CALTEX AUSTRALIA LIMITED

(ABN 40 004 201 307)

REVIEW OF OPERATIONS AND ACTIVITIES

For the half year ended 30 June 2002

AUGUST 2002

CALTEX AUSTRALIA LIMITED (CTX)

1. OVERVIEW OF FIRST HALF

- Half-year net profit after tax and including significant items was $130.4 million, up $129.2 million from $1.2 million in the corresponding 2001 period.
- Profit before significant items, interest and tax on a replacement cost of sales basis was $129.3 million, up $93.1 million from $36.1 million in corresponding 2001 period.
- The increased earnings were due not only to higher refiner margins and rising crude oil prices, which resulted in a $105.9 million gain (2001: loss of $20.3 million) on inventory purchased, but due to improved refinery reliability and robust sales.
- Net debt has been reduced to $1,036 million at 30 June 2002 compared with $1,264 million at 31 December 2001. The company is on track to meet its debt reduction target of $950 million by end of 2003.
- The results included a significant item of $7.5 million liability for deferred purchase consideration payable to Hanson Australia Pty Ltd (formerly Pioneer International Limited).

2. COMPARATIVE FINANCIAL INFORMATION

	Caltex Australia Limited Consolidated Results			
	1st Half 2002	**1st Half 2001**	**1st Half 2000**	**1st Half 1999**
Profit and Loss ($millions)				
Operating profit before significant items, interest and income tax	235.2	15.8	111.4	95.5
Interest income	0.2	0.4	0.3	0.4
Interest expense	(38.4)	(48.7)	(42.9)	(35.6)
Income tax benefit/(expense)	(59.1)	18.2	(27.7)	(24.9)
Profit / (loss) after tax and before Significant item	**137.9**	**(14.3)**	**41.1**	**35.4**
Significant item	(7.5)	15.5	-	-
Profit after income tax	130.4	1.2	41.1	35.4
Dividends				
Amount paid and payable ($/share)	Nil	Nil	0.10	0.08
Other data				
Shareholders' equity attributable to members of the company ($millions)	943.8	1,000.8	1,020.9	977.4
Total shareholders' equity ($millions)	952.0	1,010.9	1,030.8	986.3
Return on shareholders' equity after tax, excluding significant items (%)	14.5	(1.4)	8.1	7.3
Total assets ($millions)	2,847.5	3,262.5	3,188.1	2,831.3
Net tangible asset backing ($/share)	3.52	3.18	3.18	2.97
Net borrowings ($millions)	1,035.7	1,284.4	1,279.8	1,163.2
Net debt to net debt plus equity (%)	52.1	56.0	55.4	54.1

3. FINANCIAL HIGHLIGHTS

- Earnings per share were 48.3 cents per share compared with 0.5 cents per share for the corresponding 2001 period.

- Return on shareholders' equity was at the rate of 13.8% per annum (14.5% before significant items) up from 0.1% in the corresponding 2001 period.

- The Board remains very conscious of its stated objective of paying consistent dividends. However, the company's current financial priority is debt reduction, and taking this into account the Board has determined that no interim dividend will be paid. In focusing on reducing debt levels and improving gearing, the company is working to position itself to better withstand the impact of external factors beyond its control and return to profit and cash flow levels which will support payment of a consistent dividend and investment in cleaner fuels.

- The company was successful in raising US$200 million in the international capital market in July. The placement was well received by US investors resulting in the transaction being significantly oversubscribed. These funds, of varying maturities between five and ten years, will be used to retire facilities expiring in November 2002.

- Sales revenue net of product duties and taxes decreased by 2.6% to $2,468 million compared with $2,534 million for the first half of 2001. The decrease reflected lower prices to customers driven by a US$4.62/bbl (average) fall in crude oil prices between periods partly offset by increased volume. Caltex collected $1,663 million in product taxes on behalf of Federal and State governments, which was 40.2% of gross sales revenue compared to 39.6% for the corresponding 2001 period.

SALES REVENUE ($millions)	1ST HALF 2002	1ST HALF 2001	1ST HALF 2000	1ST HALF 1999
Gross Sales Revenue	4,130	4,142	4,026	2,999
Less Duties and Tax	(1,663)	(1,609)	1,860	1,760
Net Sales Revenue	2,468	2,534	2,166	1,239

- Good progress was made in the first six months of 2002 as improved earnings and prudent cash conservation enabled debt to be reduced by $229 million down to $1,036 million from 31 December 2001. The lower debt also benefited from the timing of the weekly excise payments, which fell due at the beginning of July rather than end of June.

- Gearing (net debt to net debt plus equity) of the Caltex Australia Limited group at 30 June 2002 was 52.1%, down from 60.6% at December 2001.

- Capital expenditure for the first half was on par with the level of 2001, again being focused on retail service station network development and yield and risk improvements at the refineries.

4. REPLACEMENT COST OF SALES BASIS OF ACCOUNTING

- The directors have again provided additional disclosure of the Company's results for the half-year on a replacement cost of sales basis, which excludes net inventory gains and losses arising from movements in the price of crude oil.

- Since crude oil is purchased in US dollars, inventory gains and losses are calculated with reference to the underlying US dollar crude cost.

