

**MINUTES OF THE ANNUAL MEETING  
OF THE STOCKHOLDERS OF PETRON CORPORATION  
(May 21, 2019)**

**Time and Place**

The Annual Meeting of the Stockholders of **PETRON CORPORATION** (the “Company” or “Petron”) was held on May 21, 2019 at the Isla Ballroom, Edsa Shangri-La Manila located at 1 Garden Way, Ortigas Centre, Mandaluyong City, Metro Manila. 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 March 26, 2019 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 were about 78.16% of the total outstanding shares represented. Thus, a quorum was announced.

Atty. Cruz noted that the Chairman of the Board of Directors held proxies for 78.16% of the outstanding common shares of the Company and was voting in accordance with the instructions in the proxies.

Atty. Cruz proceeded to explain that an open forum would be held after the Management’s Report. In order to give more stockholders the opportunity to ask questions, he requested that questions be submitted in writing in advance using forms available with the usherettes and that stockholders identify themselves in the forms.

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

Mr. Eduardo M. Cojuangco, Jr.	(Chairman)
Mr. Ramon S. Ang	(President and Chief Executive Officer)
Mr. Lubin B. Nepomuceno	(General Manager)
Atty. Estelito P. Mendoza	
Mr. Jose P. de Jesus	
Mr. Mirzan Mahathir	
Mr. Ron W. Haddock	
Ms. Aurora T. Calderon	
Atty. Virgilio S. Jacinto	
Atty. Nelly Favis-Villafuerte	
Mr. Horacio C. Ramos	
Mr. Reynaldo G. David	(Lead Independent Director; Chairman, Audit Committee)
Ret. Chief Justice Artemio V. Panganiban	(Independent Director)
Mr. Margarito B. Teves	(Independent Director)
Mr. Carlos Jericho L. Petilla	(Independent Director)

Also present were the following executive officers:

Mr. Emmanuel E. Eraña, Senior Vice President (“SVP”) and Chief Finance Officer  
Mr. Freddie P. Yumang, SVP - Operations for Refinery Division  
Ms. Susan Y. Yu, Vice President (“VP”) - Procurement  
Maria Rowena O. Cortez, VP - Supply  
Mr. Archie B. Gupalor, VP - Retail Sales  
Mr. Albertito S. Sarte, VP and Treasurer  
Mr. Joel Angelo C. Cruz, VP - General Counsel and Corporate Secretary/  
Compliance Officer  
Mr. Jaime O. Lu, VP and Executive Assistant to the President on  
Petron Malaysia Operations and Refinery Special Projects  
Ms. Julieta L. Ventigan, VP - Business Planning & Development  
Mr. Rolando B. Salonga, VP - Operations and Corporate Technical Services Group  
Ms. Maria Rosario D. Vergel de Dios, VP - Human Resources Management  
Mr. Dennis S. Janson, Assistant Vice President and Controller

Also present were the following:

Mr. Erich Y. Pe Lim, Investor Relations Manager  
Mr. Darwin P. Virocel, R.G. Manabat & Co./KPMG

### Call to Order

There being a quorum, the Chairman, Mr. Eduardo M. Cojuangco, Jr., 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 and Explanation of Voting Procedure

The rest of the agenda of the meeting as follows was presented on the screen for ease of reference of the stockholders:

- (1) Review and approval of the minutes of the previous annual stockholders' meeting;
- (2) Management Report and submission to the stockholders of the financial statements for the year 2018;
- (3) Ratification of all acts of the Board of Directors and Management since the last stockholders' meeting in the year 2018;
- (4) Appointment of an external auditor and ratification of its fees for the review of the 2018 audited financial statements of the Company and its subsidiaries;
- (5) Election of the Board of Directors for the ensuing term; and
- (6) Such other business as may come before the stockholders.

