

# PEOPLE PARTNERSHIP PERFORMANCE



2008 HALF YEAR REVIEW

# FINANCIAL HIGHLIGHTS

- Profit reflects strong performance by Marketing business
- Interim dividend 36 cents per share
- Growth in transport fuels sales volumes, margins and market share
- Diesel, jet and premium petrol growth outstrips the market
- Strong debt management and cost control
- Earnings reduced as a result of unplanned refinery outages

Results summary (millions of dollars)	Six months ended 30 June	
	2008	2007 <sup>1</sup>
Replacement cost of sales operating profit (RCOP) <sup>2</sup> after tax	↓ 196	294
RCOP earnings before interest and tax	↓ 302	445
RCOP earnings per share	↓ 72.7c	108.9c
RCOP earnings per litre	↓ 1.9c	2.6c
Net debt	↑ 645	490
Dividend	↓ 36c	47c
Statutory net profit after tax (including inventory gains/losses)	↓ 354	368
Earnings per share	↓ 131.3c	136.2c

1 In 2H07, Caltex changed its RCOP accounting methodology to include the impact of exchange rate movements on the crude oil price. The reported RCOP result at 30 June 2007, which excluded the impact of exchange rate movements, was \$255 million. The RCOP EBIT was \$389 million.

2 The replacement cost of sales operating profit (RCOP) excludes the impact of the rise or fall in oil prices (a key external factor) and presents a clearer picture of the company's underlying business performance. It is calculated by restating the cost of sales using the replacement cost of goods sold rather than the historical cost, including the effect of contract based revenue lags.

COVER: Caltex Victorian franchisee Danny Gevergizian



Desmond King  
(Managing Director & CEO)

Elizabeth Bryan  
(Chairman)

22 August 2008

Dear Shareholder,

Caltex Australia Limited delivered a strong financial result for the first half of 2008, benefiting from its strategy of growing its Marketing business and its long-term focus on debt management and cost control.

Caltex recognised early in 2008 the possible negative impact of rising crude oil prices and reduced petrol demand caused by the US economic slowdown and took measures to respond to these challenges.

The after tax profit on a replacement cost of sales operating profit (RCOP) basis for the first half of 2008 was \$196 million, compared with \$294 million (\$255 million before exchange rate adjustment) for the first half of 2007.

The Board declared an interim dividend of \$97.2 million or 36 cents per share fully franked. This represents 50% of RCOP earnings and reflects the company's stated dividend policy of maintaining ordinary dividends within 40-60% of the RCOP (after tax excluding significant items).

The profit was underpinned by the strong performance by the Marketing business. This helped offset lower refinery production as a result of both planned and unplanned maintenance and the impact of the stronger Australian dollar and higher crude oil price on refiner margins.

Marketing continued to expand its contribution to the business, with growth in transport fuels sales volumes, margins and market share. Transport fuels sales volumes increased to 7.1 billion litres in the first half of 2008 (first half 2007: 6.7 billion). Sales of regular petrol eased in line with the overall market, but Caltex outstripped the market in growth of diesel, jet fuel and higher margin premium petrol sales.

Diesel sales volumes were 12.8% higher than for the first six months of last year, well above industry growth. Premium petrol sales volumes increased 6.0% and jet fuel sales were up 10.2%. Lubricants sales volumes and margins increased as did margins for specialties. Growth in non-fuel income continued with shop sales 3.9% higher in the first half of 2008 than in the same period in 2007.


Caltex also continued its leadership in offering biofuels to customers. The company now has over 320 sites in Queensland, NSW and the ACT selling Bio E10 Unleaded petrol which is blended with 10% ethanol and/or New Generation Diesel with 2% biodiesel.

In the Refining business, refiner margins saw exceptionally strong diesel and jet fuel margins due to demand in Asia, and this offset the weaker margins for petrol driven by the US economic slowdown.

The stronger Australian dollar meant that while the Caltex refiner margin remained flat in US dollar per barrel terms in the first half of 2008, it dropped 16% in Australian dollar terms. This translated into a Caltex refiner margin of A7.02 cents a litre for the first half of 2008, down from A8.32 cents a litre in the same period in 2007.

Caltex refinery production and average utilisation in the first half of 2008 were lower due to a major planned maintenance shutdown at the Kurnell refinery and unplanned shutdowns at both the Lytton and Kurnell refineries. Production of petrol, diesel and jet fuel was 4.7 billion litres (first half 2007: 5.4 billion litres) and average utilisation for the six months was 73% (first half 2007: 85%).

Refiner margins are expected to be volatile, but remain robust overall. Continued strength in diesel and jet fuel margins will likely compensate for the expected weakening in petrol demand.

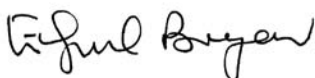


The Australian market for transport fuels and convenience retailing will continue to grow and Caltex is well positioned to capture future market opportunities.

