

CALTEX AUSTRALIA LIMITED

ACN 004 201 307

2007 HALF YEAR REPORT



CALTEX

CALTEX AUSTRALIA LIMITED
2, MARKET STREET
SYDNEY, NSW, 2000, AUSTRALIA

Income statement for the half year ended 30 June 2007

Millions of dollars	2007	2006
1 Total revenue ¹	9,082	9,297
2 Total expenses ²	(8,693)	(9,027)
3 Replacement cost EBIT	389	270
4 Net borrowing costs	(25)	(19)
Income tax expense	(109)	(76)
Replacement cost profit (RCOP)	255	175
5 Inventory gain – after tax	113	102
Historical cost net profit	368	277
6 Interim dividend per share	47c	32c
Final dividend per share	N/A	48c
Basic earnings per share		
- Replacement cost	94.4c	64.7c
- Historical cost	136.2c	102.5c
RCOP earnings per litre	2.6c	1.8c

Discussion and Analysis

<p>1 Total revenue</p> <p>2%</p>	<p>Total revenue decreased slightly primarily due to:</p> <p style="padding-left: 40px;">The impact of the stronger Australian dollar on domestic wholesale prices.</p> <p>This was partly offset by:</p> <p style="padding-left: 40px;">Higher marketing margins and higher sales volumes than prior year.</p>
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<p>2 Total expenses – replacement cost basis</p> <p>4%</p>	<p>Total expenses decreased primarily due to:</p> <p style="padding-left: 40px;">Lower cost of sales, reflecting the impact of the stronger Australian dollar on US dollar-denominated crude and product imports.</p> <p>This was partly offset by:</p> <p style="padding-left: 40px;">higher operating expenses including the impact of additional depreciation of the Clean Fuels Project.</p>
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¹ Excludes interest revenue.

² Excludes interest expense, inventory gains/(losses).

Discussion and Analysis cont'd

<p>3 Replacement cost EBIT</p> <p style="font-size: 24pt; font-weight: bold;">44%</p>	<p>Increase in Caltex's underlying performance primarily resulted from:</p> <ul style="list-style-type: none"> Increased refinery production of high value products; Completion of the Clean Fuels Project in 2006 which had adversely affected production mix, increased imports of compliant products and increased exports of non-compliant products; higher marketing sales volumes and margins. <p>Breakdown of replacement cost EBIT is detailed below ¹:</p>
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RCOP EBIT breakdown

<p>Caltex refiner margin (CRM)</p> <p style="text-align: right; font-weight: bold;">\$457m</p>	<p>CRM represents the difference between the cost of importing a standard Caltex basket of products to eastern Australia and the cost of importing the crude oil required to make that product basket. The CRM calculation basically represents: average Singapore refiner margin + product quality premium + crude discount / (premium) + product freight – crude freight – yield loss.</p> <p>CRM was slightly higher in 1H07 at US\$10.74/bbl compared with US\$9.76/bbl for 1H06. However, this was partly offset by the increased AUD/USD exchange rate. With the Clean Fuels Project now completed, sales from production increased from 5.1 billion litres in 1H06 to 5.5 billion litres in 1H07 despite a planned shutdown of a crude distillation unit at the Kurnell Refinery in February/March 2007.</p>
<p>Transport fuels marketing margin</p> <p style="text-align: right; font-weight: bold;">\$173m</p>	<p>Transport fuels comprise petrol, diesel and jet. The transport fuels marketing margin is based on the average net margin over Import Parity Price in Australia.</p> <p>The average transport fuels marketing margin on an acpl basis was 10% higher than 1H06. Higher diesel margins were offset by increased retail competition for petrol.</p> <p>Additionally, transport fuels sales volume increased by 3% driven by increased demand for diesel and petrol partly offset by declined jet sales.</p>
<p>Lubricants and specialties margin</p> <p style="text-align: right; font-weight: bold;">\$53m</p>	<p>Lubricants and specialties products include finished lubricants, base oils, liquified petroleum gas, petrochemicals, bitumen, wax and marine fuels.</p> <p>Specialties volumes declined by 7% mainly due to lower production of fuel oil as a result of the completion of the Clean Fuels Project.</p>
<p>Non fuel income</p> <p style="text-align: right; font-weight: bold;">\$73m</p>	<p>Non fuel income includes convenience store income, franchise income, royalties, property, plant and equipment rentals, Starcard income and share of profits from non controlled equity distributors.</p> <p>Non fuel income increased by 5% compared with the same period last year due to increased card income and royalties, partly offset by decreased franchise income.</p>
<p>Operating expenses</p> <p style="text-align: right; font-weight: bold;">(\$372m)</p>	<p>Operating expenses in this caption include refining and supply, marketing, corporate and other operating expenditure.</p> <p>First half 2007 operating costs increased by \$36 million compared with the first half 2006 driven primarily by depreciation and operating costs related to clean fuels production and increased provisions for environmental expenditure.</p>
<p>Other</p> <p style="text-align: right; font-weight: bold;">\$5m</p>	<p>Other includes foreign exchange impacts, clean fuels grant, pipeline and charter revenue.</p>
<p>Total RCOP EBIT</p> <p style="text-align: right; font-weight: bold;">\$389m</p>	

¹ The breakdown of RCOP shown here represents management reporting view of the breakdown and as such individual components may not reconcile to statutory accounts.

