

**PETRON**  
NOW IN MALAYSIA

# DELIVERING VALUE

**2012**

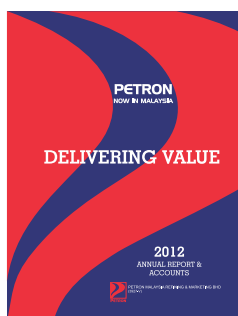
ANNUAL REPORT &  
ACCOUNTS



PETRON MALAYSIA REFINING & MARKETING BHD  
(3927-V)

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## Delivering Value

The cover illustrates the Petron logo with its distinctive colors of blue and red, that distinguishes the Petron brand service stations. Petron - Now in Malaysia, is committed to delivering excellence in product quality, customer service, safety, and in being a responsible corporation in the communities in which we operate our businesses.



## FINANCIAL HIGHLIGHTS

	2012 RM Million	2011 RM Million	% Change
Revenues	11,504	11,266	2
Profit after tax	98	153	(36)
Earnings per ordinary stock unit (sen)	36.4	56.8	(36)
Gross dividend per ordinary stock unit (sen)	14	14	-
Total assets employed	2,775	2,530	10
Total shareholders' funds	957	887	8
Sales volume (thousands of barrels per calendar day)	80	82	(2)





### OUR VISION

To be the leading provider of total customer solutions in the oil sector and its allied businesses.

### OUR MISSION

We will achieve this by:

- Being an integral part of our customers' lives, exceeding expectations and meeting changing needs, delivering a consistent customer experience through quality products and innovative services;
- Developing strategic partnerships in pursuit of growth opportunities;
- Fostering an entrepreneurial culture that encourages teamwork, innovation, and excellence;
- Acting with professionalism, integrity, and fairness at all times;
- Adhering to the strictest safety and environmental standards; and
- Promoting the best interests of all our stakeholders, and caring for our community.



## OUR CORPORATE PROFILE

Petron Malaysia is part of Petron Corporation in the Philippines, an emerging and rapidly evolving Asian oil company.

Petron Corporation joined Malaysia's dynamic and progressive market with the acquisition of ExxonMobil's downstream businesses in March 2012. Petron subsidiaries in Malaysia comprise of Petron Malaysia Refining & Marketing Bhd (formerly known as Esso Malaysia Berhad), a publicly-listed company listed on Bursa Malaysia; Petron Fuel International Sdn Bhd (formerly known as ExxonMobil Malaysia Sdn Bhd); and Petron Oil (M) Sdn Bhd (formerly known as ExxonMobil Borneo Sdn Bhd).

Petron Malaysia Refining & Marketing Bhd operates Petron Port Dickson Refinery (PDR), which has a rated capacity of 88,000 barrels per day, producing a wide range of petroleum products which include gasoline, diesel, liquefied petroleum gas (LPG), industrial and commercial fuels, and aviation fuel. Our world-class fuels are distributed from seven strategically-located depots and terminals of Petron subsidiaries in Malaysia. Through this robust distribution network, we are able to ensure a continuous and reliable supply of quality fuels to our various customers.

As an Asian company with a global mindset, we look forward to becoming an integral part of your lives as we fuel journeys through our network of more than 550 service stations nationwide, including stations that are of our sister companies. Currently, we are rebranding hundreds of 'Esso' and 'Mobil' stations across the country to reflect our new identity. More than just a makeover, our new Petron service stations, with its distinctive blue and red logo, embody what our brand stands for --- innovative products, excellent service, successful partnerships built on trust, and caring for our customers.

We are proud to be part of your lives as we fuel safe journeys with our top-of-the line gasolines, Blaze RON 97, Blaze RON 95, and Diesel Max. Beyond just being a petrol station, Petron service stations also provide a one-stop service experience to travelers on the road. *Treats*, our convenience store offers amenities such as shopping marts and fast food restaurants.

Petron's premier LPG brand, Petron Gasul provides efficient energy for the Malaysian households.

We help power the Malaysian economy by providing commercial fuels to key industries.

Beyond our business agenda, we take our corporate and social citizenship to heart by supporting safety, environment, and education programs to ensure sustainability and contribute to social development.

Through the combined experience and expertise of our highly-skilled and motivated management and personnel, and our strong foundations in the oil & gas industry, we are dedicated and passionate about our vision to be the leading provider of total customer solutions in the oil sector and its allied businesses.



