



**CALTEX AUSTRALIA LIMITED**  
ACN 004 201 307

**ANNUAL GENERAL MEETING – 24 APRIL 2007**

## ***SHAREHOLDER QUESTIONS & RESPONSES***

### **KEY SHAREHOLDER ISSUES**

**Question:** *What do we say to the accusations by motorists' organization that we are profiteering on petrol prices?*

**Response:** **Included in the Chairman's speech to shareholders at the AGM**

We have said quite a lot, particularly this month in the lead up to Easter. Instead of waiting and responding to the usual accusations about raising petrol prices for holidays, this time we took the initiative. We put out a media release that predicted there would be false allegations of petrol price gouging before the Easter holiday period.

We explained how price rises were the result of weekly price cycles. We also reminded everyone that the myth of holiday prices was debunked by both Caltex and the Australian Competition and Consumer Commission in submissions to the Senate inquiry last year into petrol pricing.

Our media release stated:

"Despite this, we are sure to see the same old claims of price gouging and profiteering ahead of the Easter holidays, and unsubstantiated calls for yet more price investigations. The groups making these claims never produce any data to back them up. They simply fade away after their attacks before repeating them at the next holiday period."

During Easter and afterwards, we put out two further media releases pointing out that prices had risen in accordance with normal price cycles.

We are also very proactive on other fronts. For example, as shareholders you should have received our *Talking Point* brochure on Petrol Pricing Mythbusters. This was also widely circulated – including to a large number of politicians and journalists - as an insert in the Caltex *Star* magazine.

**Question:** *What is Caltex doing about climate change?*

**Response:** **Included in the Chairman's speech to shareholders at the AGM**

Caltex is taking a stand on climate change, and the Board has approved a policy on climate change. We know our employees, customers and shareholders want to know what can be done about climate changes and what



we can do to contribute to the solution.

Caltex accepts that burning of fossil fuels produces carbon dioxide which contributes to greenhouse gas emissions. This is a serious problem and Caltex is contributing to the solutions.

To put it in perspective, Australia's annual greenhouse emissions were 565 million tonnes in 2004. As a company we emit about 1.8 million tonnes. Our products, once sold, emit another 35 million tonnes, mainly from vehicles.

Our policy is to support the setting of a national goal for reducing greenhouse gas emissions by 2050. We also support the introduction of a national pricing mechanism for controlling carbon emissions in the next decade. Carbon pricing for road transport should be in the form of a carbon tax per litre of fuel sold, though markets, not regulation, should drive this as much as possible.

Our action plans include updating the inventory of greenhouse gas emissions from Caltex refineries and other operations and preparing an emissions reduction plan.

We will also be working to raise awareness and understanding of emissions from customers' use of petrol, diesel and other fuels and looking for opportunities associated with climate change.

We are already selling biofuels which reduce life-cycle greenhouse gas emissions and we will be evaluating opportunities such as offering 'carbon neutral' petrol and diesel that are bundled with carbon credits.

The bottom line is that we are aware that transport produces a big share – 76 million tonnes or about 13 per cent – of Australia's greenhouse gas emissions. For this figure to be constrained Australia will probably require a combination of vehicles with greater fuel efficiency, more alternative fuels and carbon taxes.

**Question:** *How does Caltex compare with other oil companies on meeting national biofuels targets?*

**Response:** **Included in the Chairman's speech to shareholders at the AGM**

Caltex certainly met its biofuels supply commitment for 2006 as part of the Government's plan for Australia, and we have been commended for this.

Caltex is the only company to have announced it achieved its 2006 biofuels sales volume target, and we are on track to double our biofuels sales volume this year in order to ensure that we continue to meet our annual targets through to 2010 and make a significant contribution to Australia's use of biofuels.



**OTHER SHAREHOLDER ISSUES**

**Question:** *Given the balance of the franking credit account, is a special dividend possible?*

**Response:** The balance of the franking credit account has grown over the past 5 years particularly as we have applied our improving cashflows to reduce our level of debt and to fund our capital expenditure programs, particularly the recent Clean Fuels investments in our refineries. In 2001, the total enterprise value of Caltex Australia Limited fell to a low of \$1.7 billion, comprising a market capitalisation of only \$243 million (90 cents a share) plus bank debt of over \$1.5 billion. Today, the total enterprise value of the company stands at over \$7 billion. Market capitalisation is approximately \$6.5 billion (over \$24 per share, an increase of approximately 27 times since 2001) and debt is approximately \$600 million. The reduction in debt, together with the improving market conditions, has contributed significantly to the financial stability of the company, enabling it to invest in major capital improvement programmes to grow the company further and also to gradually increase the dividend payout ratio to 50% in 2006 with a full year dividend of 80 cents per share.

The Board is aware of the potential value to shareholders of the franking credit account balance. We regularly review our capital management strategy, ensuring an appropriate balance between debt, capital expenditure and cash returns to shareholders is maintained.

**Question:** *Is there any interest in investing in a development to produce ethanol from a cellulosic demonstration plant in Australia?*

**Response:** Caltex has been actively pursuing the roll-out of biofuels through our service station network, which includes both E10 unleaded petrol and Next Generation Diesel, a blend of 2% biodiesel in petroleum diesel. We source the ethanol and biodiesel from Australian producers - at the moment all commercially available ethanol in Australia is produced using the conventional technology. A decision to invest in a cellulosic demonstration plant would need to be considered in light of other investment opportunities at Caltex. At this point in time, we have a number of investment options that better grow value for our shareholders.

We are comfortable with the supply arrangements we currently have in place for our biofuels, but continue to monitor changes in this industry for opportunities for Caltex to participate.

**Question:** *Why is there a vote on the Remuneration Report?*

**Response:** It is a requirement of the *Corporations Act* that each listed company must include in the Directors' Report each year a Remuneration Report dealing with the matters in Section 300A of the *Corporations Act*.

It is a further requirement of the *Corporations Act* that at a listed company's



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AGM a resolution that the Remuneration Report be adopted must be put to the vote. The vote on this resolution is advisory only and does not bind the directors or the company.

**Question:** ***Would you consider holding the AGM in Melbourne?***

**Response:** In accordance with the *Corporations Act*, a meeting of a company's members must be held at a reasonable time and place. Sydney is a reasonable place to hold the AGM given the location of Caltex's shareholders and its corporate headquarters.

However, even though more shareholders are located in New South Wales, there are a large number of shareholders in Victoria. Prior to next year's AGM, consideration will be given to whether it is appropriate to hold a future AGM in Melbourne, how we may facilitate shareholders other than those located in Sydney participating in the AGM and whether there any other ways in which engagement with interstate shareholders can be improved.