Discussion and Analysis cont'd

4 Net borrowing costs 32%	Gross borrowing costs were slightly lower in 1H07 versus 1H06. However in accordance with accounting standards, Caltex capitalises interest associated with large capital projects. During 1H06, approximately \$9m was capitalised to the Clean Fuels Project. 1H07 did not include any individually material projects and minimal interest was capitalised, thereby increasing net borrowing costs in 1H07 compared to 1H06.
5 Inventory gain after tax 11%	Regional crude oil prices rose significantly in 2007, (averaging US\$76.89/bbl in June 2007 compared with US\$59.54/bbl in December 2006). This increase resulted in net inventory gains of \$161 million (\$113 million after tax) compared with net inventory gains of \$146 million (\$102 million after tax) in 1H06.
6 Interim dividend	The Board declared an interim fully franked dividend of \$129.6 million or 47 cents per share. The dividends have a franking credit of 100%. The record date is 10 September 2007, with the dividend payable on 28 September 2007.

Balance Sheet

as at 30 June 2007

Millions of dollars	June 2007	December 2006	change \$m
1 Working capital	856	699	157
2 Property, plant and equipment (PP&E)	2,321	2,288	33
3 Net debt	(490)	(539)	49
4 Other non-current assets and liabilities	(1)	(5)	4
Total equity	2,686	2,443	243

Discussion and Analysis

<p>1 Working capital</p> <p>\$157m</p>	<p>The increase in working capital is primarily due to:</p> <ul style="list-style-type: none"> Higher crude and product prices (Tapis average June 07 US\$76.89/bbl vs. Dec 06 US\$59.54/bbl), partially offset by the higher Australian dollar; Higher inventory volumes (77ML) due to increase in imports in June 07 in preparation for major maintenance work at the Lytton refinery; Higher receivables due to increased sales volumes. <p>Partly offset by:</p> <ul style="list-style-type: none"> Increase in provision for income tax payable due to higher taxable income.
<p>2 PP&E</p> <p>\$33m</p>	<p>The increase in property, plant and equipment is due to:</p> <ul style="list-style-type: none"> Capital expenditure and major cyclical maintenance of \$114 million; <p>Partly offset by:</p> <ul style="list-style-type: none"> Depreciation of \$77 million; and Net disposals of \$4 million.
<p>3 Net debt</p> <p>\$49m</p>	<p>Net debt decreased to \$490 million at 30 June 2007, a decrease of \$49 million from 31 December 2006. As a result, Caltex's gearing (net debt to net debt plus equity) was 15.4%, decreasing from 18.1% at 31 December 2006.</p> <p>However, debt is expected to increase towards the end of 2007 as the company builds inventory in preparation for major refinery maintenance in the first quarter of 2008.</p>
<p>4 Other non-current assets and liabilities</p> <p>\$4m</p>	<p>Other non-current assets and liabilities have increased primarily due to the net movement of intangibles.</p>

Cash Flows

for the half year ended 30 June 2007

Millions of dollars		2007	2006	change
	Receipts from customers	10,143	10,483	(340)
	Payments to suppliers and employees	(7,530)	(8,123)	593
	Payments for excise	(2,244)	(2,155)	(89)
1	Borrowing costs paid	(27)	(28)	1
2	Other net operating activities	(34)	(166)	132
	Net operating cash inflows	308	11	297
3	Purchases of property, plant and equipment (PP&E) and major cyclical maintenance	(120)	(222)	102
	Other investing cash flows	(9)	4	(13)
	Net investing cash outflows	(129)	(218)	89
4	Net financing cash inflows/(outflows)	(181)	213	(394)
	Net increase/(decrease) in cash held	(2)	6	(8)

Discussion and Analysis

<p>1 Borrowing costs</p> <p>\$1m</p>	<p>Net debt decreased to \$490 million at 30 June 2007 (compared with \$539 million at 31 December 2006). Average net debt for 1H07 was 21% lower than for 1H06, resulting in decreased gross borrowing costs (\$1 million).</p>
<p>2 Other operating activities</p> <p>\$132m</p>	<p>Cash outflows from other net operating activities decreased as a result of the finalisation of the 2006 Income Tax return, leading to a tax refund in 1H07. The finalisation of the 2005 Income Tax return resulted in a tax payment in 1H06.</p>
<p>3 Purchases of PP&E and major cyclical maintenance</p> <p>\$102m</p>	<p>Capital expenditure in 1H07 is lower than that incurred in 1H06. This is because 1H06 included expenditure related to the Clean Fuels Project.</p>

**4 Net financing cash
outflows**

\$394m

Net financing cash outflows increased due to higher net repayments of \$50 million in 1H07 compared with net borrowings of \$298 million in 1H06 (reflecting the decrease in net debt). The cash outflow also includes a higher 2006 final dividend payment of \$130 million (2005 final dividend \$84 million).