**Ramon S. Ang**  
Chairman and Chief Executive Officer

**Dear Shareholders,**

**W**e embarked on an exciting journey when Petron Corporation became part of the progressive and dynamic Malaysian market after its acquisition of ExxonMobil's downstream businesses in March 2012. As a result, your Company's name was changed to Petron Malaysia Refining & Marketing Bhd.

In the short time since, we have put a lot of effort in transforming all our customer touch points to the Petron brand including our service stations, products, terminals, and the fleet tankers. Beyond just a visual transformation, these positive changes also embody what Petron stands for - innovative products, excellent service, strong partnerships built on trust, and caring for our customers.

### **Delivering Value Throughout our Supply Chain**

Already we have made major inroads, witnessing the completion of several initiatives aimed at creating more value for our shareholders. As of April 2013, we have managed to increase our presence in the market by rebranding 89 stations. At the same time, our sister company, Petron Fuel International Sdn Bhd, further rebranded another 36 of its own stations.

We are pleased to be offering our own top-of-the-line fuel brands namely Blaze RON 97, Blaze RON 95, and Diesel Max, now available at Petron branded stations to fuel your journeys. We have been working closely with our station dealers to offer only superior service and make Petron the brand of choice for consumers.

*“Beyond just a visual transformation, these positive changes also embody what Petron stands for - innovative products, excellent service, strong partnerships built on trust, and caring for our customers.”*



Our station rebranding program has helped increase our strategic Retail business as we registered an 8% growth in Retail sales volume for 2012.

We are also undertaking a network expansion with the aim of making our quality products and services more accessible to customers. We see a lot of underserved markets and look to increase our footprint in these areas.

We managed to increase our client base as we aggressively solicited new commercial accounts. We marked a milestone as we entered into a partnership with the national carrier, Malaysia Airlines to fuel its flagship Airbus A380 for an exclusive period of six months from the launch of its first flight. We also expanded our aviation fuel business to include for the first time the Low Cost Carrier Terminal, when we secured a contract to become the major fuel supplier of AirPhil Express. The trust and confidence shown by our new partners only strengthen our commitment to bring excellent fuel products and services to the market.

In the LPG sector, we introduced the Petron Gasul brand, known for its safety and quality, to Malaysian households. Parallel to these efforts, in March 2013, we acquired the LPG business of Petron Fuel International Sdn Bhd with the focus of consolidating and growing the business in Peninsular Malaysia.

*“The trust and confidence shown by our new partners only strengthen our commitment to bring excellent fuel products and services to the market.”*

That commitment is backed by our Port Dickson Refinery (PDR), which remains one of the nation's strategic suppliers of high-quality and environment-friendly petroleum and gas products. Currently, we are working on upgrading PDR to enable it to run a wider variety of crudes and producing fuels that meet

the more stringent Euro 4M-standard.

We continued to enhance our supply chain so our products are delivered in an efficient, reliable, safe, and cost-effective manner. As a testament to our efforts, we again received the prestigious recognition from the Malaysian Society for Occupational Safety and Health for our strict compliance to international standards in PDR and other key facilities.

## Resilience Amid Challenges

The Malaysian economy remained robust in 2012 with GDP growth hitting 5.6% amid uncertain global conditions. However, crises in major oil producing countries and the world's biggest economies continued to lend unpredictability to international oil markets.

Against the backdrop of these conditions, your Company achieved an after tax profit of RM98 million for 2012; lower when compared to the RM153 million recorded in 2011. The 2012 profit was achieved despite volatility in crude and product prices, which resulted in higher-cost inventory being sold at lower prices. Our revenues slightly increased to RM11.5 billion from the RM11.3 billion posted in 2011 on the back of total sales volumes of 29.2 million barrels in 2012.

Given the challenging business environment, we pursued cost-optimization initiatives that lowered our annual operating expenditure. Our financial results would have been better if not for the crude oil price fluctuations affecting our operations.

In consideration of the challenging business environment balanced with our objective to provide a consistent and stable return for our shareholders, your Board of Directors proposed a cash dividend of 14 sen per share, less the 25% Malaysian income tax, for the approval by shareholders at the forthcoming Annual General Meeting.

### Board Matters

Last year also witnessed changes in the composition of your Board of Directors. ExxonMobil nominated Directors, Mr. Hugh Thompson, Pn. Fatimah Merican, En. Abu Bakar Siddik and Pn. Faridah Ali resigned effective March 30, 2012 upon the change in control from ExxonMobil to Petron. We appreciate their contributions to the Company and their assistance in ensuring a smooth transition.

