

**CALTEX AUSTRALIA LIMITED**

**ACN 004 201 307**

**2003 HALF YEAR REPORT**



**CALTEX AUSTRALIA LIMITED  
LEVEL 12, MLC CENTRE, 19-29 MARTIN PLACE  
SYDNEY NSW 2000 AUSTRALIA**

## Results for announcement to the market:

Key Results (Thousands of dollars)			Six months ended 30 June	
			2003	2002
Revenues from ordinary activities	↑	22.4%	5,171,289	4,226,096
<b>Profit from ordinary activities after tax attributable to members</b>				
Replacement cost basis (excluding significant items)	↑	35.1%	86,144	63,749
Statutory basis (including significant items)	↓	41.5%	76,239	130,389
<b>Net profit for the period attributable to members</b>				
Replacement cost basis (excluding significant items)	↑	35.1%	86,144	63,749
Statutory basis (including significant items)	↓	41.5%	76,239	130,389

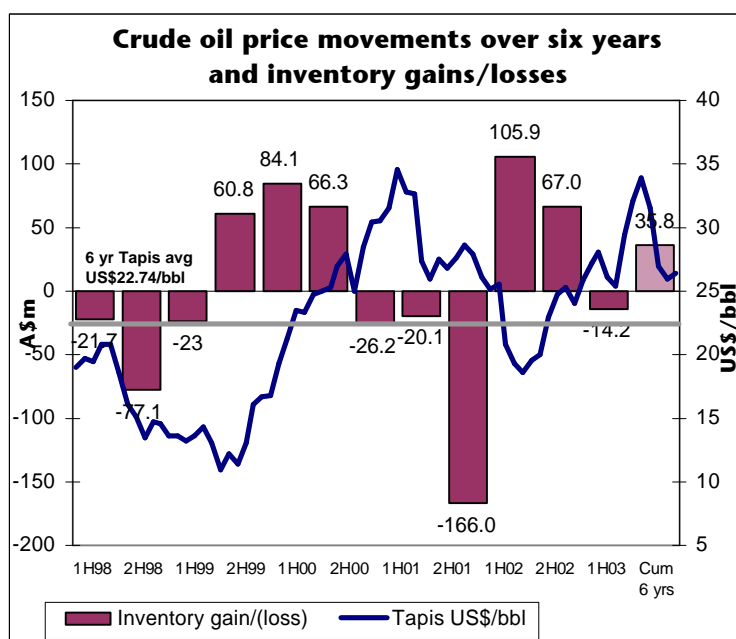
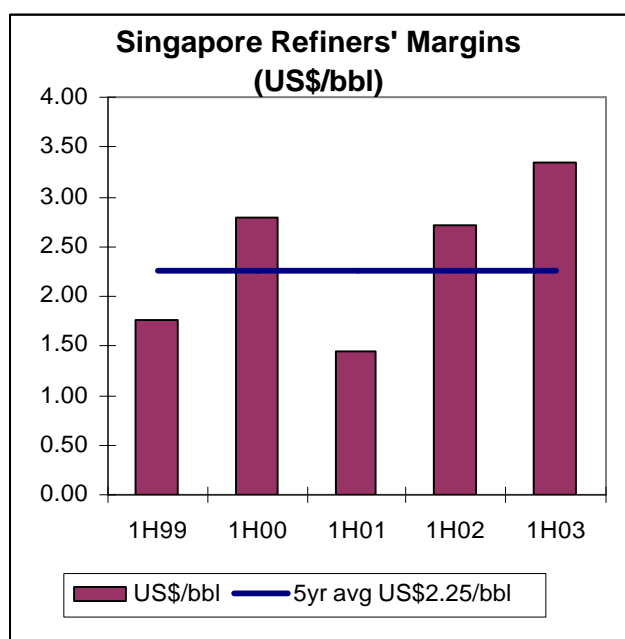
Dividend (Dollars)	Amount per security	Franked amount per security
<b>Interim Dividend declared during or after half year ended</b>		
- 2003	4¢	4¢
- 2002	Nil	Nil
<b>Record date for determining entitlement to 2003 Interim Dividend</b>		12 September 2003
<b>Date 2003 Interim Dividend is payable</b>		3 October 2003

## Highlights

- Replacement cost of sales profit<sup>1</sup> (RCOP) after tax increased by 35.1% to \$86.1m mainly due to robust Singapore refiner margins and sound marketing margins.
- When oil price inventory losses are included, the statutory after tax profit was \$76.2 million compared with \$130.4 million in the first half of 2002. Regional crude oil prices fell throughout the period (US\$29.47/bbl in December 2002 to US\$26.36/bbl in June 2003). However, due to the pattern of crude price volatility throughout the period, this only resulted in a loss of \$14.2m before tax (2002 first half gain \$105.9m before tax).
- Continued focus on debt reduction has enabled the company to successfully decrease debt to \$855m, 43.4% gearing (December 2002: \$954m, 47.9% gearing).
- Singapore refiner margins improved to average US\$3.34/bbl in first half 2003 from US\$2.70/bbl in first half 2002. However, improved refiner margins were largely offset by higher shipping freight costs and crude premiums compared to the same period last year.
- Marketing margins remained strong at the same time total transport fuels increased compared with the first half of 2002. Transport fuel market share grew to 29.7%, up from 28.3% in the previous corresponding period.
- In the non-fuel retail area, StarMart convenience store sales increased by 5.2% and smaller StarShop sales by 6.2% on a like for like basis compared with the same period the previous year.
- Considerable progress was made in preparation for production of cleaner fuels in line with government regulations that are tightening standards through the period 2002-2006.
- The Board declared an interim fully franked dividend of \$10.8 million, or 4 cents a share. The record date is 12 September 2003, with the dividend payable on 3 October 2003.