2007 HALF YEAR FINANCIAL REPORT

FOR

CALTEX AUSTRALIA LIMITED

ACN 004 201 307

The 2007 Half Year Financial Report for Caltex Australia Limited includes the:

Directors' Report

Directors' Declaration

Independent Review Report (KPMG)

Condensed Half Year Financial Statements

for the half year ended 30 June 2007

Caltex Australia Group

For the purposes of this report, the Caltex Australia Group consists of:

Caltex Australia Limited, which is the parent company of the Caltex Australia Group

our major operating companies, including Caltex Australia Petroleum Pty Ltd, Caltex Refineries (NSW) Pty Ltd, Caltex Refineries (Qld) Pty Ltd, Caltex Petroleum Services Pty Ltd, and Caltex Lubricating Oil Refinery Pty Ltd

a number of wholly owned entities and other companies that are controlled by the group

Please note that terms such as Caltex and Caltex Australia have the same meaning in this report as the Caltex Australia Group, unless the context requires otherwise.

*THE 2007 HALF YEAR FINANCIAL REPORT SHOULD BE READ IN
CONJUNCTION WITH THE 2006 FINANCIAL REPORT*

Directors' Report

Introduction

The Board of Caltex Australia Limited presents this Directors' Report and the 2007 Half Year Financial Report for the Caltex Australia Group for the half year ended 30 June 2007 to shareholders. An Independent Review Report from KPMG, Caltex's external auditor, is also provided.

Board of Directors

The Board of Caltex Australia Limited comprises Richard Warburton (Chairman), Desmond King (Managing Director and Chief Executive Officer), Trevor Bourne, Elizabeth Bryan, Brant Fish, John Thorn and Peter Wissel.

Directors' Profiles

Richard Warburton AO Chairman (Non-executive / Independent)

Mr Warburton was appointed a director of Caltex Australia Limited on 29 July 1999 and has served as Chairman of the Board since 26 April 2001. Mr Warburton is Chairman of the Nomination Committee and the OHS & Environmental Risk Committee, a member of the Human Resources Committee and attends meetings of the Audit Committee in an ex-officio capacity.

Mr Warburton brings considerable board and corporate governance experience to Caltex and the role of Chairman. Prior to becoming a professional director, Mr Warburton was the Chairman & Chief Executive Officer of DuPont Australia & New Zealand, where he was responsible for DuPont's petro-chemical business operations in Australia and New Zealand.

Mr Warburton is Chairman of the Board of Taxation and a Fellow (and a former National President) of the Australian Institute of Company Directors.

Current directorships of listed companies

Magellan Flagship Fund Ltd (Chairman) (appointed 19 October 2006)

Tandou Limited (Chairman) (appointed 6 April 2004)

Nufarm Limited (appointed 22 October 1993)

Previous directorships of listed companies in last three years

Tabcorp Holdings Limited (28 June 2000 – 27 November 2006)

Desmond King Managing Director and Chief Executive Officer

Bachelor of Chemical Engineering (University of London, UK) & Doctor of Philosophy (University of Cambridge, UK)

Mr King was appointed as Managing Director and Chief Executive Officer of Caltex Australia Limited on 1 May 2006. He is a member of the OHS & Environmental Risk Committee and the Nomination Committee.

Before joining Caltex Australia, Mr King was responsible for the management of the 220,000 barrels a day Chevron Pembroke refinery in Wales, UK and was a director of Texaco UK. He has previously held senior roles in Chevron including General Manager Strategic Planning, responsible for developing the corporate strategy for both oil and gas exploration and production, refining and marketing for Chevron Corporation. Mr King joined Chevron in 1981, having previously been a Professor of Chemical Engineering at West Virginia University in Morgantown, West Virginia, USA.

Directors' Report cont'd

Trevor Bourne **Director (Non-executive / Independent)**

Bachelor of Mechanical Engineering (University of New South Wales, Australia) & Master of Business Administration (University of Newcastle, Australia)

Mr Bourne was appointed a director of Caltex Australia Limited on 2 March 2006 and is a member of the Audit Committee, the Nomination Committee and the OHS & Environmental Risk Committee.

Mr Bourne brings to the Board broad management experience acquired in industrial and capital intensive industries. He also has engineering and supply chain skills and experience. From 1999 to 2003, Mr Bourne served as Chief Executive Officer of Tenix Industries Limited. Prior to Tenix Industries Limited, he spent 15 years at Brambles Industries Limited, six as Managing Director of Brambles Australasia. Before that he worked for Incitec Ltd and BHP Limited.

Current directorships of listed companies

Hastie Group Limited (Chairman) (appointed 4 February 2005)

Origin Energy Limited (appointed 18 February 2000)

Lighting Corporation Limited (appointed 12 February 2004)

Coates Hire Limited (appointed 26 February 2004)

Elizabeth Bryan **Director (Non-executive / Independent)**

Bachelor of Arts (Australian National University, Australia) & Master of Economics (University of Hawaii, USA)

Ms Bryan was appointed a director of Caltex Australia Limited on 18 July 2002 and is Chair of the Human Resources Committee and a member of the Nomination Committee and the OHS & Environmental Risk Committee.

Ms Bryan is a professional director and brings management, strategic and financial expertise to Caltex. Ms Bryan has over 30 years experience in the financial services industry, government policy and administration, and on the boards of companies and statutory organisations. Prior to becoming a professional director, she served for six years as Managing Director of Deutsche Assets Management and its predecessor organisation, NSW State Superannuation Investment and Management Corporation.

Ms Bryan is President of the NSW Council of the Australian Institute of Company Directors and on the National Board of the Institute of Company Directors. She is also Chair of Unisuper.

