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A Primer on

Petron Dealership Program

Thank you for taking an interest in the Petron dealership program.

The Petron dealership program presents a unique opportunity to a good man to set up his own business that will offer unlimited growth and potential. You will reap rewards in proportion to your efforts.

We hope that this will open the door of a great opportunity for you and your family.
Good Luck!

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PETRON... a great reputation

The “Petron” brand is backed by a great reputation – something we work hard at each day...then and now....

Something we work hard at each day...

Petron was born out of the purchase by the Philippine National Oil Company (PNOC) of Esso Phils., on December 21, 1973 and the subsequent integration of the Filoil Companies in April 1974. This proved to be a masterstroke, pooling together a formidable core of exceptional managerial and technical competencies, resources, and capabilities in the local oil industry.

As a wholly-owned subsidiary of PNOC, Petron’s initial mandate was to ensure adequate oil supply nationwide. Through the 1973-74 oil embargo, subsequent Middle East crisis and natural calamities, Petron was able to live up to this challenge. Petron dealers in calamity stricken areas were often cited for public service for bringing in much needed fuels and support for victims and community.

In August 1994, Petron became a private corporation with the sale of 20% of PNOC stocks to the public. Earlier, Saudi Aramco won the bid for a 40% share.

This gave Petron a *strategic partner* in Saudi Aramco assuring unlimited oil supply and *widest ownership base*.

Petron, in pursuing this mission, emerged the consistent leader in the industry in sales and profitability.

Now...

Petron continues to be the top oil company – serving over 40% of the domestic oil market.

In March 2008, Ashmore Investment Group (London-based investment group) through its nominee SEA Refinery Holdings B.V. purchased the 40% share of Saudi Aramco, dawning a new chapter in Petron’s history. Ashmore is a leading investor in emerging markets, focusing exclusively on developing economies, with holdings in power generation, telecommunications and utilities.

Ashmore also offered a tender offer to buy the shares of other shareholders, and by July 2008 had acquired an additional 10.57% of Petron shares (thus becoming the majority owner of the company at 50.57%.)

On December 23, 2008, PNOC sold its remaining 40% shares to SEA Refinery Corporation (SRC), a local subsidiary of SEA Refinery Holdings B.V. In their respective SEC filing, SEA Refinery Holdings B.V. indicated 40.47% ownership in Petron, while SEA

Refinery Corporation indicated 50.1% ownership in Petron. The remaining 9.43% is owned by the public.

It was also at this period where San Miguel Corporation (SMC) entered into an Option Agreement with SEA B.V. where SMC is given the option to buy out SRC within a two-year period ending on December 23, 2010. As part of the option agreement, SEA B.V. allowed SMC to take seats in Petron's Board of Directors and appoint key officers.

Distribution Channels

Petron has a nationwide network consisting of 32 terminals, bulk plants and sales offices that supply industrial accounts, and over 1,288 service stations serving urban centers, towns, fishing villages, and even remote highlands.

Refinery

Petron has its own petroleum refinery at Limay, Bataan, capable of refining 180,000 barrels of crude oil per day. It holds the distinction of being the only refinery in the country with an integrated computer-based operation for optimum cost-effectiveness. It is also the first to expand desulfurization capacity for more environmental friendly products.

In April 2008, Petron commissioned the country's first petrochemical feedstock units, namely, a Petro Fluidized Catalytic Cracker (PetroFCC) and a Propylene Recover Unit (PRU). This development is part of Petron's long-term diversification strategy. A Benzene-Toulene-Xylene (BTX) unit is currently under construction which shall also produce additional petrochemical feedstocks.

Products

Petron has a complete line of petroleum products for industrial, commercial, motoring and household applications for local and international markets. Top sellers are Petron Gasul, the leading brand in LPG, ULTRON and REV X (with the highest API rating in the market) lubricants, Petron Sprint 4T Motorcycle lubricants and Xtra Unleaded for gasoline fed engines.

At present, Petron has 5 fuel brands in the market and these are Blaze (96 + Octane), XCS (95 Octane), Xtra (93 Octane), Diesel Max and Petron E-10 (95+ Octane) which contains 10% Ethanol blend that was introduced in June 2008 and is now available in more than 40 select stations. Aside from these Petron also sells Regular gasoline and Kerosene at the service stations.

"A Culture of Professionalism"

Personnel

Petron prides itself for the quality of its personnel. As of January 2009, the company has 1279 regular employees of which 90% have college degrees. Anyone from the ranks can rise to an executive position by excellent performance and continuous training and self-improvement as exemplified by the ranks for senior management today. This is a deeply respected tradition which promotes a culture of professionalism, a culture that puts work first before anything else. A culture that is customer oriented.