# Key Performance Indicators

	Six months ended 30 June				
	2003	2002	2001	2000	1999
<b>Profit before interest and tax (\$m)</b>					
- Replacement cost basis (excluding significant items) <sup>1</sup>	153.5	129.3	36.2	45.1	34.7
- Statutory basis (including significant items)	139.4	227.7	31.4	111.4	95.5
<b>Profit after interest and tax (\$m)</b>					
- Replacement cost basis (excluding significant items)	86.1	63.7	(0.5)	(5.3)	(7.1)
- Statutory basis (including significant items)	76.2	130.4	1.2	41.1	35.4
<b>Inventory (losses)/gains before tax (\$m)</b>	(14.2)	105.9	(20.3)	66.3	60.8
<b>Basic earnings per share (cents)</b>					
- Replacement cost basis (excluding significant items)	31.9	23.6	(0.2)	(2.0)	(2.6)
- Statutory basis (including significant items)	28.2	48.3	0.5	15.2	13.1
<b>Return on equity attributable to members of the parent entity after tax, annualised (%)</b>					
- Replacement cost basis (excluding significant items)	15.6	13.5	(0.1)	(1.0)	(1.5)
- Statutory basis (including significant items)	13.8	27.6	0.2	8.1	7.3
<b>Net tangible asset backing per share (\$)</b>	4.04	3.49	3.14	3.18	2.97
<b>Net debt (\$m)</b>	854.6	1,035.7	1,284.4	1,279.8	1,163.2
<b>Gearing (net debt to net debt plus equity) (%)</b>	43.4	52.1	56.0	55.4	54.1



<sup>1</sup> Replacement cost of sales profit (RCOP) - Caltex Australia's results are significantly affected by external factors that are outside the company's control, such as crude oil price movements. With statutory basis accounting (historic cost), rising crude prices will generally result in increased profits for Caltex, while falling crude prices will generally result in decreased profits. This movement in profit, often referred to as inventory gain or loss, can create large variations in Caltex's results. The RCOP basis for calculating profit excludes gains or losses from inventory in the profit calculation. It is calculated by restating cost of sales using the replacement cost of goods sold rather than the historic cost. Since crude oil is purchased in US dollars, net inventory gains and losses are calculated before taking into account any foreign exchange impacts.

# 2003 HALF YEAR STATUTORY REPORT

FOR

## CALTEX AUSTRALIA LIMITED

ACN 004 201 307

The 2003 Half Year Statutory Report for Caltex Australia Limited includes the:

- Directors' Report
- Directors' Declaration
- Review Report
- Half Year Financial Statements

for the half year ended 30 June 2003

### *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) Limited, Calstores Pty Ltd, Caltex Petroleum Distributors 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 2003 HALF YEAR STATUTORY REPORT SHOULD BE READ IN CONJUNCTION  
WITH THE 2002 FULL FINANCIAL REPORT**

# Directors' Report

## Introduction

The Board of Caltex Australia Limited presents this report for the Caltex Australia Group to the shareholders of Caltex Australia Limited for the half year ended 30 June 2003.

## Board of Directors

The Board of Caltex Australia Limited comprises Dick Warburton (Chairman), Dave Reeves (Managing Director & Chief Executive Officer), Elizabeth Bryan, Leo Lonergan, Ken Watson and Michael Wirth.

The Board of Caltex Australia Limited appointed Dave Reeves as a director, and as Managing Director & Chief Executive Officer, with effect from 11 August 2003.

Jeet Bindra served as a director of Caltex Australia Limited, and as Managing Director & Chief Executive Officer, until 10 August 2003. Jeet was appointed as a director, and as Managing Director & Chief Executive Officer, on 2 May 2002.

## Directors' Profiles

### **Dick Warburton** **Chairman (Non executive)**

Dick has served as a director of Caltex Australia Limited since 29 July 1999 and as Chairman of the Board from 26 April 2001. Dick is the Chairman of the Human Resources & Nomination Committee and attends meetings of the Audit & Risk Committee in an ex officio capacity.

Dick is one of Australia's most prominent company directors. Prior to becoming a professional director, Dick was the Chairman & Chief Executive Officer of DuPont Australia & New Zealand.

#### **External directorships**

- Chairman of The Board of Taxation
- Director of Note Printing Australia Limited, Nufarm Limited, Southcorp Limited and Tabcorp Holdings Limited

#### **Previous directorships**

- Chairman of David Jones Limited (1995 - 2003)
- Member of the Reserve Bank Board (Australia) (1992 - 2002)

### **Dave Reeves** **Managing Director & Chief Executive Officer**

Dave was appointed as Managing Director & Chief Executive Officer with effect from 11 August 2003.

Before joining Caltex Australia, Dave was the President of North America Products at ChevronTexaco with responsibility for refining and product marketing activities, pipeline transportation operations and energy management solutions within North America, and ChevronTexaco's global aviation fuels marketing. He has previously held a number of senior marketing and retail roles with companies in the ChevronTexaco Group.

Dave has a degree in civil engineering from the University of Washington and joined Chevron in 1978 as an associate engineer in the marketing department in San Francisco.

