants to these customers.

The market diversity requires different approaches to serve it effectively. Larger customers are managed through direct relationships with the companies, and are often supplied directly from our terminals. We leverage our reseller network to service smaller customers, both in the sales roles and in delivery. For fleet and transport customers, delivery of product is often through our network of retail sites.

The key drivers for this market vary between customers, but generally are different to the Motorist. The key drivers include:

- Reliability of supply
- Quality product
- Competitive pricing
- Safe and reliable operations
- Local customer service & scheduling and

The critical enablers for this segment include infrastructure, product, pricing, card and relationships.

[Slide 27 – Business – scope of operations]

As you can see from this slide, the scope of the Business segment is different to the Motorists. While we operate a national Marketing operation to these customers, with the exception of airlines, they are typically not found in metropolitan areas. With the wide geographic spread of the operations, the supply chain links are critical – both the seaboard terminals and the operations of our reseller network. It is through our resellers that we are able to effectively service our smaller and more remote customers.

[Slide 28 – Business segment volumes]

The growth in volumes in the diesel market can be clearly seen in this chart – a key driver of this increase has been the global commodity boom. Jet fuel volumes did decline in 2006 as we elected to preserve margins, rather than chase volume.

The breakdown of volumes by segment shows the significant proportion of our volumes sold to small and medium sized businesses – around 50% of our volume. Of the major accounts, mining and commercial (transport) accounts for the bulk of the diesel, while aviation is also a significant volume market.

[Slide 29 – Road transport is a disaggregated but growing industry]

The trucking industry is a good example of the diversity in this segment. This segment ranges from major national operations such as Toll Holdings and Linfox, to smaller single truck operations. The majority of customers in this segment operate less than 5 trucks, and account for over 60% of the total volume in the market.

This variation means we need different strategies and models to effectively meet their different needs.

[Slide 30 – Card is a key part of our customer proposition]

The transport industry is a key sector in this segment, and our Starcard and Starfleet offer is a key customer proposition. For our customers, it provides a number of benefits:

- It streamlines the administration and invoicing of their fuel, lubricants and maintenance
- It allows for good cost control practices for fleet managers
- It is convenient for the customers to use and
- It is backed by the strength of the Caltex network

For Caltex, it can be a key component of the offer to customers in this segment.

[Slide 31 – Pricing]

I will now just briefly touch on pricing.

[Slide 32 – Factors underlying Australian fuel prices]

There are a number of factors that impact on the price of fuel products in Australia – they can be categorised into three main drivers.

- International drivers. These include the regional and global supply and demand balances and their impact on crude and product prices, as well as transportation costs and exchange rates. As we have shown earlier, the price of products in Australia closely follows the pricing for products in Singapore.
- Australian factors. These incorporate the Australian fuels quality standards; taxes and excises payable on fuel; the capacity of the local refining industry and pricing at import parity pricing; and competition in the market, the most obvious being in the Motorist segment, with the supermarket chains.
- Market and industry factors. These include the use of 7 day rolling average pricing; competition at a local level; the infrastructure capability throughout the country, and the impact of storage and distribution of the products

[Slide 33 – Customer Pricing]

For all products to all customers, the pricing basis if the import parity price for the product – this is the marker for pricing into the market. Beyond that, the ultimate price for product for each customer is determined by market forces, in each of the customer segments. However for the two main customer segments, there are differences.

For customers in the Business segment, the pricing is one element of a contract negotiation. Issues such as the duration of the contract, contracted volumes, the requirement for additional services and other terms are all negotiated, along with the price. We compete for market with our competitors, and price is one key element of the offer to the customer.

The Motorist segment is a different market, with different pricing dynamics. Prices are openly displayed at each retail site, and as such competitor pricing can be readily obtained. Major metropolitan markets operate with a regular price cycle – prices are adjusted to maintain parity in a competitive environment.

[Slide 34 – Looking Ahead]

So far this morning, I have discussed the two main segments in the Australian market and where Caltex currently stands. Let me turn now to the future.

[Slide 35 – Structural shifts in the Australian marketplace]

I'll start by giving a little context around the Marketing environment. No doubt you are aware of the structural shifts that have occurred in the Refining industry, and the impact they have had on performance. What is not quite so well understood is that changes have occurred in the Marketing environment that have had a profound impact on our business – in fact a number of the shifts are identical to those experienced by our refineries.

The first three shifts listed here have impacted on our refineries. But the closure of the Mobil Port Stanvac refinery in 2003, the tightening Asian supply and demand balance and the tightening Australian fuel quality standards have also dramatically altered the Marketing landscape. As reliance on imports has increased across the country, and the supply of Australian-grade products from Asia has tightened, the value of a reliable and secure supply chain has increased significantly. With our network of terminals and our ability to leverage both our Australian refining assets and our relationship with Chevron in the region, we can provide supply security to our customers. This has created an advantage for Caltex over those competitors without a robust supply chain.

Secondly, the entry of the supermarket chains has dramatically changed the dynamics of the retail market. Woolworths and Coles have captured significant market share, with the independents most heavily impacted.