Atty. Cruz reminded the stockholders that the rationale and brief explanation of each agenda item were provided in the Notice and Agenda and the Information Statement. He explained the voting procedure where each common share is entitled to one vote. He then explained that a simple majority vote of the stockholders holding common shares was needed for the approval of the minutes of the previous stockholders' meeting, the ratification of all acts of the Board of Directors and Management since the last annual stockholder's meeting in 2018, the appointment of the external auditor of the Company for 2019 and the



ratification of external auditor's fees. In the election of directors, the 15 nominees who would get the highest votes shall be deemed duly elected as directors. Under the express provisions of the Company's By-Laws, cumulative voting is allowed in the election of directors. A stockholder could distribute his/her votes per share to as many persons as there were directors to be elected, or he/she could cumulate his shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of shares he/she has, or he/she could distribute them on the same principle among as many candidates as he/she should see fit; provided, that the total number of votes cast by him/her should not exceed the number of shares owned by him/her as shown in the books of the Company multiplied by the whole number of directors to be elected.

#### **Review and Approval of Minutes of Previous Meeting**

The Chairman announced that the first item in the rest of the agenda was the approval of the minutes of the May 15, 2018 Annual Stockholders' Meeting, copies of which were made available 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, 2018 were approved.

Based on the vote canvassing results provided by the SMC Stock Transfer Corporation, the stock transfer agent of the Company, (the "Voting Canvassing Results") this agenda item had the following voting results:

For	7,189,139,768 -	76.683%
Against	13,351,500 -	0.142%
Abstain	0 -	0.000%

## Annual Report and Other Reports of Management

### *Management Report*

The Senior Vice President and Chief Finance Officer of the Company, Mr. Emmanuel E. Eraña, delivered the management report covering operations for 2018 and the first quarter of 2019.

Mr. Eraña started by explaining that 2018 was difficult due to several economic factors, including volatile oil prices, additional new taxes, uncertain market conditions, and increased competition. An oversupply of crude oil and geo-political tension in the Middle East caused benchmark Dubai crude prices to steeply drop from \$84/barrel in October 2018 to as low as \$49 by December 2018, resulting in pressure on the margins of refiners around the world, including Petron's. Because higher-priced inventories were sold at lower prices, Petron suffered substantial inventory losses in the last two months of the year amounting to P10 billion. As a result, its full year 2018 net income dropped 50% to P7.1 billion from the P14.2 billion recorded in 2017.

As Petron started to recover from inventory losses that were incurred up to January 2019, the industry suffered from a significant decline in refining margin of about P3.3 billion and volume contraction as a result of the increase in excise taxes. Net income during the period declined by 77% to just P1.3 billion. The increase in excise taxes from the implementation of the Tax Reform for Acceleration and Inclusion Act ("TRAIN") of P4.50/liter is approximately P10 billion per quarter and P1.1 billion in value-added taxes. Operating income correspondingly declined by 45% to P4.9 billion from 2017's P8.8 billion.



He proceeded to inform the stockholders that, despite these setbacks, the Company still emerged as the market leader and retained its lead in key business segments. Petron's consolidated sales for full year 2018 stood at P557.4 billion, a 28% increase from P434.6 billion recorded in 2017. With strong local sales of gasoline, Jet-A1 and LPG, Petron's consolidated sales volume reached 108.5 million barrels in 2018, slightly higher than the 107.8 billion barrels sold in 2017. Petron sustained market leadership in the Philippines by capturing majority of the retail market at 40% even with the proliferation of white stations in 2018 and maintaining its lead in the industrial and LPG trades. Petron's polypropylene business also reported an impressive 30% increase in sales volumes.

Petron opened 127 new Gasul and Fiesta LPG branch stores and offered the products at close to 400 service stations and secured 1,500 commercial accounts, thereby increasing LPG sales by 5% in 2018. Petron continued to supply to several strategic industries including aviation, manufacturing, agriculture, transportation, and power generation resulting in industrial trade volumes increasing by 7%. The market penetration rate for Petron's lubes and greases grew double-digit as nearly 18,000 auto-supply stores now carry the Company's world-class engine oils.