## Directors' Report (cont'd)

### **Elizabeth Bryan**

#### **Director (Non executive)**

Elizabeth was appointed as a director of Caltex Australia Limited on 18 July 2002 and is a member of the Audit & Risk Committee.

In her most recent corporate role before joining the Board, Elizabeth served as the Chief Executive Officer of Deutsche Asset Management (Australia) Limited.

#### **External directorships**

- Chair of The Institute for Health Research
- Director of Ridley Corporation Limited, UniSuper Limited, Australia Pacific Airports Corporation Limited, Guild Insurance & Financial Services Holdings Limited and St. Hilliers Holdings Pty Limited.

### **Ken Watson**

#### **Director (Non executive)**

Ken has been a director of Caltex Australia Limited since 9 February 1996 and is currently the longest serving member of the Board. Ken is the Chairman of the Audit & Risk Committee.

Ken is a partner of the law firm Minter Ellison and works in the firm's Sydney office. He is admitted to practise as a solicitor in New South Wales, Victoria and Queensland.

Ken is a member of the Australian Mining & Petroleum Law Association and the Australian & New Zealand Institute of Insurance & Finance.

### **Leo Lonergan**

#### **Director (Non executive)**

Leo has served as a director of Caltex Australia Limited since 1 July 2001 and is a member of the Audit & Risk Committee. Leo previously served on the Board from 30 April 1998 to 29 July 1999 (after serving as an alternate director from 29 January 1998 to 30 April 1998).

Leo is President, Joint Ventures & New Business Development at ChevronTexaco in Singapore. He has held a number of senior management positions with companies in the ChevronTexaco Group.

### **Michael Wirth**

#### **Director (Non executive)**

Michael has served as a director of Caltex Australia Limited since 1 July 2001 and is a member of the Human Resources & Nomination Committee.

Michael is President, Global Supply & Trading at ChevronTexaco in San Ramon. He has held a variety of refining and marketing positions with companies in the ChevronTexaco Group.

### **Alternate Director**

Johannes (Steve) de Bruyn serves as an alternate director for Leo Lonergan and Michael Wirth. Steve was appointed as an alternate director on 21 February 2002.

# Directors' Report (cont'd)

## Review of Results and Operations

### General Overview

Replacement cost of sales profit (RCOP) after tax and excluding significant items was \$86.1 million, a 35.1% increase compared to last year's first half profit of \$63.7 million. Contributing to this result were robust Singapore refiner margins and sound marketing margins. Along with this is a continued effort to build upon the initiatives taken last year to achieve strong and sustained financial performance in the future and enable the group to position itself to better withstand the impact of external factors beyond its control.

Caltex's statutory (historical) net profit after tax was \$76.2 million compared to a net profit after tax of \$130.4 million for the corresponding period last year. This included \$14.2 million (before tax) of inventory losses, compared to \$105.9 million (before tax) of inventory gains during the first half of 2002.

The continued focus on debt reduction has enabled the company to successfully reduce its net debt to \$855 million, 43.4% gearing (net debt to net debt plus equity) at 30 June 2003, down from \$954 million, 47.9% gearing at December 2002.

Caltex spent \$34.7 million on capital expenditure during the first half of 2003, compared with \$30.0 million during the first half of 2002. This included \$6.3 million of clean fuels capital expenditure.

Caltex continued to work systematically towards its goal of incident free operations with the introduction of a comprehensive company-wide Loss Prevention System (LPS) during the first half of the year. This system is now being rolled out across the company.

### Refining and Supply

The refineries produce petrol, diesel, jet fuel, a range of lubricants and various specialty products including petrochemical feedstocks, LPG, wax and bitumen. Many of these products are distributed via ship, road or pipeline to the group's finished product terminals, then on to retail, commercial and wholesale customers.

Regional crude oil prices fell throughout the period (averaging US\$29.47 a barrel in December 2002 to US\$26.36 a barrel in June 2003). However, due to the pattern of crude price volatility throughout the period combined with crude price effects included in our weighted average costing this only resulted in a net inventory loss of \$14.2 million before tax (2002 first half gain of \$105.9 million before tax).

Strong Singapore refiner margins<sup>1</sup> averaging US\$3.34 a barrel for the first half of 2003 (2002 first half: US\$2.70 a barrel) were largely offset by higher crude premiums and freight charges compared with the same period last year. An internal measure, the Caltex refiner margin (CRM), is a more accurate measure of the refining margins achieved by the company. Unlike the publicly available Singapore margins, the CRM includes premiums paid on crude oil, crude freight, product yields achieved by the Caltex refineries and product freight. These factors made the average CRM US\$0.31 a barrel lower than the Singapore refiners' margin averaging US\$3.03 a barrel during the half year ended 30 June 2003 (2002 half year ended: US\$2.35 a barrel).

Uncertainty surrounding Iraq and continued demand in Japan for electricity from oil-fired power plants replacing off-line nuclear plants led to high regional crude oil premiums in the first half of 2003.

Caltex has made significant progress this year in its preparations for production of cleaner fuels at both refineries in line with new government standards being introduced through to 2006. Detailed feasibility studies are under way to revamp the existing diesel hydrotreaters at both refineries to produce lower sulfur diesels and construct new hydrogenation plants for lower benzene in petrol. Approval of the estimated \$250 million funding for the project will be determined by the Board in the first quarter of 2004.

In June 2003 Caltex refineries started production of ultra low sulfur diesel ahead of its mandated introduction in 2006. Ultra low sulfur diesel contains a maximum of 50 ppm sulfur and attracts a lower rate of excise than sulfur diesel that contains a maximum of 500 ppm sulfur.