Effective the same day, Mr. Eric O. Recto, Ms. Aurora T. Calderon and Mr. Lubin B. Nepomuceno and I, were appointed to the Board. Considering the many challenges faced by your Company since the take-over, our story can be considered a success. In this regard, we would like to offer our sincerest thanks to the members of the Board for their guidance, our dealers, partners, clients, and government agencies for their unwavering support and finally, to the dedicated management team and enthusiastic employees for contributing towards the growth of Petron in Malaysia.

### Delivering Value 2013 and beyond

There is an air of excitement in your Company and it is reflected in the speed and energy in which we are carrying out our programs. Our goals are straightforward - grow the business, provide consistent returns to our shareholders, and ensure a reliable supply of premium fuels to consumers.

To meet these goals, we will continue to rebrand our service stations while aggressively expanding our retail network over the next few years. We will also invest a significant amount to upgrade our Port Dickson Refinery and enhance its efficiency. We aim to tap into underserved markets and explore our opportunities to grow the Commercial business.

As a Company that has an established heritage of over a century in Malaysia combined with Petron's leadership; with its 80 strong years of expertise in the oil refining and marketing business, we believe we are well-positioned to meet the many challenges of operating in a highly competitive environment. We are confident that with the strength of our team, strong financial discipline and sound business strategies, we will achieve strong performances year in and year out. We are optimistic about our future here in Malaysia, and together, we can deliver more value to all our stakeholders.

*Terima Kasih!*

**Ramon S. Ang**

Chairman and Chief Executive Officer  
April 26, 2013



## Offering Innovative Products and Services to Customers

The introduction of Petron service stations to the Malaysian consumers in the middle of 2012 was a historic moment for the Company. We are proud and yet, humbled to launch our brand and be part of our customers' lives through our network of service stations.

From the initial roll-out of 9 Petron service stations in June 2012, we have accelerated our rebranding program and we have, as of April 2013, (including that of our sister company, Petron Fuel International Sdn Bhd) 125 Petron stations all over the country, each carrying our world-class quality fuels Blaze RON 97, Blaze RON 95, and Diesel Max. These fuels, with world-class additives, were developed with efficiency as the primary consideration as well as environment-friendly properties formulated for local driving conditions.

We are more than just a fuelling station. Petron is a haven for motorists who are in need of almost everything, from fuel, to food and beverages, to cash from ATMs. To heighten our customers' experience we introduced our very own store, Treats, at major Petron service stations. Treats offer a wide array of products including packaged goods, beverages, fresh food, and other products motorists need to keep them comfortable on the road.

With Treats at Petron service stations, we delight our customers by giving them one-stop convenience.

More than just the physical transformation at our re-branded Petron stations, we also invested in modern technologies by upgrading our existing point-of-sale (POS) terminals, including those installed in our rebranded stations. With our POS terminals, it gives the security, reliability and faster turnaround time in our forecourt operations, which ultimately allows our personnel to focus on our customers.

Moving forward, we will upgrade our outdoor payment terminals, replacing the card reader at our pumps and provide much convenience to our motorists.

Alongside our rebranding exercise, we jumpstarted our network expansion program by adding several service stations. This makes our products and services more accessible while increasing our participation in nation-building through community development and job creation.

Our rebranding and expansion programs would not have been possible without the strong and dynamic partnerships of our service station dealers. They continue to be one of our pillars. As the frontliners of our operations, or our brand ambassadors, they are





the main link to our customers. Recognizing their crucial role, we continue to engage our service station dealers through incentive programs and annual recognition. In 2012, we conducted our first Dealers' Convention and Service Station of the Year Awards as part of the Petron family and held a historic celebration in Manila, Philippines. More than 100 station dealers were recognized for their efforts in exceeding sales targets, observing the highest operating standards, and delivering excellence in customer service.

As we grow our operations, we remain on the lookout for dynamic entrepreneurs who share our values of **Leadership, Teamwork, Professionalism, and Partnering Relationships**.

### Fuelling the Nation Forward

We recorded an encouraging performance in the commercial sector in a challenging market. Through strategic partnerships and customer-centric sales and services, our Commercial sector reported strong margin contributions.