Mr. Eraña proceeded to explain to the stockholders that Petron continued to pursue strategies and investments that optimized its operations and maximized opportunities for profit. The Petron Bataan Refinery, with its 180,000 barrel per day refining capacity, attained a 95% utilization rate, surpassing 2017's 93%. Petron also attained higher petrochemical and polypropylene sales, which drove a 7% increase in export volume. Further, in 2018, Petron added 150 stations in the Philippines and Malaysia, bringing our total number of stations to over 3,000. For the first quarter of 2019, Petron opened an additional 40 stations in the Philippines.

Mr. Eraña noted that in 2018, Petron increased its storage capacity in the Philippines to 379,000 barrels by constructing new storage facilities in high-growth areas. And to capture increased demand in the aviation sector, Petron expanded its Jet-A1 facilities in Mactan, Cebu. Petron is also the first, and so far, the only oil company to establish an into-plane facility at the newly-commissioned Panglao International Airport in Bohol.

He also explained that the Company continued to innovate. Petron launched its line of premium Petron High Temperature motor oils last year. Petron's best line of motor oils to date, it provides unparalleled engine protection against extreme temperatures and ensures longer engine life. Petron also enhanced the formulation of its premium diesel brand, Petron Turbo Diesel. With its high ignition quality and combustibility, fuel energy is maximized for optimum engine power and efficiency.

He continued to explain that Petron now has 5.8 million Petron Value card holders and over 2,500 active Petron Fleet card accounts, contributing a notable 43% to retail sales volumes. With Petron's Super Driver Cards, PUV drivers can enjoy added discounts and other benefits from Petron. And as Petron puts a premium on customer care and convenience, Petron likewise prioritized station improvements which cover restroom rehabilitations and canopy expansions to ensure that every customer experience a Petron Best Day.

Seven years since Petron's launch in Malaysia, Petron has become more responsive to the dynamic and highly competitive Malaysian market. Petron is the third largest player in Malaysia now with 21.1% of the retail sector. Petron Gasul also registered strong sales, with Petron Malaysia being the first to offer LPG products at its service stations in Malaysia, a convenience only Petron customers now enjoy.



With Petron's customer-focused initiatives, Petron was named Most Valuable brand in the Oil & Gas category in the BrandLaureate Awards, where Petron also won the Social Media Excellence and Marketing Excellence Awards.

The Refinery also received the Prime Minister's Hibiscus Award for Exceptional Achievement in Environmental Performance. We were likewise cited by the Malaysian Society for Occupational Safety and Health for excellent performance.

Mr. Eraña then informed the stockholders that, despite the challenges, Petron continued with its core advocacies in education, environment, health and livelihood. Petron opened its third Petron Clinic in Rosario, Cavite that gives local residents near the terminal immediate access to medical services. Together with the facilities in Manila and Bataan, Petron has served more than 76,000 patients through its Petron clinics and medical missions. Petron also provided livelihood opportunities to the parents of its scholars in Rosario, Cavite, including the eco bags to be distributed to the stockholders this year. And in celebration of its 85 years in the business, Petron adopted 85 hectares of land for reforestation in several areas nationwide.

Mr. Eraña ended his report by saying that Petron remains committed in making a positive impact on its customers and communities. He then thanked Petron's shareholders for their trust and support and assured them that Petron would rise above the challenges and remain a true force for change.

### *Open Forum*

The Chairman then announced an open forum during which stockholders could raise queries or concerns or give their proposals. As explained at the beginning of the meeting by Atty. Cruz, the Corporate Secretary, stockholders who are interested to ask questions or make comments would be requested to



disclose their names and addresses. Among the questions raised and matters discussed are set out below.<sup>1</sup>

1. Several stockholders asked about the change in venue of the meeting. The Chairman explained that certain maintenance works at the former venue would not be completed in time for the meeting, so for the safety and convenience of the stockholders, Management opted for a change in venue for this year.