Operational excellence is one of the company's key strategic intents. The program to improve Caltex refinery reliability and safety performance is progressing well. As a result, there were no disruptions to supply during the period. Lytton continued to improve its refinery reliability and remain in the top quartile performance. Kurnell's refinery reliability dipped in first half 2003, but is expected to return to top quartile performance during the second half of 2003. The refineries have also benefited from implementation of a series of recommendations for significant improvement in technical areas and management systems, many aimed at improving reliability, risk management, change management and incident investigation.

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<sup>1</sup> The Singapore refiner margin is the difference between the price of the regional benchmark Tapis crude oil feedstock and the quoted Singapore ex-refinery price of petroleum products.

# Directors' Report (cont'd)

## Review of Results and Operations (cont'd)

### Marketing

The marketing department promotes and sells Caltex fuels, lubricants, specialty products and convenience store products through a national network of 1,778 retail service stations and 69 distributors as well as selling directly to a large number of commercial end users.

Marketing margins remained strong at the same time growth was also recorded in total transport fuels and convenience store sales. Sales of transport fuels grew by 4.9% with Caltex retaining market leadership by increasing its market share to 29.7%, up from 28.3% in the previous corresponding period. In the non-fuel retail area, Star Mart sales increased by 5.2% on the previous year and smaller Star Shop sales grew by 6.2% when measured on a like for like basis.

Lubricants and specialties volumes remained flat but margins were stronger and industrial, automotive and base oils expanded their customer base compared with the same period last year.

In May, Caltex launched a trial of a 10% ethanol/petrol blend (E10) at five Caltex and Ampol service stations in Cairns. Results to date are encouraging, with E10 Unleaded representing 20% to 25% of total unleaded petrol sales. A clearly labelled 10% ethanol blend is also sold at Bogas service stations in country New South Wales.

Operational excellence has continued to be driven by the national All Stars performance management program that has yielded significant improvements to retail execution in areas such as customer service, merchandising, brand and site presentation, food safety, environment, health and safety, and security.

We have strategies to respond to ongoing changes in the market and will build on our strong brand, quality fuel and leading convenience store offer.

### Significant Events after Balance Date

There has arisen one significant event in the interval between the end of the half year and the date of this report. Caltex Australia Limited and Woolworths Limited announced on 21 August 2003 they had agreed plans for a 50/50 joint venture that will expand Caltex branding and deliver its quality fuels to approximately 300 more outlets while gaining the benefits of Woolworths' buying for the joint venture and Caltex convenience stores. The proposed joint venture will build its network up to 450 service stations located adjacent or near Woolworths' stores. Caltex will manage these sites. Woolworths' petrol pricing will apply to joint venture sites and Woolworths will continue its redemption discount fuel offer to its customers.

The proposed joint venture is subject to regulatory approvals, third party consents and execution of final transaction documents.

There has arisen no other item, transaction or event of a material or unusual nature likely, in the opinion of the directors of Caltex Australia Limited, to affect significantly the operations of the Caltex Australia Group, the results of those operations or the state of affairs of the group in subsequent financial years.

### Rounding of Amounts

Caltex Australia Limited is an entity to which 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 (Dick) Warburton  
Chairman



.....  
DC (Dave) Reeves  
Managing Director &  
Chief Executive Officer

Sydney, 29 August 2003

# Directors' Declaration

The Board of Caltex Australia Limited has declared that:

- the financial statements, and the notes required by the Accounting Standards, for the half year ended 30 June 2003 comply with the Accounting Standards in Australia;
- the financial statements and notes for the half year ended 30 June 2003 give a true and fair view of the financial position of the Caltex Australia Group at 30 June 2003 and its performance for the half year;
- 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 and notes for the half year ended 30 June 2003 comply with the Corporations Act 2001 (Cth).

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



RFE (Dick) Warburton  
Chairman



DC (Dave) Reeves  
Managing Director &  
Chief Executive Officer

Sydney, 29 August 2003

# Review Report

Independent review report to the members of Caltex Australia Limited

## Scope

We have reviewed the financial report of Caltex Australia Limited ("the Company") for the half year ended 30 June 2003, consisting of the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes 1 to 18 and the directors' declaration set out on pages 8 to 20. The financial report includes the consolidated financial statements of the consolidated entity, comprising the Company and the entities it controlled at the end of the half year or from time to time during the half year. The Company's directors are responsible for the financial report.

We have performed an independent review of the financial report in order to state whether, on the basis of procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows and in order for the Company to lodge the financial report with the Australian Securities and Investment Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. The review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. Our review has not involved a study and evaluation of internal accounting controls, tests of accounting records or tests of responses to inquiries by obtaining corroborative evidence from inspection, observation or confirmation. The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

## Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Caltex Australia Limited is not in accordance with:

- a) the Corporations Act 2001, including:
  - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2003 and of its performance for the half year ended on that date; and
  - ii. complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.