THE BUSINESS OF SERVICE STATIONS

The business of service stations is basically a retail operation – buying, storing, and reselling fuels, lubricants and company sanctioned products at the right quality and time customers need them. On this score, all service stations are the same.

But why do some stations have more customers than others?

These factors are thought to be important in influencing motorist's choice of station:

Location

Travel time and accessibility

Station characteristics

Station appearance

Merchandising

Quality of customer service

Personnel

Advertising and promotions

Image of the station

Brand equity

Price

Business reputation of the dealer and public relations

Quality of competitive outlets

As you can infer from these factors, the business of service stations is not merely a matter of getting the “nozzle in the tank”. It is more of making sure that the motorists *come back again and again* and it all boils down to the ability of **delighting customers** more consistently than competition.

That is where the challenge of a dealership lies.

Types of Service Stations

Petron has three types of outlets:

Company-owned service stations (COSS) – These are stations built, equipped and maintained by the company on either company-owned or leased lots. They usually have complete station facilities such as driveway, salesroom, service bays and convenience facilities.

COSS dealer provides the operating capital which ranges from ₱ 4 million to ₱ 9 million depending on the size and array of services offered by the station. This covers among others stocks, tools and equipment like lubricators, wheel balancers, wheel aligner and for granting credit, accommodations. Dealer pays a monthly rental for the service station facilities.

Dealer Owned Service Stations (DOSS) – These are service stations built and financed by the dealer who is usually the owner of the lot.

The company provides the major equipment like underground tanks, dispensing pumps, lifters and compressors which in themselves constitute a major investment.

DOSS are generally smaller outlets limited to filling activities as those found in small towns and fishing villages. However, there is also a number of large DOSS in urban areas.

Tenure of Dealership

Dealers of company and dealer-owned stations sign a dealership contract with the company covering a minimum period of three (3) years. The contract is renewable for additional three-year periods based on the performance of the dealer.

Transfer of Dealership

A dealer cannot transfer the dealership to his heirs or to anyone by succession, sale, assignment, etc. That right rests solely with Petron.

Reseller Trade Division

The function of maintaining, developing and ensuring the success of retail dealerships fall under the Reseller Trade Division of Petron.

Other questions pertaining to service station operating procedures will be entertained during an orientation for serious applicants.

DEALER SELECTION PROCESS

Petron puts a lot of effort and care in the selection of dealers because careful selection is everything in the success of a service station.

Dealers are “**PETRON**” to the public. They are therefore the main link between the company and the largest number of its customers – the motorists. They can enhance the value of the Petron image or ruin it depending on the way they serve the motorists.

A dealer who fails to give friendly, prompt and efficient service or fails to maintain accepted standards of appearance of the station and personnel **discredits** the Petron image and **harms** the business of his fellow dealers.

What then are the qualities of one who eventually joins the family of Petron dealers?

Let us answer this by pointing out the common traits shared by our best dealers:

- ❖ They like people and serve them well.
- ❖ They find satisfaction in helping others solve their problems.
- ❖ They treat their people well.
- ❖ They talk to the personnel and ask their ideas and problems.
- ❖ They are proud of the Company and their business.

To be sure, those who exhibit these qualities consistently win and command the highest share of the market in their trading area and enjoy the highest returns on their investment.

Now take a look at the checklist of **Selection Criteria** and see how many of this attributes you possess. Following this is the **Performance Criteria**, which at this point, you ought to know to be able to assess your fitness with the business.

Musts:

1. Must meet established capitalization required for a given dealership (this will range between ₱ 4 million to ₱ 9 million depending on the type of trade and type of station available).
2. Must be able to dedicate most of his time, if not all, in running the station.
3. Must be dynamic and have the aggressiveness and desire not just to operate a service station business but to be the number one in his trading area.
4. Must be perceptive to new ideas and suggestions, pleasing in personality, and have good moral character that will assure the company of loyalty.
5. Must be willing to undergo a four-week Dealer Management course
6. Must have no past record of criminal case.
7. Must not be operating any existing Petron station or that of any other oil company.

Wants:

1. Desirable if the spouse and/or any other member of the family can help in the business.
2. Desirable if applicant's capitalization is backed-up by real estate properties for use as future collateral in expanding the business.
3. Desirable if applicant has previous record of business or employment success.
4. Desirable if applicant has no known vices
5. Desirable if service station can become his full-time business
6. Desirable if applicant is a member of any civic group in the community, i.e. Rotary, Lions, Kiwanis, Jaycees, etc.
7. Desirable if applicant is a resident of the community where the station applied for is located
8. Desirable if dealership is single proprietorship.
9. Desirable if applicant is not more than 45 years of age.