Current directorships of listed companies

Westpac Banking Corporation (appointed 6 November 2006)

Ridley Corporation Limited (appointed 7 September 2001)

Directors' Report cont'd

Alternate Director

Colleen Jones-Cervantes Alternate Director

Bachelor of Mechanical Engineering (Michigan Technological University, USA)

Ms Jones-Cervantes was appointed an alternate director for Brant Fish and Peter Wissel on 27 July 2006.

Ms Jones-Cervantes is the Vice President – Global Marketing, Asia Pacific Region with Chevron USA Inc., based in Singapore. In this role, she is responsible for retail sales for the Caltex brand, commercial and industrial sales, asphalt and LPG sales and company operated stores in 11 countries.

Directors' Report cont'd

Review of Results and Operations

General Overview

Caltex Australia recorded a profit after tax on a replacement cost of sales operating profit (RCOP) basis of \$254.9 million for the first half of 2007 compared with \$174.7 million for the first half of 2006.

The first half result was 46% higher than the \$175 million RCOP achieved in the first half 2006 when Caltex's result was negatively impacted by the delay in the completion of its Clean Fuels Project.

The first half 2007 result continued the strong second half result for 2006 of \$255 million. Despite the negative impacts of the stronger Australian dollar and increased refinery downtime due to planned maintenance, focus on those drivers under Caltex's control enabled the company to sustain a strong operational performance post the Clean Fuels Project.

On a US dollar basis, the Caltex refiner margin¹ (CRM) averaged US\$10.74 a barrel in the first six months of 2007 up from US\$9.76 a barrel in the same period in 2006, although the stronger Australian dollar in the first six months of 2007 (average US81 cents) compared with the same period in 2006 (average US74 cents) moderated earnings gains from the US dollar denominated refiner margin. Had the exchange rate averaged the same amount in the first half of 2007 as it did in the first half of 2006, the CRM contribution to profit would have been approximately \$30 million higher.

On an historical cost basis (including inventory gains), Caltex recorded an after tax profit of \$367.8 million for the first half of 2007 compared with \$276.7 million for the first half of 2006. This included inventory gains of \$113 million after tax, compared with inventory gains of \$102 million after tax in the first half of 2006.

Net debt at 30 June 2007 was \$490 million, down from \$539 million at 31 December 2006. However, debt is expected to increase towards the end of 2007 as the company builds inventory in preparation for major refinery maintenance in the first quarter of 2008.

Marketing

The Marketing department promotes and sells Caltex fuels, lubricants, specialties and convenience store goods through a national network of approximately 2,000 Caltex, Caltex Woolworths, Ampol branded service stations and branded resellers. Marketing also sells directly to a large number of commercial customers.

Total transport fuels sales volumes of petrol, diesel and jet fuel were 6.7 billion litres in the first six months of 2007, up from 6.5 billion litres in the first half last year. Overall, middle distillate sales increased 4.2% in the first six months of 2007 compared with the same period in 2006 on the back of strong diesel volume growth of 8.9%, which was above market growth, while jet sales declined 8.0% as Caltex pursued higher demand and margin diesel growth over jet fuel sales. The main growth was in commercial diesel sales with increases in both bulk sales and card sales to fleet operators.

First half 2007 petrol sales volumes were 2.0% up on the first half of last year. Margins were negatively affected by the highly competitive retail environment. Sales volumes of premium petrol in the first half of 2007 were 10.5% higher than for the first half of last year.

Consumers this year have benefited from the stronger Australian dollar which resulted in the price of petrol at times being up to 10 cents per litre lower than if the Australian dollar had remained at February levels.

Non-fuel income was 5% higher than the first half last year with higher earnings from card sales and a 7.7% increase in shop sales with Caltex maintaining its position as Australia's number one convenience retailer.

¹ The Caltex Refiner Margin (CRM) represents the difference between the cost of importing a standard Caltex basket of products to Eastern Australia and the cost of importing the crude oil required to make that product basket. The CRM calculation represents: average Singapore refiner margin + product quality premium + crude discount/(premium) + product freight - crude freight - yield loss.

Directors' Report cont'd

Refining and Supply

Caltex's Refining and Supply functions purchase crude oil, arrange its transportation to the company's refineries, refine the crude into petrol, diesel, jet and specialty products, distribute the products to a network of terminals around Australia and buy and sell products and schedule product movements to meet marketing sales.

Average refinery utilisation increased to 85.0% in 1H07 compared to 70.5% during the first half of 2006. Operating our refineries at near record throughput rates continued the high performance achieved in the second half of 2006 following completion of the Clean Fuels Project.

Near record first half 2007 performance was achieved even though there was a six week maintenance shutdown of one of the two crude distillation units at the Kurnell refinery earlier this year.

Despite the planned shutdown at Kurnell, production of high value transport fuels (petrol, diesel and jet fuel) was 5.4 billion litres. This is in line with the second half of last year when refinery production was 5.6 billion litres in the absence of any planned shut-downs and significantly above the 4.6 billion litres in the first half of 2006, which was affected by the delayed start-up of new clean fuels plants.

Caltex's refinery improvement program launched in late 2004 to lift the productivity of refining operations has continued. Major projects currently underway include construction of diesel and crude tanks at Kurnell refinery to improve operational flexibility and the Lytton DHTU.