KPMG



SA Gatt  
Partner

Sydney 29, August 2003

# Statement of Financial Performance

## for the half year ended 30 June 2003

Thousands of dollars	Note	Consolidated	
		30 June 2003	30 June 2002
Gross sales revenue		5,045,627	4,130,443
Product duties and taxes		(1,771,265)	(1,662,662)
Net sales revenue		3,274,362	2,467,781
Cost of goods sold - replacement cost		(3,025,877)	(2,238,284)
Inventory (losses)/gains		(14,150)	105,914
Cost of goods sold - historical cost		(3,040,027)	(2,132,370)
Gross profit		234,335	335,411
Other revenue from ordinary activities	4	125,662	95,653
Refining and supply expenses		(12,702)	(6,505)
Marketing expenses		(195,126)	(178,474)
Borrowing costs	5	(33,128)	(38,390)
Other expenses	5	(14,369)	(19,202)
Share of net profit of associated entities accounted for using the equity method		2,943	1,378
<b>Profit from ordinary activities before income tax expense</b>		107,615	189,871
Income tax expense relating to ordinary activities		(30,968)	(59,100)
<b>Net profit</b>		76,647	130,771
Net profit attributable to outside equity interests		(408)	(382)
<b>Net profit attributable to members</b>		76,239	130,389
Basic earnings per share (cents per share)	6	28.2	48.3
Diluted earnings per share (cents per share)	6	28.2	48.3

For discussion and analysis on the statement of financial performance please refer page 10.

The statement of financial performance should be read in conjunction with the 2002 Full Financial Report and the notes to the financial statements.

# Discussion and Analysis of the Statement of Financial Performance

- Caltex's replacement cost of sales profit (RCOP) for the half year was \$86.1 million, up \$22.4 million from \$63.7 million from first half 2002. Contributing to the result were robust Singapore refiner margins and sound marketing margins.
- Caltex's statutory net profit attributable to members of the parent entity for the half-year was \$76.2 million, down \$54.2 million from the \$130.4 million profit recorded in the first half of 2002. Regional crude oil prices fell throughout the period (averaging US\$29.47 a barrel in December 2002 to US\$26.36 a barrel in June 2003). However, due to the pattern of crude price volatility throughout the period combined with crude price effects included in our weighted average costing this only resulted in a net inventory loss of \$14.2 million before tax (2002 first half gain of \$105.9 million before tax). The first half 2002 result also had a significant item totalling a net loss of \$7.5 million (after tax) included.
- Gross sales revenue has increased in line with higher crude prices when compared to the corresponding period last year, along with increased volume due to stronger sales and sales to competitors on a cash settlement basis under buy and sell arrangements. These factors have also led to an increase in cost of goods sold.
- Net debt has been reduced to \$854.6 million at 30 June 2003 compared with \$1,035.7 million at 30 June 2002. This has contributed to a decrease in borrowing costs.
- Earnings per share on an RCOP basis increased to 31.9 cents per share from 23.6 cents per share at 30 June 2002.
- The return on equity (net profit or loss attributable to members of the parent entity on parent entity interest in total equity) on an RCOP basis (annualised) jumped from 13.5% in the first half of 2002 to 15.6% in the first half of 2003. On an historic cost basis (annualised) excluding significant items, return on equity was 13.8% for first half 2003 compared to 27.6% for the corresponding period in 2002.
- Refining and supply expenses include all refining and supply costs that are not directly attributable to products. This amount has increased between periods mainly due to increased insurance costs together with the change in buy sell arrangements from refinery exchange to a cash settlement basis.
- Marketing expenses have increased between periods mainly due to the acquisition of 3 distributor businesses and 1 joint venture in the later part of 2002.

The financial information and discussion and analysis set out in the 2003 Half Year Report should be read in conjunction with the 2002 Concise Report which forms part of the 2002 Annual Review.

# Statement of Financial Position

## as at 30 June 2003

Thousands of dollars	Note	Consolidated	
		30 June 2003	31 Dec 2002
<b>Current assets</b>			
Cash at bank and on hand		12,558	17,969
Receivables		540,139	585,462
Inventories		497,066	525,546
Other		30,610	28,816
<b>Total current assets</b>		<b>1,080,373</b>	<b>1,157,793</b>
<b>Non current assets</b>			
Receivables		30,187	31,875
Investments accounted for using the equity method		10,486	8,093
Property, plant and equipment		1,602,300	1,625,327
Intangibles		13,301	14,049
Other		6,508	15
<b>Total non current assets</b>		<b>1,662,782</b>	<b>1,679,359</b>
<b>Total assets</b>		<b>2,743,155</b>	<b>2,837,152</b>
<b>Current liabilities</b>			
Payables		514,868	546,233
Interest bearing liabilities	8	232,891	257,553
Tax liability		30,473	59,292
Provisions		42,360	45,849
<b>Total current liabilities</b>		<b>820,592</b>	<b>908,927</b>
<b>Non current liabilities</b>			
Payables		1,963	3,463
Interest bearing liabilities	8	634,187	714,649
Deferred tax liabilities		134,494	139,354
Provisions		38,946	34,433
<b>Total non current liabilities</b>		<b>809,590</b>	<b>891,899</b>
<b>Total liabilities</b>		<b>1,630,182</b>	<b>1,800,826</b>
<b>Net assets</b>		<b>1,112,973</b>	<b>1,036,326</b>
<b>Equity</b>			
Contributed equity	9	543,415	543,415
Retained profits		561,426	485,187
<b>Parent entity interest</b>		<b>1,104,841</b>	<b>1,028,602</b>
Outside equity interest		8,132	7,724
<b>Total equity</b>	10	<b>1,112,973</b>	<b>1,036,326</b>

For discussion and analysis on the statement of financial position please refer page 12.

The statement of financial position should be read in conjunction with the 2002 Full Financial Report and the notes to the financial statements.