Performance Criteria

- Quantitative:
 - Sales volume growth
 - Market share
 - Financial – sales revenue, profits and return on investments
- Qualitative:
 - Quality of station and personnel appearance/presentation
 - Merchandising
 - Quality – customer service
 - ◆ Steady growth of new customers
 - ◆ Retention of old/regular customers
 - ◆ No customer complaints
 - Ability to plan
 - ◆ Business strategy
 - ◆ New programs/promotions
- Workforce:
 - Sufficient manpower at all times
 - Alert and highly inspired frontliners and service personnel
 - Low turnover/absenteeism
 - No personnel injuries/accidents

THE SELECTION PROCESS

The selection process described here applies to all types of stations but more particularly to company-owned stations. It involves three phases:

Phase I	Screening
Phase II	Training and Testing
Phase III	Installation

I. Screening:

- ◆ Dealer Application received
- ◆ Preliminary interviews
- ◆ Dealer is evaluated against criteria
- ◆ Background check and home visit
- ◆ Financial soundness check
- ◆ Panel interview by Dealer Selection Committee
- ◆ Applicant found suitable for dealership
- ◆ Recommend for training and testing

II. Training and Testing:

- ◆ 3-day orientation on Petron dealership and on-the-job observation
- ◆ Applicant demonstrates interest and potential aptitude for station work
- ◆ 4-week Dealership Management Course
- ◆ Applicant passes course
- ◆ Training Director endorses applicant as ready and qualified for dealership

III. Installation:

Applicants who pass the screening stage but cannot be installed immediately for lack of available sites, will be placed in an Active Pool. As soon as an opening exists, the applicants will again be called for further discussion, evaluation and comparison with other candidates.

HOW TO APPLY

1. Get to know the service station business by reading the Primer on Petron Dealership Program.
2. Accomplish the Dealer Application Form consisting of three parts:

Part I.	Dealer Application
Part II.	Financial and Personal Statement
Part III.	Business Plan
3. The initial screening will be based on the content of the application. So take time to fill out the required data and information. Do not leave blank spaces. Put "NA" in the blank if information sought is not applicable to your case.
4. Submit application to:

<u>Luzon applicants:</u> Luzon Reseller Manager Ground Flr. San Miguel Head Office Complex, 40 San Miguel Avenue 1150 Mandaluyong City Tel No. (02) 884 9251	<u>Visayas and Mindanao applicants:</u> VisMin Reseller Manager Petron Corporation Mandaue Terminal Looc, Mandaue City
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5. Applicant will be informed in writing, of the status of his/her application after the preliminary screening phase.
6. Petron shall only process applications forms duly filled-up and with complete attachments. There is no need to follow-up applications as all applicants shall be informed of their status.
7. Even if a dealer applicant undergoes the 4-week Dealer Management Course (DMC) it does not serve as an assurance that he/she will be awarded the dealership to the station that he/she applied for. The awarding of dealership (installation) is on the sole discretion of the company based on a set criteria which include but are not limited to DMC performance/ Panel Interview Scores and Background Checks.

CONFIDENTIAL

PETRON CORPORATION

Service Station Dealership Application Form



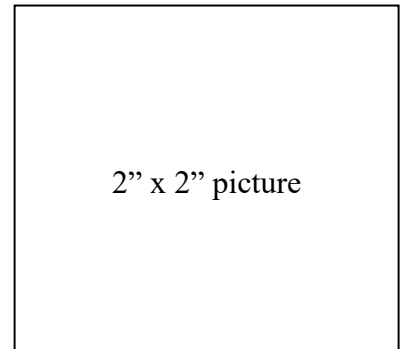
Name of Applicant:

Date of Application:

Location of Service Station
Applied For:

This form will help us become acquainted with your accomplishments and qualifications as a prospective dealer. Read each item carefully and answer accurately. Answer all questions completely. Be sure to write additional comments as requested.

Personal Information



Name (in full): _____ Age: _____

Date of Birth: _____ Birthplace: _____ Ht. _____ Wt. _____

Home Address: _____

_____ Home Tel.: _____ Fax: _____

Business Address: _____

_____ Business Tel.: _____ Fax: _____

TIN: _____ SSS: _____ Citizenship: _____ Marital Status: _____

No. of Dependents: _____ Name of Children _____ Age _____

Name of Children below 21: _____

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Spouse's Name
(Indicate address, if different from you) _____

Educational Attainment:

Presently Employed?