Outlook

Caltex plans to spend over \$300 million a year in the next three years on strengthening the company's core operations. This will include completing refining improvement projects and strengthening core infrastructure including terminals, depots and service stations as well as maintenance and compliance work across the company.

To meet the expanding demand for diesel we are building a new diesel hydrotreater at the company's Lytton refinery in Queensland. It will increase by 40% Caltex's capability to produce extra low sulfur diesel (10 parts per million sulphur) when completed in early 2009. The company is also investing in storage and distribution facilities to take advantage of the growth in diesel sales volumes.

We are significantly expanding our crude oil and diesel storage capacity at the Kurnell refinery in Sydney. Two large new tanks, much bigger than any we currently have, are being constructed to help strengthen our operational flexibility and supply reliability. The diesel tank is expected to be in use by early next year and the crude oil tank by mid next year.

In these and other projects we will maintain a strict focus on ensuring projects meet key financial targets. Long lead times for the acquisition of new equipment is being well managed. Like companies in other industries, Caltex is experiencing escalating costs and a tight market for skilled labour but we are also working to manage these issues. We also expect increased compliance costs to meet community environmental expectations.

Caltex has Australia's largest network of sites selling biofuels. Nearly 300 service stations supplied by Caltex now sell E10 Unleaded petrol or New Generation Diesel or both. E10 Unleaded, enhanced with 10% ethanol, is now sold at over 175 service stations in the Caltex network in New South Wales, the ACT and Queensland. Caltex also supplies biodiesel blends to an increasing number of commercial customers in NSW and South Australia.

The company is on track this year to more than double the volume of biofuel sold last year and significantly exceed its 2007 target for the Australian Government's Biofuels action plan.

Directors' Report cont'd

Dividends declared

The Board declared an interim fully franked dividend of \$126.9 million or 47 cents per share. The record date will be 10 September 2007 with the dividend payable on 28 September 2007.

This dividend is in line with our stated policy to maintain a payout ratio of 40 – 60% of RCOP after tax.

However, the declaration and the amount of any dividends are at the sole discretion of the Board and are dependent on the company's earnings, cash flow requirements, financial conditions at that time and available franking credits.

Significant Events after Balance Date

No items, transactions or events of a material or unusual nature that, in the opinion of the Board, are likely to significantly affect the operations of Caltex, the results of those operations or the state of affairs of the group in subsequent financial years, have arisen in the period from 30 June 2007 to the date of this report.

Likely Developments

Business Operations

Caltex will continue to purchase, refine, distribute and market petroleum products and operate convenience stores throughout Australia.

Directors' Report cont'd

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Caltex Australia Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the six month period ended 30 June 2007, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG



Steve Gatt
Partner

Sydney

24 August 2007

Rounding of Amounts

Caltex Australia Limited is an entity to which the Australian Securities and Investments Commission (ASIC) Class Order CO 98/100 applies and, in accordance with the relief afforded by the class order, amounts have been rounded off to the nearest thousand dollars (unless otherwise stated).

The Directors' Report is made in accordance with a resolution of the Board of Caltex Australia Limited:



RFE Warburton AO
Chairman

Sydney, 24 August 2007



DF King
Managing Director and
Chief Executive Officer

Directors' Declaration

The Board of Caltex Australia Limited has declared that:

in the directors' opinion, there are reasonable grounds to believe that Caltex Australia Limited will be able to pay its debts as and when they become due and payable; and

in the directors' opinion, the financial statements for the half year ended 30 June 2007 and notes are in accordance with the Corporations Act 2001 (Cth), including:

section 304 (compliance with Accounting Standards); and

section 305 (true and fair view).

The Directors' Declaration is made in accordance with a resolution of the Board of Caltex Australia Limited:



.....
RFE Warburton AO
Chairman

Sydney, 24 August 2007



.....
DF King
Managing Director and
Chief Executive Officer

Independent Review Report

Independent review report to the members of Caltex Australia Limited

We have reviewed the accompanying interim financial report of Caltex Australia Limited ("the Company"), which comprises the condensed consolidated balance sheet as at 30 June 2007, income statement, statement of recognised income and expense and cash flow statement for the interim period ended on that date, a statement of accounting policies and other explanatory notes 1 to 15 and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the half-year's end or from time to time during the interim period.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2007 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Caltex Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Caltex Australia Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2007 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



KPMG



Steve Gatt
Partner

Sydney

24 August 2007

Condensed Consolidated Income Statement

for the half year ended 30 June 2007

Thousands of dollars	Note	Consolidated	
		30 June 2007	30 June 2006
Revenue from sale of goods		8,954,217	9,201,669
Replacement cost of goods sold (excluding product duties and taxes and inventory gains)		(6,103,938)	(6,582,752)
Product duties and taxes		(2,244,833)	(2,154,689)
Inventory gains		161,306	145,654
Cost of goods sold - historical cost		(8,187,465)	(8,591,787)
Gross profit		766,752	609,882
Other income	2	128,975	96,659
Refining and supply expenses		(8,595)	(7,838)
Marketing expenses		(304,588)	(259,783)
Finance costs	3	(26,094)	(20,322)
Other expenses		(30,372)	(23,997)
Share of net profit of entities accounted for using the equity method		24	2,543
Profit before income tax expense		526,102	397,144
Income tax expense		(157,991)	(120,092)
Net profit		368,111	277,052
Net profit attributable to minority interest		303	383
Net profit attributable to members of the parent entity		367,808	276,669

Basic and diluted earnings per share:

Historical cost - cents per share	5	136.2	102.5
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The consolidated income statement is to be read in conjunction with the 2006 Financial Report and the notes to the financial statements.

