

**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



completed by mid-2014 and commissioning within the same year. Once completed, it would put the Company at par with the most advanced refineries in the region and help enhance the supply security of the country.

With the prospects of increased production, Mr. Eraña continued to explain that the Company continues to aggressively expand its service station network. Since it started the program four (4) years ago, the Company had already built 1,000 Petron stations across the country. At the end of 2012, the Company's total retail volumes had increased by 735,000 barrels (or 117 million liters) since the program started in 2009. This means more entrepreneurs were partnering with the Company, resulting in jobs and economic opportunities, and more Filipinos were being given access to Petron's premium products and services, which would spur progress in the countryside. At present, Petron has the largest station network – more than its two biggest competitors combined.

Once the Company completes these projects over the next several months, Mr. Eraña explained that it would be able to further integrate its business, resulting in a stronger and bigger Petron.

To summarize, Mr. Eraña reiterated that the new power plant would produce more cost-efficient energy for the Company's current refinery and additional RMP-2 units. RMP-2 would increase the Company's propylene production which it would send to its propylene plant and derive more value. Increased production of gasoline and diesel would support the need for increased supply to the Company's growing service station network. The increase in the Company's production capabilities and its expansion program would require a more robust logistics infrastructure which the Company is now building up.



Mr. Eraña then continued to report that, while the Company further strengthens its business here in the Philippines, it continues to explore opportunities to expand its presence in the regional oil and gas markets. Recently, the Company marked the first anniversary of Petron Malaysia, Petron's first major international venture, whose assets make up an integrated downstream oil business. Petron Malaysia's operations are similar to those of Petron and the Company hopes to duplicate its success in Petron Philippines and bring it to Malaysia. In just over a year, the Company had upgraded and converted 125 service stations to Petron.

As the Company's business grows, Mr. Eraña emphasized that the Company focuses on sustainable practices. Last year, Petron reduced its greenhouse gas emissions by 21% through investments in the Refinery. It increased the use of recycled water, which also minimized its water consumption. Environment-related expenditures increased by 65% to Php 166 Million.

Mr. Eraña continued to explain that the Company's flagship *Tulong Aral ng Petron* program had 8,700 scholars in all school levels until college, with the hope that some of them join the Petron organization when they graduate. To date, it was reported that the Company had built 80 Petron schools, mostly in Mindanao, where the need was greatest.

It was further reported that Petron and its volunteer partners planted 46,000 seedlings and that Petron was also helping manage watershed areas and waterways in Marikina, Boracay, Palawan, and Davao, among others.



With the Company's expanded retail presence, it was generating employment opportunities and spurring economic activity. The Company assured the stockholders that it would forge ahead with projects that would sustain its leadership and ensure the Company's growth.

Mr. Eraña ended the report by thanking the stockholders for their continued support and assured them that, together, the Company and the stockholders would take Petron to even greater heights.

Open Forum

The Chairman thereafter announced an open forum during which stockholders could raise queries or concerns or give their proposals. Written questions were submitted and read.

The first question was on oil smuggling in the Philippines and its effect on the business of the Company. The Chairman explained that oil smuggling has been present since the oil industry was de-regulated. As smuggling becomes more rampant, less taxes are paid to the government and the volume that the Company sells may decrease since the prices from illegal sources are cheaper.

The next question raised was on the status of the Company's investments in Malaysia. The Chairman replied that Petron Malaysia was a good investment and the business in Malaysia was doing well. He further encouraged the stockholders to go to Kuala Lumpur and see from the airport and all the way to the city how nice Petron's stations are. The Chairman noted that another investment as good as Petron Malaysia may not be easy to find.



To answer a related query, the Chairman explained that the issue on branding in the Malaysia was being addressed. While the name of Petron is close to Petronas', the Company was able to demonstrate the difference.

The following question related to the entry of new players. The Chairman explained that the Company could not do anything about the entry of new players since such new players are free to put up their own stations and purchase their products from different sources.

The next question was in connection with the dealership of the bulilit stations. A related question was on the initial cash capital and minimum lot area requirements. The Chairman replied that the investment required for a bulilit station was minimal to facilitate the putting up of service stations in small locations. While a regular gas station would require around Php 30-50 Million as initial investment, he explained that a bulilit station would only require about Php 5 Million. The Chairman likewise noted that the bulilit stations may be expanded to become regular stations. The lot size required for a bulilit station was estimated to be around 500-1,000 square meters.