<input type="checkbox"/> Primary	<input type="checkbox"/> HS Undergraduate	<input type="checkbox"/> College Undergraduate	<input type="checkbox"/> Yes
<input type="checkbox"/> Elementary	<input type="checkbox"/> HS Graduate	<input type="checkbox"/> College Graduate	<input type="checkbox"/> No

Highest level achieved: _____ Degree: _____

Name of college and/or postgraduate school: _____

Employment/Business Experience

Present occupation: _____ Position: _____ Date employed: _____

Company: _____ Address: _____ Tel. No.: _____

Describe duties, responsibilities _____

Previous employment/business experience. Begin with your most recent, (Use extra sheet if necessary)

Date		Company/Employer	Address	Ave. Mo. Earning
From	To			

Position with longest service: _____ Company: _____ No. of Years: _____

Type of work – describe briefly _____

Activities in previous work with very much experience-check as many as possible:

- | | | | |
|--|--|---|--------------------------|
| <input type="checkbox"/> Indoor work | <input type="checkbox"/> Clerical | <input type="checkbox"/> Mechanical | <input type="checkbox"/> |
| <input type="checkbox"/> Outdoor work | <input type="checkbox"/> Contact with person | <input type="checkbox"/> Auto repair | <input type="checkbox"/> |
| <input type="checkbox"/> Physical activity | <input type="checkbox"/> Selling | <input type="checkbox"/> Eqpt maintenance | <input type="checkbox"/> |
| <input type="checkbox"/> Standing, moving | <input type="checkbox"/> Supervision | <input type="checkbox"/> Housekeeping | <input type="checkbox"/> |

Have you ever been self-employed? If so, explain.

If you have sales experience, indicate line or product sold.

Type of selling: _____ Chief product sold: _____ Did you contact customer in their home/office?

- | | | |
|----------------------------------|-------|------------------------------|
| <input type="checkbox"/> Inside | _____ | <input type="checkbox"/> Yes |
| <input type="checkbox"/> Outside | | <input type="checkbox"/> No |

Financial Information

Do you own your home (partially or entirely paid for)?

At what age did you begin to support yourself? Please elaborate.

Have you any financial obligations such as loans, debts, or liabilities?
Exceeding a total of ₱ 500,000 (other than current bills or mortgage)?

Source of Income

Applicant's Employer:

Position:

Salary PA:

Address of Employer

How long connected?

Spouse's Employer

Position:

Salary PA:

Will you resign if appointed dealer?

Other Source of Income

Business Name

Est. Annual Income

Business Address

How long established?

Is business still ongoing?

Real Estate Property Owned by Applicant/Spouse, Valuation

OCT/TCT	Location	Area	Market Value	Mortgage if any
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Building & Other Improvements

Description	Location	Area	Market Value	Mortgage if any
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Valuable Personal property Owned by Applicant/Spouse

Car/Truck Make	Model	Plate No.	Where Registered	Mortgage if any
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Shares of Stocks

Bonds	Par Value	Market Value	Maturity Date (if any)
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Liabilities

Description	Location	Area	Market Value	Mortgage if any
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Credit and Bank Reference

Name of Bank/Person	Length of Dealings	Kind of Dealings	Amount Deposited	Credit Extended
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Insurance of Applicant/Spouse

Name of Insured	Kind	Company	Amount	Maturity Date
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Assets (₱)	Liabilities (₱)
Cash on Hand/In Banks :	Accounts Payable :
Inventory (Goods) :	Miscellaneous Accruals :
Accounts Receivable :	Loans Payable :
Investments :	Other Liabilities :
Fixed Assets:	
Other Assets :	Total Liabilities :
	Net Worth
TOTAL ASSETS :	TOTAL LIABILITIES & NETW ORTH

ANNUAL AVERAGE FOR THE LAST THREE (3) YEARS (₱):

Net Sales : _____
Gross Income : _____
Net Income : _____

Other Information

Health

Do you have any physical handicaps or special precautions and worries about health that would be shown by a medical examination? (For example: hearing, eyesight, foot ailments, rupture, allergies, lung or heart condition, stomach condition, headaches, arthritis, sinus, asthma, affected by fumes or cold.

Yes No If yes, explain _____

Have you had any illness during the last five years that required the services of the physician?

Yes No If yes, explain _____

Social Activities

List your sports and recreational activity:

Leadership/Academic awards, prizes, recognition in sports, hobbies, etc.:

List all civic social, military, business organization or clubs where you are an active member:

How will your home condition influence your success in this type of business? (Consider your family friends, ambitions, home worries, finances and living requirements);

Personal References

List 3 persons who have known you for 5 years or more (not relatives or former employers):

Name	Address	Business/Occupation
<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>

I hereby certify that the information furnished above are true and correct to the best of my knowledge.

Signature of applicant