Condensed Consolidated Balance Sheet

as at 30 June 2007

Thousands of dollars	Note	Consolidated	
		30 June 2007	31 December 2006
Current assets			
Cash and cash equivalents		53,590	55,599
Receivables		946,154	809,449
Inventories		1,276,460	1,100,034
Current tax assets		-	39,742
Other		33,854	24,293
Total current assets		2,310,058	2,029,117
Non-current assets			
Receivables		7,895	3,916
Investments accounted for using the equity method		24,472	26,718
Other investments		15	15
Intangibles		60,951	54,633
Property, plant and equipment		2,321,109	2,288,442
Other		26,347	14,585
Total non-current assets		2,440,789	2,388,309
Total assets		4,750,847	4,417,426
Current liabilities			
Payables		1,244,279	1,194,221
Interest bearing liabilities	6	181,044	130,833
Current tax liabilities		81,366	-
Provisions		74,242	80,355
Total current liabilities		1,580,931	1,405,409
Non-current liabilities			
Payables		5,421	5,378
Interest bearing liabilities	6	362,803	463,752
Deferred tax liabilities		32,479	30,662
Provisions		83,582	69,715
Total non-current liabilities		484,285	569,507
Total liabilities		2,065,216	1,974,916
Net assets		2,685,631	2,442,510
Equity			
Issued capital	7	543,415	543,415
Treasury stock	15	(2,919)	(2,092)
Reserves	15	1,504	3,346
Retained earnings	15	2,132,843	1,887,156
Total parent entity interest	15	2,674,843	2,431,825
Minority interest	15	10,788	10,685
Total equity		2,685,631	2,442,510

The consolidated balance sheet is to be read in conjunction with the 2006 Financial Report and the notes to the financial statements.

Condensed Consolidated Statement of Recognised Income and Expense

for the half year ended 30 June 2007

Thousands of dollars	Consolidated	
	30 June 2007	30 June 2006
Net profit	368,111	277,052
Actuarial gain on defined benefit plans	7,479	4,114
Cash flow hedge fair value (losses)/gains	(576)	165
Total recognised income and expense for the period	375,014	281,331
Attributable to:		
Equity holders of the parent entity	374,711	280,948
Minority interest	303	383
Total recognised income and expense for the period	375,014	281,331
Total equity at the beginning of the period	2,442,510	2,138,455
Total recognised income and expense for the period	375,014	281,331
Own shares acquired	(2,827)	(2,843)
Expense on equity settled transactions	734	2,093
Dividends to minority interest	(200)	(200)
Dividends to shareholders	(129,600)	(83,700)
Total equity at the end of the period	2,685,631	2,335,136

The consolidated statement of recognised income and expense is to be read in conjunction with the 2006 Financial Report and the notes to the financial statements.

Condensed Consolidated Cash Flow Statement

for the half year ended 30 June 2007

Thousands of dollars	Consolidated	
	30 June 2007	30 June 2006
Cash flows from operating activities		
Receipts from customers	10,143,181	10,482,938
Payments to suppliers, employees and governments	(9,774,624)	(10,277,870)
Dividends and disbursements received	2,569	1,073
Interest received	1,868	1,236
Interest and other finance costs paid	(27,024)	(28,125)
Income taxes paid	(38,025)	(168,227)
Net operating cash inflows	307,945	11,025
Cash flows from investing activities		
Purchases of property, plant and equipment	(99,758)	(198,235)
Major cyclical maintenance	(20,719)	(23,346)
Purchases of intangibles	(9,927)	(3,608)
Net proceeds from sale of property, plant and	1,155	5,950
Loans repaid from associated entities	-	956
Net investing cash (outflows)	(129,249)	(218,283)
Cash flows from financing activities		
Proceeds from borrowings	4,720,000	4,827,660
Repayments of borrowings	(4,770,288)	(4,530,130)
Repayment of finance lease principal	(617)	(466)
Dividends paid to minority interest	(200)	(200)
Dividends paid	(129,600)	(83,700)
Net financing cash (outflows)/inflows	(180,705)	213,164
Net (decrease)/increase in cash and cash equivalents	(2,009)	5,906
Cash and cash equivalents at the beginning of the period	55,599	28,484
Cash and cash equivalents at the end of the period	53,590	34,390

The consolidated cash flow statement is to be read in conjunction with the 2006 Financial Report and the notes to the financial statements.

Notes to the financial statements

for the half year ended 30 June 2007

1. Statement of significant accounting policies

Caltex Australia Limited (Company) is a company domiciled in Australia. The 2007 Half Year Financial Report for the six months ended 30 June 2007 comprises the Company and its controlled entities (together referred to as the Group) and the Group's interest in associates and jointly controlled entities.