Our newly rebranded Kuala Lumpur International Airport Distribution Terminal continues to provide consistent and quality service to clients, where we facilitated the servicing of our existing accounts while stepping up on efforts to form synergistic alliances with strategic partners.

In the aviation sector, we marked a major milestone when we secured a six-month exclusive contract to fuel Malaysia Airlines' fleet of Airbus A380s. We also

tapped the Low Cost Carrier Terminal through our supply agreement with AirPhil Express, a carrier in the Philippines. These two significant milestones are testament to the growing level of confidence of the market in the Petron brand.

The year also saw the introduction of our rebranded Liquefied Petroleum Gas (LPG) product, from 'Esso' to Petron Gasul to the Malaysian households. Petron Gasul is a trusted brand in the Philippines known for its safety, world-class quality, and reliability. It is now available to consumers in 12KG and 14KG cylinders through our main redistribution centers, dealers, and stockists. The rebranding of our LPG cylinders will continue until 2014 at our bottling plant in Port Dickson Terminal.

We are geared to take advantage of the opportunities present in the market and participate actively in the commercial sector. We will do this by strengthening our current strategic partnerships while actively seeking for new ones.

### Ensuring a Reliable and Steady Supply of Fuels

The Petron Port Dickson Refinery (PDR) is one of the country's major suppliers of petroleum and gas, producing high-quality and environment-friendly products for the nation's domestic consumption in Peninsular and East Malaysia. The refinery ran at an optimum level in 2012, recording an average throughput of 48 thousand barrels per day.





Over the next two years, PDR will embark on phased facility upgrades and several optimization plans that will enable it to further increase its efficiency and long-term viability. These initiatives include the use of opportunistic crudes and establishment of new facilities. Other improvement projects in the pipeline also include de-bottlenecking of onsite facilities for higher crude run and crude tanks/marine lines upgrading for logistics improvement.

Further, major investments are also underway to comply with the Government's mandate to produce Euro-4M compliant gasoline and diesel fuels – the global clean air standard of the future. In 2012, we began with the preparatory work to produce Euro-4M fuels which underscores our commitment to support the Government's thrust for cleaner fuels.

We also complied with the new Government mandate for Biodiesel fuels, which sets that Biodiesel should be available to customers as a replacement to automotive diesel. At present, our Port Dickson Terminal is already fully compliant to Biodiesel delivery requirements supplying mainly Peninsular Malaysia's central region. Our Bagan Luar terminal, on the other hand, is now upgrading its facilities to meet the Biodiesel roll-out in the Northern Region by 2013.

In a bid to improve efficiencies in our operations, we are also developing a Logistics Master Plan, which includes optimization of tankage utilization, expansion of storage capacity, and improvement of tank truck utilization.



## Safety is Our Way of Life

Safety remains our top priority throughout our supply chain. We comply with the Government's regulations and follow best practices and international standards on safety, health, and environment management, including:

- (i) Occupational Safety & Health Act (OSHA) and Regulations which are promulgated by the Department of Safety & Health (DOSH);
- (ii) Environmental Quality Act (EQA) & Regulations which are promulgated by Department of Environment; and
- (iii) Fire Services Act, which are promulgated by Fire Rescue & Services Department.

For the 10th year in a row, we maintained excellent safety performance with no record of Lost-Time Incident and Total Recordable Incident Rate for both employees and contractors.

For five consecutive years, our refinery and terminals continued to receive citations from the Malaysian Society of Occupational Safety & Health (MSOSH) in collaboration with DOSH and Social Security Organization (SOCSO). In 2012, four of our terminals and PDR received the Gold Class 1 Award from the MSOSH.

Safe and environment-friendly operations redound to more efficient operations and also means our customers can be assured that Petron's products are available anytime, anywhere.

## Our Strength from Within

Our people play an important role in realizing our vision: to be the leading provider of total customer solutions in the oil sector and its allied businesses. It is also through our workforce that we are able to sustain our competitive edge in this very challenging and highly-competitive industry.

We believe in recruiting the best talents and fostering a healthy and challenging work environment to hone their skills. In 2012, we hired 37 new employees to complement our workforce and support our expansion plans, bringing our manpower count in the Company to 283 employees.

We continued to engage our employees by providing a dynamic work environment and tailoring programs to develop their competencies. For instance, our Management Development Program focuses on leadership, corporate culture, and effective communications. By developing our employees' talents and allowing them to reach their full potential, we are also unleashing the potential of the Company.

