# MINUTES OF THE ANNUAL MEETING OF THE STOCKHOLDERS OF PETRON CORPORATION (May 21, 2013)

## Time and Place

The Annual Meeting of the Stockholders of **PETRON CORPORATION** (the "Company") was held on May 21, 2013 at the Ballroom of the Valle Verde Country Club located along Capt. Henry Javier St., Bo. Oranbo, Pasig City. The meeting commenced at about 2:00 p.m.

## Quorum Report

The Corporate Secretary of the Company, Atty. Joel Angelo C. Cruz, reported that the notice of the meeting was mailed to the stockholders as of the April 2, 2013 record date in compliance with the by-laws of the Company. Based on the stock transfer agent's certification on the attendance of the meeting, there was at least 82.49% of the total outstanding shares represented. Thus, a quorum was announced.

Atty. Cruz noted that the Chairman held proxies for 83.32% of the outstanding common shares of the Company. He further explained that the preferred stockholders were entitled to vote on item 6 of the agenda on the approval of the proposed amendment of the Articles of Incorporation of the Company for the extension of the corporate term of the Company.

All the directors of the Company, named below, were in attendance:

Mr. Ramon S. Ang
Mr. Eduardo M. Cojuangco, Jr.
Mr. Roberto V. Ongpin
Mr. Eric O. Recto
Mr. Lubin B. Nepomuceno

Mr. Mirzan Mahathir
Mr. Bernardino R. Abes
Mr. Ron W. Haddock
Atty. Romela M. Bengzon
Ms. Aurora T. Calderon
Atty. Virgilio S. Jacinto
Atty. Nelly Favis-Villafuerte
Mr. Reynaldo G. David (Independent Director)
(Ret.) Chief Justice Artemio V. Panganiban (Independent Director)

## Call to Order

There being a quorum, Chairman Ramon S. Ang called the annual meeting of the stockholders to order and presided over the same. Atty. Cruz recorded the minutes of the proceedings.

## Reading of the Agenda

The Chairman read the rest of the agenda of the meeting as follows:

(1) Approval of the Minutes of the 2012 Annual Stockholders' Meeting
(2) Presentation of Management Report and Submission of Financial Statements to Stockholders for the Year 2012
(3) Ratification of All Acts of the Board of Directors and Management Since the Last Stockholders' Meeting in the Year 2012
(4) Approval by the Stockholders of the Amendments of Articles of Incorporation (Extension of Corporate Term)
(5) Appointment of External Auditor
(6) Election of the Members of the Board of Directors, including two (2) Independent Directors, for 2013
(7) Such other business as may come before the stockholders.

## Review and Approval of Minutes of Previous Meeting

The Chairman announced that the next item in the agenda was the approval of the minutes of the May 15, 2012 Annual Stockholders' Meeting, copies of which were posted at the registration area of the venue. On motion duly made and seconded, and there being no objection, the minutes of the Annual Stockholders' Meeting of May 15, 2012 were approved.

## Annual Report and Other Reports of Management

### *Management Report*

Chief Finance Officer Emmanuel E. Eraña delivered the management report for 2012.

Mr. Eraña began by explaining that 2012 was a challenging year for oil refiners in the region due to the volatility in the prices of crude oil and finished product prices. Oil peaked early in 2012 as possible supply disruption in oil-producing countries and strong economic data from the world's biggest economies pushed prices upwards. Dubai peaked at USD 124 per barrel in the middle of March, while diesel and gasoline increased to just under USD 140 per barrel. Oil prices then fell sharply in the 2nd quarter because of concerns of lower demand with a slowdown in the global economy. By end June, Dubai crude was down almost 30% from its peak falling to a year-low USD 89 per barrel. Prices rose again in the 3rd quarter with fears of a possible conflict between Israel and Iran and rising violence in Syria. Oil prices softened towards the end of the year. These drastic movements resulted in a pricing environment which caused unstable margins for oil companies.

Mr. Eraña then explained that Philippine fuel consumption grew by a modest 4% in 2012, slightly lower considering a strong GDP growth of 6.6%. Industry demand of 306,000 barrels per day for last year was still below the level of 2010.

Mr. Eraña proceeded to explain that, against this backdrop, the Company remained focused on pushing through with its game-changing initiatives to ensure Petron's long-term growth and profitability such as: (i) the successful acquisition and transition of three (3) companies in Malaysia which comprise a fully integrated downstream business; (ii) significant progress in the Company's USD 2 Billion Refinery upgrade project; (iii) the completion of the first two (2) turbo generators of the Company's 140 MW power plant at the Refinery; and (iv) the continuing expansion of the Company's service station network.

He reported that the consolidation of Petron Malaysia in 2012 boosted the Company's volumes by 59% to 74.3 million barrels, translating to a corresponding 55% increase in the Company's revenues which reached Php 425 Billion. Base volumes from the Philippines increased by a million barrels in 2012 fueled by an 8% growth in domestic sales. This resulted in a 3% increase in the Company's domestic revenues which hit Php 283 Billion. These achievements carried on in the 1st quarter of 2013 as the Company's sales volumes and revenues grew by 66% and 50%, respectively, compared to the same period last year.

Mr. Eraña further reported that the Company's strong performance in the Philippines further enhanced its leadership position as it increased its market share to 38.5% in 2012. The Company likewise sustained its number one position in all major market segments namely, retail, industrial, and LPG. In Malaysia, the Company was in a good position to grow its market base as the 3rd largest player in a very dynamic economy.

The Company started 2012 on a positive note as it posted a net income of Php 2.5 Billion. In the next quarter, however, this was basically negated as the Company suffered a record loss of Php 2 Billion as both crude oil and finished product prices steeply dropped, causing a drastic decrease in retail prices against higher costing inventory. The Company was able to turn it around in the 2nd half of the year and posted modest income. In the first three (3) months of 2013, the Company continued to see signs of recovery which are hoped to be sustained throughout the year.

Mr. Eraña noted that the Company had much to look forward to in 2013, marking the Company's 80th year with unprecedented expansion and growth. The first two units of the 140 MW power and steam generation facility were already operational and the other two units would be commissioned in time for the Refinery Masterplan Phase 2 or the RMP-2. He explained that this power plant utilizes more efficient technology and is expected to generate power at lower cost. In addition, the Company would have excess power which it would sell to the national grid, creating a new revenue stream for the Company.

As of the first quarter of 2013, the Company had already completed about 70% of the Company's most ambitious project to date – the USD 2 Billion RMP-2. This centerpiece project gives the Company the flexibility to process a greater variety of crude oils, which would lower the Company's costs. RMP-2 adds new facilities, making the Company's refinery capable of fully converting its current fuel oil production into a broad range of white and petrochemical products. Mr. Eraña explained that this, in turn, would improve the basic economics of the Refinery thereby allowing the Company to run close to full capacity. Expected production may increase from the current level of about 100,000 barrels to nearly 180,000 barrels per day. Once fully implemented, the upgrade would allow the Company to produce more stringent and environment-friendly products (Euro-IV-compliant). It was reported that the Company expects construction to be