The next question related to RMP-2, particularly the schedule of its completion and its estimated incremental output every year in terms of volume. The Chairman replied that the Refinery was rated at 180,000 barrels a day but only runs at an average of 100,000 barrels a day. He explained that running the Refinery at full capacity would result in a bigger volume of bunker fuel which the Company was already selling at a loss. Once the Refinery is upgraded, the Company may run it at 100% and the bunker fuel would be converted to petrochemical products such as propylene and xylene. Furthermore, the upgraded Refinery would be able to convert 97% of the imported crude oil into finished product compared with the present conversion rate of only 67%, thus resulting to increased revenues for the Company.



The next question asked was on the priority projects of Petron from 2013-2016. The Chairman confirmed that the upgrade of the Refinery remains to be the priority project. It is projected to be completed by 2nd or 3rd quarter of 2014. Once the upgrade is completed, he explained that the Company's revenues would improve which would translate to higher share price and higher dividends.

The next question related to the new product of the Company available in the market. The Chairman explained that the new product, "Super Extra Gasoline," is a result of directives from the Department of Energy. It was agreed that the standard quality would be 91 octane and the Company launched it as Super Extra Gasoline.

The next question was on the Petron Value Card and what its benefits are. The Chairman explained that the points earned by the Petron Value Card have no expiry and cardholders would soon have expanded benefits.

The next question was why a lower amount of dividends was declared for the year. The Chairman explained that the sudden drop of crude oil prices in the world market resulted in a decrease in revenues. He, however, assured the stockholders that once the Refinery upgrade is completed, the Company's revenues would increase.

The next question raised was whether the network expansion program was being continued by the Company. The Chairman confirmed that the network expansion program was still ongoing. After three (3) years of undergoing its expansion program, the Company now has more than 2,100 stations. The Company expects such number to reach 5,000 within the next three (3) to four (4) years.



The next question was on the status of Pandacan depot relocation. The Chairman noted that the Company would comply with the orders of the City of Manila and the Company would cooperate to move out of Pandacan within five (5) years. The Company has started to build tanks in Limay, Bataan, Rosario, Cavite and Navotas. By the first quarter of 2016, the Company would be able to relocate from Pandacan.

The next question is on the power plant. The Chairman clarified that what is being built is a four-line 200-tons-per-hour boiler circulating fluidized boiler, the primary purpose of which is to produce steam. The Chairman noted that all of the Company's main drives in the refinery are being run by steam. The power produced by such boiler is merely secondary. The first two units have already started running and the next two units should be running before the start of the Company's expansion on the first quarter of next year.

Following the close of the open forum and on motion duly made and seconded, the Annual Report for 2012, together with the other written reports mailed to the stockholders and the Chairman's Report, were accepted and filed as part of the minutes of the meeting. The following resolution was accordingly passed by the stockholders:

Resolution No. 01, S'13

RESOLVED, That the 2012 Annual Report of Management, the Management Report, including the 2012 Financial Statements, as well as the other Reports of Management distributed and mailed to the stockholders be, and hereby are, ACCEPTED and FILED as part of the minutes of the present meeting.



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

The Chairman then proceeded to note that the next item in the agenda was the ratification of all acts of the Board of Directors of the Company (the "Board") and the Management since the last annual stockholders' meeting held in 2012.

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

Resolution No. 02, S'13

RESOLVED, That all acts, resolutions and proceedings of the Board of Directors and the corporate officers of the Company since the Annual Meeting of the Stockholders of the Corporation on May 15, 2012 as set forth in the minutes of the meetings of the Board of Directors be, and hereby are, **APPROVED, CONFIRMED and RATIFIED**.

**Approval of the Amendment of Articles of Incorporation
(Extension of Corporate Term)**

The Chairman noted that the next item on the agenda is the amendment of the Company's Articles of Incorporation. The Corporate Secretary explained that based on the Company's Articles of Incorporation, the corporate term of the Company would expire on December 22, 2016. In this regard, the Board, in its meeting on November 12, 2012 endorsed the amendment of the Fourth Article of the Company's Articles of Incorporation to extend the Company's corporate term



for another fifty (50) years. The same proposed amendment must be approved by the stockholders holding at least 2/3 of the outstanding capital stock of the Company.