2. Another stockholder inquired about the reason for the drop in the net income of the Company for full year 2018 as well as the first quarter of 2019. The Chairman explained that oil prices plunged in 2018 and Petron's higher-priced inventories were sold at lower prices. He added that new taxes imposed in 2019 also resulted in decreased volumes and increased taxes.

3. Another stockholder noted that major competitors have new marketing campaigns and inquired about the Petron's plans on promotions and advertising. Mr. Ang, the Chief Executive Officer and President, explained that Petron has its own television advertisements and sports sponsorships such as in volleyball. He explained that Petron could not match steep discounts being given by some competitors because Petron ensures that it pays the government the right taxes all the time. Mr. Cojuangco further explained that the TRAIN law imposes increased excise taxes and value-added taxes.

4. Another stockholder asked about any indication of the performance of the Company for the remainder of 2019 and whether the present situation was expected to continue for the rest of the year. The Chairman explained that oil prices were volatile and could not be predicted with certainty due to many factors beyond the control of the company.

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<sup>1</sup> The names of the stockholders have been omitted for the latter's privacy.

5. Another stockholder inquired about Petron Malaysia's performance. The Chairman informed the stockholders that Petron Malaysia significantly contributes to the Petron business. For the first quarter of 2019, for example, Petron Malaysia substantially accounted for the consolidated net income of about P1.2 billion.

6. Another stockholder congratulated the Petron Blaze Spikers for their very impressive back-to-back Grand Prix Win. The Chairman acknowledged his message with thanks.

7. A stockholder asked from the floor about any Petron installation in the planned new airport. Mr. Ang clarified that the new airport being proposed to be constructed by San Miguel in Bulacan was still undergoing government review and procedure. He explained that, in the event the government approves the proposal, the necessary Petron airport installations would be in place.

8. Another stockholder asked from the floor why two Petron service stations not too far from each other in Rizal have different pump prices. She also asked why there were provincial service stations that do not sell Turbo Diesel. Mr. Ang informed the stockholder that Petron would get the details from her and look into the matter.

9. Another stockholder asked about his non-receipt of dividends this year through the cash dividend direct credit program because of a bank problem. Mr. Ang informed the stockholder that he would be approached by a representative from SMC Stock and Transfer to discuss the concern.

10. Another stockholder requested the directors to consider either a share buy-back program for stockholders willing to sell their company shares or an increase in the dividend rate. He explained that he expected increased dividends due to the upgrade in the refining capacity of the Petron refinery and that the



yearly budget should cover unexpected eventualities that may affect the performance of the Company. Mr. Ang assured the stockholders that the Company is always reviewing the cash dividends that may be paid out to them while considering the needs and exigencies of the business. He explained that the Company is paying for expenses incurred in the recent upgrade of the facilities of the Petron refinery and is allotting funds for expansion projects such as the network expansion program. He informed the stockholders that Petron under San Miguel started with about 1,200 service stations and now has about 2,500 service stations. Mr. Ang also explained that several economic factors, including volatile oil prices and uncertain market conditions beyond the control of the Company, could affect its performance. Currently, the Company has no plans to buy back its shares.

11. Another stockholder recommended the review of the courier services for the release of annual stockholder materials. Mr. Ang informed the stockholder that Petron would review the matter.

There being no further questions or comments raised, the open forum was closed and, on motion duly made and seconded, the management report, together with the other written reports mailed to the stockholders, were accepted and filed as part of the minutes of the meeting.