# Discussion and Analysis of the Statement of Financial Position

Since 31 December 2002,

- Caltex's net assets increased by \$76.6 million over the first half to \$1,113.0 million at 30 June 2003, driven by the net profit for the period.
- Caltex's total assets decreased by 3.3% during the half year to \$2,743.2 million mainly due to movements in two specific asset groups:
  - a decrease in receivables consistent with lower volumes in June 2003 compared to December 2002, along with the impact of the strengthening Australian dollar against the US dollar; and
  - lower inventories reflecting the lower crude prices along with the effect of the strengthening Australian dollar, partly offset by higher inventory volumes compared to December 2002.
- The decrease in payables of \$31.4 million reflects the decrease in crude prices combined with the strengthening of the Australian dollar against the US dollar. In addition the reduction in the \$12.0 million payable to Hanson Australia (formerly Pioneer International) relating to the purchase of its 50% interest in Caltex Australia Petroleum Pty Limited in 1997. These decreases were partly offset by higher crude volumes compared to December 2002.
- Net debt has been reduced to \$854.6 million at 30 June 2002, a decrease of \$99.7 million from 31 December 2002. As a result, the consolidated entity's gearing (net debt, to net debt plus equity) was 43.4%, down from 47.9% at the end of the prior year.
- The decrease in the income tax liability of \$28.8m results from the payment of the final 2002 tax instalment in June 2003.
- Net tangible asset backing per share (net assets attributable to members of the company less intangible assets, on number of shares on issue) increased from \$3.76 at 31 December 2002 to \$4.04 at 30 June 2003.

The financial information and discussion and analysis set out in the 2003 Half Year Report should be read in conjunction with the 2002 Concise Report which forms part of the 2002 Annual Review.

# Statement of Cash Flows

## for the half year ended 30 June 2003

Thousands of dollars	Consolidated	
	30 June 2003	30 June 2002
<b>Cash flows from operating activities</b>		
Receipts from customers	5,765,489	4,752,486
Payments to suppliers, employees and governments	(5,517,834)	(4,438,090)
Dividends received	550	-
Interest received	917	205
Interest and other borrowing costs paid	(31,059)	(42,843)
Income taxes paid	(64,392)	(1,162)
<b>Net operating cash flows</b>	<b>153,671</b>	<b>270,596</b>
<b>Cash flows from investing activities</b>		
Deferred payment for purchase of controlled entities	(2,833)	-
Hanson Australia contingent consideration	(12,000)	-
Purchases of property, plant and equipment	(34,668)	(29,958)
Major cyclical maintenance	(13,202)	(14,131)
Proceeds from sale of property, plant and equipment	7,245	3,372
Purchases of operating licences and goodwill	-	(1,358)
Loans repaid from associated companies	1,500	500
<b>Net investing cash flows</b>	<b>(53,958)</b>	<b>(41,575)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	2,747,597	2,206,000
Repayments of borrowings	(2,852,517)	(2,390,000)
Repayment of finance lease principal	(204)	(216)
<b>Net financing cash flows</b>	<b>(105,124)</b>	<b>(184,216)</b>
Net (decrease)/increase in cash held	(5,411)	44,805
Cash at the beginning of the financial year	17,969	(8,224)
<b>Cash at the end of the period</b>	<b>12,558</b>	<b>36,581</b>

For discussion and analysis on the statement of cash flows please refer page 14.

The statement of cash flows should be read in conjunction with the 2002 Full Financial Report and the notes to the financial statements.

## Discussion and Analysis of the Statement of Cash Flows

- Caltex's operating cash flows decreased between periods. The decreased historic cost earnings, caused by reduction in the inventory gain of -\$120.1 million before tax (2003: inventory loss of \$14.2 million, 2002: inventory gain \$105.9m) was partly offset by lower working capital levels. In addition, income tax payments have increased substantially from first half 2002 to first half 2003. This increase is due to current year tax instalments being based on prior year historic cost profit and prior year tax payments falling due in the current year (2003: \$56.5 million, 2002: refund of \$5.5 million).
- A payment of \$12 million was made to Hanson Australia (formerly Pioneer International) relating to the purchase of its 50% interest in Caltex Australia Petroleum Pty Limited in 1997. This payment was subject to performance targets for the 2002 full year and became payable due to the profit result. This is the final year that a payment will be made.
- Capital expenditure for the first half was slightly higher than 2002 mainly due to clean fuels capex of \$6.3 million at the refineries. This was offset by increased divestment proceeds from the sale of property, plant and equipment over the first half of 2003.
- Net debt fell \$99.6 million over the first half 2003 from \$954.2 million at 31 December 2002 to \$854.6 million at 30 June 2003, compared to a fall of \$225 million for the corresponding period in 2002. This resulted in decreased interest expense and combined with the timing of coupon payments between periods resulted in an overall borrowing cost saving of \$12.5 million.

The financial information and discussion and analysis set out in the 2003 Half Year Report should be read in conjunction with the 2002 Concise Report which forms part of the 2002 Annual Review.

# Notes to the Financial Statements

## for the half year ended 30 June 2003

### 1. Statement of significant accounting policies

#### (a) Basis of preparation of the half year financial report

The half year statutory 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 1029 "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 2002 Full 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.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or current valuations of non current assets. These accounting policies have been consistently applied by each entity in the Caltex Australia Group and, except where there is a change in accounting policy as disclosed in Note 2 or clarified below, are consistent with those applied in the 2002 Full Financial Report. The half year report does not include full note disclosures of the type normally included in an annual financial report.