Thirdly, the rapid regional economic growth – particularly in China – has had a twofold impact on our Marketing business. Firstly, the increasing demand for fuel in Asia has maintained a tight supply and demand balance in the region, which underpins the value of our supply chain. Secondly, it has supported the commodity boom in Australia, which has driven domestic demand for diesel in particular.

And finally, the emergence of alternative fuels, and in particular biofuels, is shaping the market environment and will likely continue to do so over the coming years.

[Slide 36 – Competitive Landscape is evolving]

These slides show the evolving Australian product market. Petrol has been the dominant fuel in the country for decades, but has now matured, with relatively low growth since the 1990's. Over the same period, diesel and jet fuel has been steadily growing at rates of around GDP growth. This means that the product mix being demanded by the market has been steadily evolving, and will continue to do so.

The second chart shows Australia's increasing reliance on imported fuel. The impact of the closure of the Mobil refinery in mid-2003 is apparent with the sudden increase in imports – this has continued to grow as the market has increased

[Slide 37 – Drivers of future product demand growth]

Looking forward, there are a number of drivers of growth in the three main transport fuels. Some contribute towards increasing demand, while others will reduce demand.

For petrol, increasing demand from the growth in population and the higher number of cars on the road will be offset by increasing fuel efficiency, and product substitution by LPG, diesel and biofuels. The demand for premium petrol grades will also increase, as car manufacturers increasingly produce engines requiring premium fuels.

Diesel demand growth will continue to be driven by strong GDP growth on the back of the commodity boom. This will be most strongly seen in the transport and mining sectors. There will also likely be increasing penetration of diesel engines into the passenger car market. This will be offset by product substitution by biodiesel and improved engine efficiency.

Demand for jet fuel will increase as a result of continued growth in air travel, both domestic and internationally. Again, this will be offset by increase aircraft efficiency, as older fleets are replaced.

Overall, we anticipate petrol demand growth to remain relatively flat at around 0 – 1%, with diesel and jet demand to increase at rates around GDP growth, of 3 – 4%.

[Slide 38 – Marketing – key strategies]

Based on this, we have clear goals for our Marketing business. For the retail Motorist segment, which is largely based around petrol, the focus is on strengthening our market leadership position. This will include:

- Sustaining a strong and efficient retail network
- Evolving our convenience store offering
- Maintaining strong business alliances
- Continuing to grow our premium fuels business
- Developing our product mix to continue to meet our customer needs

Our Business segment is leveraged more to the diesel and jet fuel markets. In this area we will be:

- Leveraging our refinery investments. The completion of our new diesel hydrotreater at Lytton in early 2009 will increase our production capacity for diesel, improving our supply reliability
- On-going strengthening of, and investment in, our infrastructure and supply chain
- Continuing to profitably grow our volumes, by targeting the growth sectors.

Whilst individually immaterial, we continue to implement a number of other growth opportunities. These include the roll out of our Centralised Logistics Program to support our convenience store network, the full implementation of our dry goods arrangement with Woolworths and the selective acquisition of branded resellers.

[Slide 39 – Infrastructure is a key driver for Marketing]

Our infrastructure program is a key platform for Marketing over the next few years. You will be aware that we have made significant progress over the past 12 – 18 months on our upgrade program, with the commissioning of a new diesel tank at Gladstone, signing an agreement for access to the industry terminal in Darwin and upgrades at our Newport and Cairns terminals.

An upgrade of our Mackay terminal to increase diesel tankage is in progress, and various projects to improve our Biofuels infrastructure at terminals are underway. The Mackay terminal improvements, as well as the completed Gladstone tankage, will support the Lytton refinery diesel hydrotreater commissioning in 2009.

Beyond this, we are reviewing opportunities in Queensland and Western Australia to better service these areas, assessing the current and future capability of our existing terminals, whilst maintaining a focus on risk and incident free operations. Safe and reliable operation is critical, and capital targeted to reduce risk at key locations.

[Slide 40 – Wrap-up]

[Mike McMenamin]

That's all from me. I'd like to hand over now to Des King to quickly wrap up the day. Thank you for your time, and I hope we have gone some way to improving your understanding of our Marketing business.

[Des King]

Thanks, Mike. I'd like to quickly finish by re-iterating a few key points from the presentation this morning:

- While we have focussed on Marketing today, we are a single downstream business, where both major parts of the business – Refining and Marketing – are integrated.
- Our Marketing operations are a key part of our business. It provides around 40 – 50% of our earnings, and helps to diversify the business as it operates with different drivers to Refining. This reduces our earnings volatility.
- The Australian market has undergone some significant structural changes over the past 3 – 4 years. This has changed the market, and placed increased value on a secure supply chain.
- Our performance in this period has been strong – our financial performance has continued to grow, and we are now positioned as the market leader in a number of areas.

- We have some clear goals to achieve in the coming years that will continue to grow our returns and maintain our position as the No.1 marketer in the industry.

It is now time for a light lunch. Simon, Frank, Mike and the Marketing Leadership Team are all here and will be happy to clarify any points arising from the presentation this morning.

Thank you