Caltex's proactive stance in focusing on inventory management and cost control has helped offset the higher working capital cost of crude oil and petroleum product inventories. This has resulted in lower operating costs of 3.77 cents per litre for the first half of 2008 (first half 2007: 3.86 cents per litre).

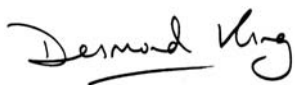
On an historical cost profit basis (including inventory gains), Caltex's after tax profit was \$354 million for the first half of 2008 compared with \$368 million for the first half of 2007. This includes product and crude oil inventory gains of approximately \$158 million compared with inventory gains of \$74 million after tax for the first half of 2007.

The company will continue to strengthen its Marketing business and further develop its supply chain to support this growth, including the completion of a new diesel production unit at its Lytton refinery and a number of upgrades to its fuels storage and distribution facilities around the country.



Elizabeth Bryan

**CHAIRMAN**



Desmond King

**MANAGING DIRECTOR & CEO**

# INCOME STATEMENT

for the half year ended 30 June 2008




Millions of dollars	2008	2007
1 Total revenue <sup>1</sup>	12,145	9,082
2 Total expenses <sup>2</sup>	(11,843)	(8,637)
<b>3 Replacement cost EBIT</b>	<b>302</b>	<b>445</b>
4 Net borrowing costs	(20)	(25)
Income tax expense	(86)	(126)
<b>Replacement cost profit (RCOP) <sup>3</sup></b>	<b>196</b>	<b>294</b>
5 Inventory gain – after tax	158	74
<b>Historical cost net profit</b>	<b>354</b>	<b>368</b>
6 Interim dividend per share	36c	47c
Final dividend per share	N/A	33c
<b>Basic earnings per share</b>		
– Replacement cost	72.7c	108.9c
– Historical cost	131.3c	136.2c
<b>RCOP earnings per litre</b>	<b>1.9c</b>	<b>2.6c</b>

1 Excludes interest revenue.

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

3 The replacement cost of sales operating profit (RCOP) excludes the impact of the rise or fall in oil prices (a key external factor) and presents a clearer picture of the company's underlying business performance. It is calculated by restating the cost of sales using the replacement cost of goods sold rather than the historical cost, including the effect of contract based revenue lags.

## DISCUSSION AND ANALYSIS

<p>1</p>  <p><b>TOTAL REVENUE</b> <b>34%</b></p>	<p>Total revenue increased primarily due to:</p> <ul style="list-style-type: none"><li>• Higher crude price (increasing from US\$68.93 per barrel in 1H07 to US\$113.31 per barrel in 1H08) and sales volumes than prior year.</li></ul> <p>This was partly offset by:</p> <ul style="list-style-type: none"><li>• The impact of the stronger Australian dollar on domestic wholesale prices.</li></ul>
<p>2</p>  <p><b>TOTAL EXPENSES – REPLACEMENT COST BASIS</b> <b>37%</b></p>	<p>Total expenses increased primarily due to:</p> <ul style="list-style-type: none"><li>• Increased cost of sales, reflecting increased crude oil price; and</li><li>• Higher operating expenses including increased employee costs and increased shutdown expenses due to the planned and unplanned shutdowns in 1H08. However, operating expenses were lower than in 1H07 on a cents per litre basis due to increased sales volumes.</li></ul> <p>This was partly offset by:</p> <ul style="list-style-type: none"><li>• The impact of the stronger Australian dollar on US dollar-denominated crude and product imports.</li></ul>
<p>3</p>  <p><b>REPLACEMENT COST EBIT</b> <b>33%</b></p>	<p>Decrease in Caltex's underlying performance primarily resulted from:</p> <ul style="list-style-type: none"><li>• Planned and unplanned refinery shutdowns, increasing crude oil price, the stronger AUD and weaker gasoline margins.</li></ul> <p>This is partly offset by:</p> <ul style="list-style-type: none"><li>• Higher marketing sales volumes and margins.</li></ul>

## RCOP EBIT BREAKDOWN

**CALTEX REFINER MARGIN (CRM) \$339M**

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.

CRM remained flat in US dollar per barrel terms in the first half of 2008 (averaging US\$10.40 a barrel vs first half 2007: US\$10.74 a barrel), it dropped 16% in Australian dollar terms. This translated into a Caltex refiner margin of A7.02 cents a litre for the first half of 2008, down from A8.32 cents a litre in the same period in 2007. Refinery production in the first half of 2008 was lower due to a major planned maintenance shutdown at the Kurnell refinery and unplanned shutdowns at both the Lytton and Kurnell refineries. Production of petrol, diesel and jet fuel was 4.7 billion litres (first half 2007: 5.4 billion litres).