The 2007 Half Year Financial Report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 (Cth), Accounting Standard AASB 134 "Interim Financial Reporting", the recognition and measurement requirements of applicable AASB standards, other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Consensus Views. This Half Year Financial Report is to be read in conjunction with the 2006 Financial Report and any public announcements by Caltex Australia Limited during the half year in accordance with continuous disclosure obligations under the Corporations Act 2001 (Cth) and the Australian Stock Exchange (ASX) listing rules. The 2007 Half Year Financial Report was authorised for issue by the directors on 24 August 2007.

The 2007 Half Year Financial Report has been prepared on an historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments held for trading.

In the 2006 half year financial report the Group did not eliminate on consolidation all intercompany sales and cost of sales relating to distributor businesses, resulting in an overstatement of these disclosure line items of \$673,222,000. The comparative period income statement and cashflow statement have been restated to correct this adjustment. There was no net profit impact arising from this restatement.

The accounting policies have been consistently applied by each entity in the Caltex Australia Group. These are consistent with those applied as part of the 31 December 2006 Annual Financial Report. The Half Year Financial Report does not include full note disclosures of the type required in an annual financial report.

Thousands of dollars	Consolidated	
	30 June 2007	30 June 2006
2. Other income		
Rental income	16,093	15,126
Royalties and franchise income	50,710	48,154
Net foreign exchange gains	28,575	326
Other income	32,122	31,660
	127,500	95,266
Borrowing income		
Other corporations	1,475	1,393
	128,975	96,659
3. Costs and expenses		
Finance costs:		
Interest expense	25,963	28,617
Finance charges on capitalised leases	954	932
(Gain)/loss on fair value derivative	(144)	(236)
Less:		
Capitalised finance costs	(679)	(8,991)
Finance costs	26,094	20,322
Depreciation and amortisation:		
Amortisation of intangibles	3,610	2,633
Depreciation and amortisation (excluding intangibles)	77,179	68,209
Total amortisation and depreciation expense	80,789	70,842
Selected expenses:		
Operating leases rental expense	41,538	35,934
Net loss/ (gain) on disposal of non current assets	14,670	2,793

4. Dividends

Dividends declared or paid

Dividends recognised in the current year by Caltex Australia Limited are:

	Date of payment	Franked/ unfranked	Cents per share	Total amount \$'000
2007				
Final 2006	30 March 2007	Franked	48	129,600
Total amount				129,600
2006				
Interim 2006	29 September 2006	Franked	32	86,400
Final 2005	31 March 2006	Franked	31	83,700
Total amount				170,100

Franked dividends paid during the year were franked at the tax rate of 30%.

Subsequent events

Since 30 June 2007, the directors declared the following dividend. The dividend has not been provided for and there are no income tax consequences for the Group.

Interim 2007	28 September 2007	Franked	47	126,900
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Notes to the financial statements for the half year ended 30 June 2007 (continued)

	Consolidated	
	30 June 2007	30 June 2006
5. Basic and diluted earnings per share		
Historical cost - cents per share	136.2	102.5
Replacement cost - cents per share	94.4	64.7

The calculation of historical cost basic earnings per share for the period ended 30 June 2007 was based on the net profit attributable to ordinary shareholders of the parent entity of \$367,808,000 (2006: \$276,669,000) and a weighted average number of ordinary shares outstanding during the period ended 30 June 2007 of 270 million shares (2006: 270 million shares).

The calculation of replacement cost basic earnings per share for the period ended 30 June 2007 was based on the net replacement cost profit attributable to ordinary shareholders of the parent entity of \$254,895,000 (2006: \$174,711,000) and a weighted average number of ordinary shares outstanding during the period ended 30 June 2007 of 270 million shares (2006: 270 million shares).

There are no dilutive potential ordinary shares, and therefore diluted earnings per share equals basic earnings per share.

Thousands of dollars	Consolidated	
	30 June 2007	31 December 2006
6. Interest bearing liabilities		
Current - unsecured		
US notes (i)	66,038	70,276
Bank loans (i)	80,000	30,000
Hedge payable (ii)	33,086	29,106
Lease liabilities (iii)	1,920	1,451
	181,044	130,833
Non-current - unsecured		
US notes (i)	205,992	212,731
Bank loans (i)	100,000	200,000
Hedge payable (ii)	50,310	43,457
Lease liabilities (iii)	6,501	7,564
	362,803	463,752

(i) The bank loans and the US notes are provided by a number of banks and the capital markets. The majority of interest rates on these loans and notes are on a floating rate basis. Maturity dates of the loans and notes vary from July 2007 to July 2012. Under the loan and note agreements, the Group is required to comply with certain financial covenants. There is no security or demand placed on the bank loans and US notes. The bank loans are denominated in Australian dollars, and US notes are denominated in Australian and US dollars.

(ii) The hedge payable is disclosed within interest bearing liabilities as the hedge was entered into solely as a result of the US dollar borrowings and is inextricably linked to the debt. The amount mainly represents the impact of the movement in the exchange rate from the date of inception (30 July 2002, USD exchange rate 0.5643) to 30 June 2007 (USD exchange rate 0.8468), on the amount hedged (USD136 million).

(iii) The implicit rate of interest on finance leases is 14.0% p.a. (2006: 14.0% p.a.).

Thousands of dollars	Consolidated	
	30 June 2007	31 December 2006
7. Issued capital		
Ordinary shares		
270 million (2006: 270 million) ordinary shares, fully paid	543,415	543,415

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of the winding up of Caltex Australia Limited, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

8. Contingent liabilities

The details and estimated maximum amounts of contingent liabilities (for which no provisions are included in the financial report) are set out below.