#### (b) Accounting policy for superannuation

The Caltex Australia Group contributes to several defined benefit and defined contribution superannuation plans. Contributions are charged against net profit or loss as they are made. In addition Caltex provides for any deficiency of vested benefits compared to plan assets. No provision is made for any deficiency in excess of the vested benefits deficiency on the basis that no legal or constructive obligation exists. Refer Note 13 for further information.

### 2. Changes in accounting policies

#### Provisions, contingent liabilities and contingent assets

The Caltex Australia Group has applied AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" (issued in October 2001) for the first time from 1 January 2003.

Dividends are now recognised at the time they are declared, determined or publicly recommended. Previously, final dividends were recognised in the financial year to which they related, even though the dividends were announced after the end of the financial period.

There has been no adjustment to the Caltex Australia Group's financial report as at 1 January 2003. However, there was an impact on the financial report for the half year ending 30 June 2003, as the dividend declared after reporting date was not provided for in the period to which it related.

Contingent assets are now to be disclosed when the probability of receipt is not remote. Contingent assets have been disclosed, with comparative figures, in the 2003 Half Year Report.

#### Employee Benefits

The Caltex Australia Group has applied the revised AASB 1028 "Employee Benefits" (issued in June 2001) for the first time from 1 January 2003.

The liability for wages and salaries, annual leave and sick leave is now calculated using the remuneration rates the Caltex Australia Group expects to pay as at each reporting date, not wage and salary rates current at reporting date.

There has been no adjustment to the Caltex Australia Group's financial report as at 1 January 2003 or in the period ended 30 June 2003.

# Notes to the Financial Statements (cont'd)

## for the half year ended 30 June 2003

### 3. Reclassification of financial information

In accordance with disclosures in the 2002 Full Financial Report, the Caltex Australia Group has changed the format for presentation of expenses in the statement of financial performance from the "by nature" basis (ie what type of expense it is) to the "by function" basis (ie how the activity is used in the business).

The classification by function is believed to be superior as it:

- provides insight into the constituent parts of refining and supply and marketing; and
  - offers the flexibility to report cost of sales by reference to those factors which are, and are not, controllable.
- Comparative information has been restated for the change in basis of presentation.

Thousands of dollars	Consolidated	
	30 June 2003	30 June 2002
<b>4. Other revenue from ordinary activities</b>		
<b>From operating activities</b>		
Interest received or due and receivable from:		
Other corporations	917	205
Rental income	17,520	18,104
Royalties and franchise income	38,779	33,351
Net foreign exchange gains	41,603	22,300
Other income	19,598	18,321
<b>From outside operating activities</b>		
Proceeds from the sale of property, plant and equipment	7,245	3,372
	<b>125,662</b>	<b>95,653</b>
<b>5. Costs and expenses</b>		
Borrowing costs:		
Interest paid or due and payable to:		
Other corporations	32,181	37,353
Finance charges on capitalised leases	947	1,037
	<b>33,128</b>	<b>38,390</b>
Amortisation of intangibles	748	36
Depreciation and amortisation (excluding intangibles)	62,012	62,315
Operating leases rental expense	37,550	37,008
Loss on disposal of non current assets	1,275	5,909
Reconciliation of other expenses in the statement of financial performance:		
Hanson Australia contingent consideration	(i) -	7,500
Other	14,369	11,702
	<b>14,369</b>	<b>19,202</b>

- (i) As at 30 June 2002 a payment was considered probable to Hanson Australia (formerly Pioneer International) relating to the purchase of its 50% interest in Caltex Australia Petroleum Pty Limited in 1997. This payment was subject to performance targets for the full year and became payable due to the profit result. 2002 was the final year that such a payment could be payable.

# Notes to the Financial Statements (cont'd)

## for the half year ended 30 June 2003

Thousands of dollars	Consolidated	
	30 June 2003	30 June 2002
<b>6. Earnings per share</b>		
Basic earnings per share - profit (cents per share)	28.2	48.3
Diluted earnings per share - profit (cents per share)	28.2	48.3
Weighted average number of ordinary shares used in the calculation of earnings per share was 270 million (2002: 270 million).		
<b>7. Dividends</b>		
Since 30 June 2003, the directors have declared the following dividends payable on 3 October 2003 (2002: no dividend declared)	10,800	-
	<b>30 June 2003</b>	<b>31 Dec 2002</b>
<b>8. Interest bearing liabilities</b>		
<b>Current - unsecured</b>		
Medium term notes (ii)	200,000	200,000
Bank loans (ii)	30,000	55,000
Other loans	2,308	2,038
Lease liabilities	583	515
	232,891	257,553
<b>Non current - unsecured</b>		
US notes (ii)	317,589	354,422
Hedge payable (i)	36,833	-
Bank loans (iii)	270,000	350,000
Lease liabilities	9,765	10,227
	634,187	714,649
(i) The hedge payable results from the translation of cross currency swaps at the rate of exchange ruling at balance date and relates to specific hedging of US dollar debt.		
(ii) The bank loans, and the medium and 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 November 2003 to July 2012. Under the loan and note agreements, the Caltex Australia Group is required to comply with certain financial covenants.		
(iii) In the current year, \$270.0 million bank loans were classified as non current as they were supported by long term committed facilities.		
<b>9. Contributed equity</b>		
<b>Issued capital</b>		
270 million (2002: 270 million) ordinary shares, fully paid	543,415	543,415
<b>10. Total equity reconciliation</b>		
Total equity at the beginning of the year	1,036,326	821,210
Total changes in Caltex Australia Limited's interest recognised in the statement of financial performance	76,239	215,170
Total changes in outside equity interest	408	(54)
Total equity at the end of the period	1,112,973	1,036,326