**TRANSPORT FUELS MARKETING MARGIN \$220M**

Transport fuels comprise petrol, diesel and jet fuel. The transport fuels marketing margin is based on the average net margin over Import Parity Price in Australia.

The average transport fuels marketing margin, on a cents per litre basis, was 21% higher than in 1H07 as a result of higher petrol and diesel margins. Additionally, transport fuels sales volume increased by 5% driven by increased demand for diesel in the mining industry, increased sales due to gas pipeline interruptions, increased activity in the agricultural sector, and increased jet fuel sales due to new customers. This is partly offset by declined petrol sales due to the increase in the pump price on the back of the increasing cost of crude oil which negatively impacted the market.

**LUBRICANTS AND SPECIALTIES MARGIN \$67M**

Lubricants and specialties products include finished lubricants, base oils, liquified petroleum gas, petrochemicals, bitumen, wax and marine fuels.

Lubricants and specialties margins, on a cents per litre basis, increased 26% in 1H08 compared to 1H07, primarily due to targeting lubricant sales to more profitable segments in the industry and high fuel oil and bitumen margins.

**NON FUEL INCOME \$71M**

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.

The underlying growth in non-fuel income was around 5%, before adjusting for a one-off cost of \$5 million arising from the introduction of a centralised logistics program.

**OPERATING EXPENSES (\$390M)**

Operating expenses in this caption include refining and supply, marketing, corporate and other operating expenditure.

First half 2008 operating costs increased by \$18 million compared with first half 2007 driven primarily by increased employee costs, increased shutdown expenses due to the planned and unplanned shutdowns in 1H08, and increased depreciation.

**OTHER (\$5M)**

Other includes foreign exchange impacts, clean fuels grant, pipeline and charter revenue.

**TOTAL RCOP EBIT \$302M**

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

## DISCUSSION AND ANALYSIS (CONTINUED)

4

**NET BORROWING  
COSTS****19%**

Net borrowing costs were lower in 1H08 versus 1H07. In accordance with accounting standards, Caltex capitalises interest associated with large capital projects. During 1H08, approximately \$8 million was capitalised to projects such as the new Lytton Diesel Hydrotreater Unit. 1H07 did not include any individually material projects and minimal interest was capitalised.

5

**INVENTORY GAIN  
AFTER TAX****114%**

Regional crude oil prices rose significantly in 2008 (averaging US\$131.30 per barrel in June 2008 compared with US\$96.76 per barrel in January 2008). This increase resulted in net inventory gains of \$226 million (\$158 million after tax) compared with net inventory gains of \$105 million (\$74 million after tax) in 1H07.

6

**INTERIM DIVIDEND****36**

cents per share

The Board declared an interim fully franked dividend of \$97.2 million or 36 cents per share. The dividends have a franking credit of 100%. The record date is 5 September 2008, with the dividend payable on 26 September 2008.

# BALANCE SHEET

as at 30 June 2008

Millions of dollars	June 2008	December 2007	Change
1 Working capital	1,165	937	228
2 Property, plant and equipment (PP&E)	2,585	2,477	108
3 Net debt	(645)	(582)	(63)
4 Other non-current assets and liabilities	(35)	(3)	(32)
Total equity	3,070	2,829	241

## DISCUSSION AND ANALYSIS

1

**WORKING CAPITAL****\$228m**

The increase in working capital is primarily due to:

- Higher crude and product prices (crude average June 08 US\$131.30 per barrel vs. December 07 US\$100.85 per barrel), partially offset by the higher Australian dollar;
- Higher inventory volumes (+91ML) driven by an increase in imports as a result of higher planned and unplanned shutdown activity; and
- Higher receivables due to increased sales volumes and prices.

Partly offset by:

- Increase in provision for income tax payable due to higher taxable income.

2

**PP&E****\$108m**

The increase in property, plant and equipment is due to:

- Capital expenditure and accruals, including major cyclical maintenance, of \$211 million;

Partly offset by:

- Depreciation of \$81 million; and
- Net disposals of \$22 million.

3

**NET DEBT****\$63m**

Net debt increased to \$645 million at 30 June 2008, an increase of \$63 million from 31 December 2007. As a result, Caltex's gearing (net debt to net debt plus equity) was 17.4%, increasing from 17.1% at 31 December 2007. On a lease-adjusted basis, gearing at 30 June 2008 was 22.6% compared with 24.6% at 31 December 2007.

4

**OTHER NON-CURRENT ASSETS AND LIABILITIES****\$32m**





Other non-current assets and liabilities have increased primarily due to increases in superannuation liabilities and increased non-current remediation provisions.