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

Resolution No. 04, S'13

RESOLVED, AS IT IS HEREBY RESOLVED, that the term of the corporate existence of Petron Corporation (the "Corporation") be extended for an additional period of fifty (50) years from the end of its original corporate term or from the 22nd of December 2016, such that the new term of the corporate existence of the Corporation shall expire on the 22nd of December 2066, unless sooner dissolved or further extended in accordance with law;

RESOLVED, FURTHER, that Article Fourth of the Articles of Incorporation of the Corporation be amended to read as follows:

'FOURTH: - The initial term for which the Corporation is to exist is fifty (50) years from and after the date of incorporation, which term is extended for another fifty (50) years from and after the 22nd of December 2016.'

RESOLVED, FINALLY, that the President, Corporate Secretary and other proper officers of the Corporation be authorized and empowered to sign, execute, deliver, submit or cause the submission of a copy of the Amended Articles of Incorporation of the Corporation duly certified by majority of the directors and the Corporate Secretary to the Securities and Exchange Commission, to sign, execute and deliver any and all other documents, and to do any



and all acts necessary and proper to give effect to the foregoing resolutions.

Appointment of Independent External Auditor

The Chairman then apprised the stockholders that, during the meeting of the Board held on May 6, 2013, the Board approved and endorsed for stockholders' approval the appointment of the accounting firm Manabat Sanagustin & Co., CPAs/KPMG as independent external auditor of the Company for 2013.

Accordingly, the stockholders approved the following resolution:

Resolution No. 05, S'13

RESOLVED, That the appointment of the accounting firm Manabat Sanagustin & Co., CPAs/KPMG as the independent external auditor of the Corporation for 2013 be, and hereby is, APPROVED.

Election of Directors

The Corporate Secretary then announced the nomination of the following as directors of the Company:

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



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

As explained in the Information Statement mailed to the stockholders, a stockholder may vote such number of shares for as many persons as there are directors to be elected, or he may 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 has, or he may distribute them on the same principle among as many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the whole number of directors to be elected.

The following motions were made and duly seconded: (i) motion to dispense with the actual counting of ballots, (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 fifteen (15) nominees (except as otherwise expressly instructed in a written proxy given the Chairman); and (iii) motion to declare the fifteen (15) nominees as duly elected directors. These motions were all approved.

As instructed, the 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 fifteen (15) nominees. With the required votes being obtained by the nominees, the Chairman declared the following persons as duly elected directors of the Company:



Mr. Ramon S. Ang
Mr. Eduardo M. Cojuangco, Jr.
Mr. Eric O. Recto
Mr. Lubin B. Nepomuceno
Atty. Estelito P. Mendoza
Mr. Roberto V. Ongpin
Mr. Bernardino R. Abes
Mr. Ron W. Haddock
Ms. Aurora T. Calderon
Mr. Mirzan Mahathir
Atty. Romela M. Bengzon
Atty. Virgilio S. Jacinto
Atty. Nelly Favis-Villafuerte
Ret. Chief Justice Artemio V. Panganiban (independent)
Mr. Reynaldo G. David (independent)

The following resolution was thus approved:

Resolution No. 06, S'13

RESOLVED, That the following persons are hereby declared as the duly elected directors of the Corporation, to serve for a term of one (1) year or until their successors shall have been duly elected and qualified in accordance with the by-laws of the Company:

Mr. Ramon S. Ang
Mr. Eduardo M. Cojuangco, Jr.
Mr. Eric O. Recto
Mr. Lubin B. Nepomuceno
Atty. Estelito P. Mendoza
Mr. Roberto V. Ongpin
Mr. Bernardino R. Abes
Mr. Ron W. Haddock
Ms. Aurora T. Calderon
Mr. Mirzan Mahathir
Atty. Romela M. Bengzon
Atty. Virgilio S. Jacinto
Atty. Nelly Favis-Villafuerte
Ret. Chief Justice Artemio V. Panganiban (independent)
Mr. Reynaldo G. David (independent)



Other Matters

The Secretary informed the Chairman that there were no other matters to be discussed.

Adjournment

Accordingly, the Chairman, on motion duly made, adjourned the meeting at about 2:45 p.m., and thanked the stockholders for their attendance and support.

Respectfully submitted:



JOEL ANGELO C. CRUZ
Corporate Secretary

Approved by:



RAMON S. ANG
Chairman of the Meeting