# Notes to the Financial Statements (cont'd)

## for the half year ended 30 June 2003

<b>11. Investments accounted for using the equity method:</b>	<b>30 June 2003</b>	<b>30 June 2002</b>
	<b>% interest</b>	
Airport Fuel Services Pty Ltd	40	40
Australasian Lubricants Manufacturing Company Pty Ltd	50	50
Bowen Petroleum Services Pty Ltd (i)	100	50
Cairns Airport Refuelling Services Pty Ltd	25	25
Cooper & Dysart Pty Ltd	50	50
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
R&JK Petroleum Pty Ltd	50	50
South Coast Fuels Pty Ltd	50	50
South East Queensland Fuels Pty Ltd	50	50
South East Queensland Fuels Unit Trust	50	50
Vitalgas Pty Ltd	50	50

- (i) Caltex Petroleum Distributors Pty Ltd acquired an additional 50% interest in Bowen Petroleum Services Pty Ltd with effect from 2 December 2002, making Bowen Petroleum Services Pty Ltd a wholly owned subsidiary of Caltex Petroleum Distributors Pty Ltd from that time.

### 12. Net tangible assets per share

Net tangible assets per share (dollars)	4.04	3.76
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Net tangible assets are net assets attributable to members of the company less intangible assets. Weighted average number of ordinary shares used in the calculation of net tangible assets per share was 270 million (2002: 270 million).

### 13. Superannuation Commitments

- (a) The Caltex Australia Group contributes to superannuation plans to provide benefits to employees and directors and their dependents upon retirement, disability or death. Employer contributions (where applicable) are based on a percentage of salary or directors' fees. The employer is committed to contribute to the plan as prescribed by the relevant trust deeds and relevant legislation. Details of the plans are outlined below.

#### **Caltex Australia Superannuation Plan - CSP Division**

The Caltex Australia Superannuation Plan - CSP Division is predominantly a defined benefits plan but it also includes the retirement account which is a defined contribution payable by the Caltex Australia Group.

The last actuarial review of the defined benefit plan was made as at 1 January 2003 by Peter R Hughes FIA, FIAA, Actuary, Mercer Human resources Consulting Pty Ltd (Mercer). The review concluded that the assets of the plan were insufficient to meet all benefits payable in the event of termination of the plan or the voluntary or compulsory termination of employment of each employee in the plan.

# Notes to the Financial Statements (cont'd)

## for the half year ended 30 June 2003

Thousands of dollars

### 13. Superannuation Commitments (cont'd)

The most recent information about the defined benefits superannuation plan is as at 1 January 2003:

	Net market value of plan assets	Accrued benefits (i)	Consolidated		
			Vested benefits	Shortfall of plan assets over accrued benefits (i)	Shortfall of plan assets over vested benefits
Caltex Australia Superannuation Plan - CSP Division	141,150	153,390	146,911	(12,240)	(5,761)

(i) Accrued benefits includes vested and non vested benefits

The Caltex Australia Group has provided for the vested benefit deficiency (including applicable contributions tax) in the fund, as follows:

	Consolidated	
	30 June 2003	31 Dec 2002
Employer contributions accrued	6,800	5,195

### (b) Caltex Australia Superannuation Plan - APF Division

As this is a defined contribution plan, no actuarial review has been performed on this plan. The plan benefits to members are as laid down in the trust deed. Funds are available to satisfy all vested benefits in the event of termination of the fund or voluntary or compulsory termination of employment of each employee of the participating employers.

### 14. 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.

### 15. Contingent assets

Legal and other claims	1,300	650
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In the ordinary course of business the company is involved as a plaintiff in legal proceedings. Where appropriate, the consolidated entity takes legal advice. The consolidated entity does not consider that the outcome of any current proceedings is likely to have a material effect on its operations or financial position.

### 16. Contingent liabilities

(a) Legal and other claims	2,200	2,000
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In the ordinary course of business the company is involved as a defendant in legal proceedings. Where appropriate, the consolidated entity takes legal advice. The consolidated entity does not consider that the outcome of any current proceedings is likely to have a material effect on its operations or financial position.

(b) All other contingent liabilities are consistent with the 2002 Full Financial Report.

# Notes to the Financial Statements (cont'd)

## for the half year ended 30 June 2003

Thousands of dollars

### 17. Significant events after balance date

There has arisen one significant event in the interval between the end of the half year and the date of this report. Caltex Australia Limited and Woolworths Limited announced on 21 August 2003 they had agreed plans for a 50/50 joint venture that will expand Caltex branding and deliver its quality fuels to approximately 300 more outlets while gaining the benefits of Woolworths' buying for the joint venture and Caltex convenience stores. The proposed joint venture will build its network up to 450 service stations located adjacent or near Woolworths' stores. Caltex will manage these sites. Woolworths' petrol pricing will apply to joint venture sites and Woolworths will continue its redemption discount fuel offer to its customers.

The proposed joint venture is subject to regulatory approvals, third party consents and execution of final transaction documents.

There has arisen no other item, transaction or event of a material or unusual nature likely, in the opinion of the directors of Caltex Australia Limited, to affect significantly the operations of the Caltex Australia Group, the results of those operations or the state of affairs of the group in subsequent financial years.

### 18. Segment Information

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.