The following resolution was accordingly passed by the stockholders:

**Resolution No. 1, Series of 2019**

**RESOLVED, That the 2018 Annual Report of Management, the Management Report, including the 2018 financial statements, as well as the other reports of Management distributed and mailed to the stockholders of Petron Corporation or made available on the company website, be, and hereby are, ACCEPTED and FILED as part of the minutes of the present meeting.**

Based on the Vote Canvassing Results, this agenda item had the following voting results:

For	7,176,820,968 -	76.552%
Against	13,351,500 -	0.142%
Abstain	12,318,800 -	0.131%

**Ratification of all Acts of the Board of Directors and Management**

The Chairman then noted that the next item in the agenda was the ratification of all acts of the Board of Directors, the Executive Committee and the Management since the last annual stockholders' meeting held in 2018.

Atty. Cruz explained that the material items approved by the Board of Directors and/or the Executive Committee since the 2018 annual stockholders' meeting include those in the list attached as Annex A-5 to the Definitive Information Statement earlier made available by the Company. He also informed the stockholders that copies of the list were posted at the registration area.

Upon motion made and seconded, the following resolution was accordingly passed:

**Resolution No. 2, Series of 2019**

**RESOLVED**, That all acts, resolutions and proceedings of the Board of Directors and the corporate officers of Petron Corporation (the "Company") since the Annual Meeting of the Stockholders of the Company on May 15, 2018, as set forth in the minutes of the meetings of the Board of Directors and its board committees be, and hereby are, **APPROVED, CONFIRMED and RATIFIED**.



Based on the Vote Canvassing Results, this agenda item had the following voting results:

For	7,176,820,968 -	76.552%
Against	13,351,500 -	0.142%
Abstain	12,318,800 -	0.131%

**Appointment of External Auditor and Ratification of External Auditor Fees**

The Chairman then announced that the next item in the agenda was the appointment of the accounting firm R.G. Manabat & Co., CPAs/KPMG as external auditor of the Company for 2019 and the ratification of the external auditor fees for the review and preparation of the 2018 Audited Financial Statements of the Company and its subsidiaries.

On motion made and duly seconded, the stockholders approved the following resolution:

**Resolution No. 3, Series of 2019**

**RESOLVED**, That the appointment of the accounting firm R.G. Manabat & Co., CPAs/KPMG as the external auditor of Petron Corporation (the "Company") for 2019 be, and hereby is, **APPROVED**.

**RESOLVED**, **FURTHER** That the fees of R.G. Manabat & Co., CPAs/KPMG for the review and preparation of the 2018 Audited Financial Statements of the Company and its subsidiaries in the amount of P7,000,000 as approved by the Board of Directors on August 7, 2018 be, and hereby are, **RATIFIED**.

Based on the Vote Canvassing Results, this agenda item had the following voting results:

For	7,189,118,368 -	76.683%
Against	13,372,900 -	0.143%
Abstain	0 -	0.000%

The Chairman noted the comment made from the floor by Mr. Nestor Lim after the motions were made and seconded. Mr. Lim advised the Company to consider other external auditors in view of previous accounting issues that involved the financial statements of another client which were reviewed and prepared by R.G. Manabat & Co., CPAs/KPMG.

### Election of Directors

As explained in the Information Statement and by the Corporate Secretary at the start of the meeting, cumulative voting is allowed in the election of directors.

The Corporate Secretary proceeded to announce the nomination of the following as directors of the Company:

- Mr. Eduardo M. Cojuangco, Jr.
- Mr. Ramon S. Ang
- Mr. Lubin B. Nepomuceno
- Atty. Estelito P. Mendoza
- Mr. Jose P. de Jesus
- Mr. Ron W. Haddock
- Ms. Aurora T. Calderon
- Mr. Mirzan Mahathir
- Atty. Virgilio S. Jacinto
- Atty. Nelly Favis-Villafuerte
- Mr. Horacio C. Ramos
- Ret. Chief Justice Artemio V. Panganiban (independent)
- Mr. Reynaldo G. David (independent)
- Mr. Margarito B. Teves (independent)
- Mr. Carlos Jericho L. Petilla (independent)



The following motions were made and duly seconded: (i) motion to dispense with balloting; (ii) motion to authorize the Chairman to instruct the Corporate Secretary to cast all votes of shareholders properly represented at the meeting in favor of the 15 nominees (except as otherwise expressly instructed in any written proxy given the Chairman); and (iii) motion to declare the 15 nominees as duly elected directors. These motions were all approved.