The directors are not aware of any circumstance or information which would lead them to believe that these liabilities will crystallise and consequently no provisions are included in the financial report in respect of these matters.

Thousands of dollars	Consolidated	
	30 June 2007	31 December 2006
a Contingent liabilities - legal and other claims	-	1,000

In the ordinary course of business, Caltex is involved as a defendant in legal proceedings. Where appropriate, Caltex takes legal advice. The group does not consider that the outcome of any current proceedings is likely to have a material effect on its operations or financial position.

A liability has been recognised for any known losses expected to be incurred where such losses are capable of reliable measurement.

Notes to the financial statements for the half year ended 30 June 2007 (continued)

8. Contingent liabilities (continued)

a Contingent liabilities - legal and other claims (continued)

Taxation

The Australian Taxation Office has served a statutory demand on Caltex to pay an amount of \$48.7 million in excise duty.

This sum would be tax deductible to Caltex. The ATO has formed the view that the excise duty should be paid in relation to certain liquid fuel by-products used in the refining process and that Caltex should have paid the excise duty on such fuel usage going back four years. Caltex is of the strong view that the excise duty legislation does not apply to the refineries' own use of such fuels in the refining process and has instituted legal proceedings in the Federal Court against the ATO in this regard. No liability has been recognised as at 30 June 2007, as Caltex is of the view that this legislation is not applicable to this type of fuel usage.

Due to a change in the excise legislation any future purported excise duty on this type of fuel usage ceased from 1 July 2006.

b All other contingent liabilities are consistent with the 2006 financial report.

	30 June 2007	Consolidated 31 December 2006
9. Investments accounted for using the equity method		% interest
Airport Fuel Services Pty Ltd	40	40
Australasian Lubricants Manufacturing Company Pty Ltd	50	50
Cairns Airport Refuelling Services Pty Ltd	25	25
Geraldton Fuel Company Pty Ltd	50	50
Link Energy Pty Ltd	50	50
Jenessa Holdings Pty Ltd	50	50
Northern Marketing Management Pty Ltd	37.5	37.5
Northern Marketing Partnership	37.5	37.5
South Coast Fuels Pty Ltd	50	50
Vitalgas Pty Ltd	50	50

All above companies are incorporated in Australia.

	30 June 2007	Consolidated 31 December 2006
Thousands of dollars		
10. Net tangible assets per share		
Net tangible assets per share (dollars)	9.68	8.80

Net tangible assets are net assets attributable to members of Caltex less intangible assets. The weighted average number of ordinary shares used in the calculation of net tangible assets per share was 270 million (2006: 270 million).

11. Segment reporting

The Caltex Australia Group operates as a vertically integrated refiner and marketer of petroleum products. The Caltex Australia Group operates within one geographic region - Australia.

12. Related Party Information

Arrangements with related parties continue to be in place. For details on these arrangements refer to the 2006 financial report.

13. Details of entities over which control has been gained or lost during the period

There were no entities over which control was gained or lost during the period.

14. Commitments

	30 June 2007	Consolidated 31 December 2006
Thousands of dollars		
Capital expenditure		
Capital expenditure contracted but not provided for in the financial report and payable:		
Within one year	40,857	75,930

Notes to the financial statements

for the half year ended 30 June 2007 (continued)

Thousands of dollars

15. Reconciliation of equity

Consolidated	Issued capital	Treasury stock	Hedging reserve	Equity compensation reserve	Retained earnings	Total	Minority interest	Total equity
Balance at 1 January 2006	543,415	(2,664)	(84)	4,289	1,583,835	2,128,791	9,664	2,138,455
Total recognised income for the year	-	-	406	-	473,421	473,827	1,221	475,048
Own shares acquired	-	(2,843)	-	-	-	(2,843)	-	(2,843)
Shares vested to employees	-	2,706	-	(2,706)	-	-	-	-
Disposal of unvested shares	-	709	-	(677)	-	32	-	32
Expense on equity settled transactions	-	-	-	2,118	-	2,118	-	2,118
Dividends to shareholders	-	-	-	-	(170,100)	(170,100)	(200)	(170,300)
Balance at 31 December 2006	543,415	(2,092)	322	3,024	1,887,156	2,431,825	10,685	2,442,510
Balance at 1 January 2007	543,415	(2,092)	322	3,024	1,887,156	2,431,825	10,685	2,442,510
Total recognised income for the year	-	-	(576)	-	375,287	374,711	303	375,014
Own shares acquired	-	(2,827)	-	-	-	(2,827)	-	(2,827)
Shares vested to employees	-	2,024	-	(2,024)	-	-	-	-
Disposal of unvested shares	-	(24)	-	513	-	489	-	489
Expense on equity settled transactions	-	-	-	245	-	245	-	245
Dividends to shareholders	-	-	-	-	(129,600)	(129,600)	(200)	(129,800)
Balance at 30 June 2007	543,415	(2,919)	(254)	1,758	2,132,843	2,674,843	10,788	2,685,631

Reserves

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Equity compensation reserve

The equity compensation reserve represents the fair value of services received relating to share based payment plans for which shares have not yet vested.