# CASH FLOWS

for the half year ended 30 June 2008

Millions of dollars	2008	2007	Change
Receipts from customers	13,637	10,143	3,494
Payments to suppliers and employees	(10,892)	(7,530)	(3,362)
Payments for excise	(2,359)	(2,244)	(115)
1 Borrowing costs paid	(29)	(27)	(2)
2 Other net operating activities	(130)	(34)	(96)
<b>Net operating cash inflows</b>	<b>227</b>	<b>308</b>	<b>(81)</b>
3 Purchases of property, plant and equipment (PP&E) and major cyclical maintenance	(204)	(120)	(84)
Other investing cash flows	4	(9)	13
<b>Net investing cash outflows</b>	<b>(200)</b>	<b>(129)</b>	<b>(71)</b>
4 <b>Net financing cash (outflows)/inflows</b>	<b>(5)</b>	<b>(181)</b>	<b>176</b>
<b>Net increase/(decrease) in cash held</b>	<b>22</b>	<b>(2)</b>	<b>24</b>

## DISCUSSION AND ANALYSIS

1	 <p><b>BORROWING COSTS</b></p> <p><b>\$2m</b></p>	<p>Net debt increased to \$645 million at 30 June 2008 (compared with \$582 million at 31 December 2007). Average net debt throughout 1H08 was 20% higher than throughout 1H07, resulting in increased gross borrowing costs (\$2 million).</p>
2	 <p><b>OTHER OPERATING ACTIVITIES</b></p> <p><b>\$96m</b></p>	<p>The increase in cash outflows from other net operating activities is largely due to higher tax payments in 1H08. The finalisation of the 2007 income tax position led to a tax payment in 1H08, whereas the finalisation of the 2006 income tax position resulted in a tax refund in 1H07.</p>
3	 <p><b>PURCHASES OF PP&amp;E AND MAJOR CYCLICAL MAINTENANCE</b></p> <p><b>\$84m</b></p>	<p>The capital expenditure in 1H08 is due to increased Refining capital projects in 1H08, including the new Lytton Diesel Hydrotreater Unit.</p>
4	 <p><b>NET FINANCING CASH OUTFLOWS</b></p> <p><b>\$176m</b></p>	<p>Net financing cash outflows decreased due to increase in net borrowings reflecting increased working capital and capital expenditure and a decrease in dividends paid in 1H08.</p>

# BOARD OF DIRECTORS

The Board of Caltex Australia Limited comprises a team of directors with different backgrounds, skills and experience who collectively have an understanding of, and competence to deal with, current and emerging issues for Caltex's business and bring independent judgement and review of Caltex's business and management performance.

The Board comprises the following directors (as at 22 August 2008):

**Ms Elizabeth Bryan**

Chairman (Non-Executive/Independent)

**Mr Desmond King**

Managing Director & CEO

**Mr Trevor Bourne**

Director (Non-Executive/Independent)

**Mr Brant Fish**

Director (Non-Executive)

**Mr Greig Gailey**

Director (Non-Executive/Independent)

**Ms Colleen Jones-Cervantes**

Director (Non-Executive)

**Mr John Thorn**

Director (Non-Executive/Independent)

(Mr Peter Wissel serves as an alternate director for each of Mr Fish and Ms Jones-Cervantes)

# CORPORATE GOVERNANCE

Caltex is committed to best practice in corporate governance where these practices are appropriate and add value to Caltex.

Caltex's corporate governance practices are regularly reviewed so that they remain appropriate and consistent with the goal of increasing shareholder value.

Caltex's corporate governance centre on the Caltex web site ([www.caltex.com.au](http://www.caltex.com.au)) provides information about our corporate governance practices. The site contains links to our Board and committee charters, corporate governance policies and processes, investor presentations, full year and half year results announcements, ASX announcements, annual and half year reports, shareholder meetings and other corporate information.

# FINANCIAL CALENDAR\*

**2008 full year results announcement and  
final dividend announcement**

20 February 2009

**Record date for 2008 final dividend entitlement**

6 March 2009

**2008 final dividend payable**

27 March 2009

**2009 Annual General Meeting**

23 April 2009

\* dates are subject to change

# CORPORATE DIRECTORY

**Caltex Australia Limited**

ACN 004 201 307

**Registered office:**

Level 24

2 Market Street

Sydney NSW 2000

Australia

Mail: GPO Box 3916

Sydney NSW 2001

Australia

Telephone: 02 9250 5000

Facsimile: 02 9250 5742

Web site: [www.caltex.com.au](http://www.caltex.com.au)

**Share registry:**

**Computershare Investor Services Pty Limited**

GPO Box 7045

Sydney NSW 2001

Australia

Tollfree: 1300 855 080

(enquiries within Australia)

Telephone: 61 3 9415 4000

(enquiries outside Australia)

Facsimile: 02 8235 8150

Web site: [www.computershare.com.au](http://www.computershare.com.au)