As instructed, the Corporate Secretary cast all shares duly represented at the meeting, except as otherwise expressly instructed in a written proxy given the Chairman, in favor of the 15 nominees. With the required votes being obtained by the nominees, the Chairman declared the following persons as duly elected directors of the Company, with the voting results based on the Vote Canvassing Results:

Election of the Board of Directors - Annual Stockholders Meeting 2019					
No.	Nominee	IN FAVOR	AGAINST	ABSTAIN	TOTAL
1	EDUARDO M. COJUANGCO, JR.	7,094,495,325	25,853,245	84,942,698	7,205,291,268
2	RAMON S. ANG	7,181,991,623	19,731,745	567,900	7,202,291,268
3	LUBIN B. NEPOMUCENO	7,099,449,725	17,898,845	84,942,698	7,202,291,268
4	ESTELITO P. MENDOZA	7,096,075,925	19,731,745	86,483,598	7,202,291,268
5	JOSE P. DE JESUS	7,099,449,725	17,898,845	84,942,698	7,202,291,268
6	RON W. HADDOCK	7,112,601,225	4,747,345	84,942,698	7,202,291,268
7	AURORA T. CALDERON	7,103,494,625	12,701,745	86,094,898	7,202,291,268
8	MIRZAN MAHATHIR	7,112,601,225	4,747,345	84,942,698	7,202,291,268
9	VIRGILIO S. JACINTO	7,110,379,625	6,580,245	85,331,398	7,202,291,268
10	NELLY FERVIS-VILLAFUERTE	7,112,601,225	4,747,345	84,942,698	7,202,291,268
11	HORACIO C. RAMOS	7,112,601,225	4,747,345	84,942,698	7,202,291,268
12	REYNALDO G. DAVID	7,189,589,523	12,701,745	0	7,202,291,268
13	ARTEMIO V. PANGANIBAN	7,187,869,423	12,701,745	1,720,100	7,202,291,268
14	MARGARITO B. TEVES	7,189,674,123	12,617,145	0	7,202,291,268
15	CARLOS JERICO L. PETILLA	7,198,801,823	3,489,445	0	7,202,291,268
TOTAL		107,001,676,365	180,895,875	854,796,780	108,037,369,020

Pursuant to the foregoing, the following resolution was approved:

Resolution No. 4, Series of 2019


RESOLVED, That the following persons are hereby declared as the duly elected directors of the Corporation, to serve for a term of one year or until their successors shall have been duly elected and qualified in accordance with the by-laws of the Company:

Mr. Eduardo M. Cojuangco, Jr.  
Mr. Ramon S. Ang  
Mr. Lubin B. Nepomuceno  
Atty. Estelito P. Mendoza  
Mr. Jose P. de Jesus  
Mr. Ron W. Haddock  
Ms. Aurora T. Calderon  
Mr. Mirzan Mahathir  
Atty. Virgilio S. Jacinto  
Atty. Nelly Favis-Villafuerte  
Mr. Horacio C. Ramos  
Ret. Chief Justice Artemio V. Panganiban (independent)  
Mr. Reynaldo G. David (independent)  
Mr. Margarito B. Teves (independent)  
Mr. Carlos Jericho L. Petilla (independent)

Adjournment

There being no further matters raised, and on motion made and seconded, the Chairman adjourned the meeting at about 2:40 p.m. and thanked the stockholders for their attendance and support.

Respectfully submitted:

  
JOEL ANGELO C. CRUZ  
Corporate Secretary 

Approved by:

EDUARDO M. COJUANGCO, JR.  
Chairman