$m	1ST HALF 2002	1ST HALF 2001	1ST HALF 2000	1ST HALF 1999
Historic cost operating profit before significant items, interest and tax	**235.2**	15.9	111.4	95.5
Inventory losses/(gains)	**(105.9)**	20.3	(66.3)	(45.9)
Replacement cost operating profit before significant items, interest and tax	**129.3**	36.2	45.1	49.6

5. REVIEW OF OPERATIONS

5.1 Manufacturing and Supply

- Incident free operations and plant reliability continue to be key focus areas for the company. There were significant improvements in the reliability and safety performance of both the Kurnell and Lytton refineries compared with one year ago. This enabled the business to benefit from improved regional refiner margins, which averaged US$2.70 per barrel for the first half of 2002, up from US$1.45 per barrel for the same period last year.

- At the Lytton refinery in Brisbane, there has been an improvement in power supply reliability, with a commitment from local suppliers to upgrade the electricity network that services the refinery.

- The company has taken steps towards cleaner fuels production in line with federal government regulation. Further progress was made on technical and economic feasibility studies at both Kurnell and Lytton refineries into options to meet the standards for benzene in petrol and sulfur in diesel required by 2006.

- The price of regional benchmark Tapis crude oil rose steadily from US$19.50/bbl in January, peaking at US$25.32/bbl in May and ending the half-year at US$24.01/bbl in June.

- A major independent review of operating and management practices at both refineries undertaken in early 2001 by a team of international and local experts led to 148 recommendations. Currently, actions on over 60% of these recommendations have been completed. The remaining items are currently being engineered and/or planned, with the bulk of the items scheduled for completion prior to the end of 2003.

5.2. Marketing

- Earnings from convenience store and related activities continued to grow. The StarMart convenience stores experienced average sales increases of 6.3%, while the smaller StarShops average sales grew 14.9% in the first half of 2002 compared with the same period the previous year.

- Caltex's national All Stars quality assurance program has contributed to enhanced site performance in areas such as customer service, promotional compliance, merchandising, brand and site presentation. The Caltex retail offer has also grown with the upgrading and expansion of the car wash network and new services such as phone card rechargers.

- Market research has enabled effective targeting of key audience segments in advertising and promotions at national and site level. Brand awareness continues to grow, with sound results from a seven week TV advertising campaign, the Easter road safety Driver Reviver program and Star Day fundraising activities for the Starlight Children's Foundation.

- The first six months of 2002 saw a continued strong performance across all marketing channels. Caltex petrol sales volumes were 3.7% higher than the same period last year, in line with Australian market growth, while diesel sales grew by 9%, well ahead of the national average. Caltex's share of the total transport fuels market grew by 1% to 28.2%.

- Commercial and Industrial sales volume were 11% higher, boosted by strong demand from the mining and industrial sectors. Jet fuel sales were 5.7% lower than a year ago, but are recovering in the aftermath of the Ansett collapse and the global aviation slump following September 11, due to increased sales to both domestic and international carriers.

- A focus on receivables has achieved a record performance in past dues, positively impacting working capital.

- Performance has also been improved in the highly competitive lubricants sector, with profit up by 6% on the comparative period last year. Sales growth has been assisted by promotion of the key Caltex brands Havoline and Delo through successful motorsport sponsorship and targeted advertising.

6. OUTLOOK

- The remainder of the year will see a strong focus on plant reliability and the debt reduction program. The company has taken a number of steps to improve cash flow including targeted cuts in capital and operating budgets, divestment of non-core assets and strategies for enhancing revenue.

- Meeting the company's primary financial objective of debt reduction will improve gearing and place the company in a much stronger position to withstand volatile external factors such as refiner margins, crude oil prices and freight rates and to meet the estimated $250 million funding requirements for the refineries' conversion for cleaner fuels production.

- The outlook for the second half will be largely governed by refiner margins and crude oil prices. A fall in gasoline demand has led to a significant weakening of regional margins in July and August 2002.

7. KEY STATISTICS

	JUNE 2002	**DEC 2001**	**DEC 2000**	**DEC 1999**
Employees**	**1575**	1558	1,469	1,610
Fuels refineries	**2**	2	2	2
Lube oil refinery	**1**	1	1	2
Nameplate refining capacity:				
Caltex Ref (NSW) (b/d)	**124,500**	124,500	124,500	124,500
Caltex Ref (Qld) (b/d)	**105,500**	105,500	105,500	105,500
Caltex Lube Oil Ref (b/d)	**3,750**	3,750	3,750	3,750
Road tankers (company fleet)	**27**	27	27	34
Rail cars (operational)	**68**	68	68	68
Storage terminals	**11**	11	11	11
Depots	**121**	126	127	130
Distributors	**71**	74	78	82
Service stations – CTX operated / franchised*	**656**	651	658	717
Service station closures	**13**	8	59	198
Depot closures	**6**	1	3	10
No. service stns sold	**6**	6	48	126
No. depots sold	**11**	3	9	12
StarMart convenience stores	**178**	174	166	138

Notes:
* operating sites owned or leased in the Retail channel
** excludes employees of Calstores Pty Ltd and Caltex 100% owned distributors