Esso (Thailand) Public Company Limited

Notes from Investor Relations Luncheon on October 13th, 2016

Introduction
Investor Relations hosted an informal lunch with Esso Thailand management and a group of analysts as part of a periodic effort to engage with the investment community. The information shared during the discussion included only general items and information readily available to the public. A summary of the discussion in response to questions raised by the analysts during the meeting is provided below.

Please contact Esso Thailand’s Investor Relations department at +662 262 4788 if you have any additional questions.

General

- Priority for cash generated from operations is to first run the business efficiently and invest in projects that will create long-term shareholder value, second pay a dividend in accordance with our stated dividend policy, and third reduce debt outstanding.
- Debt financing from ExxonMobil affiliates consists of rates, terms, and conditions consistent with the debt financing the company receives from third-party banks. The associated related party agreements are reviewed with the Board audit committee.
- We feel the ExxonMobil relationship provides us with significant advantages and we leverage their Global expertise in many aspects of our business. Recent examples include development of product specifications for the new Retail fuel formula and the Esso Smiles loyalty card program.
- The company believes strongly in free market principles. We focus on running our business safely, efficiently and reliably. We will take the price/margin the market provides.
- ExxonMobil’s annual energy outlook forecasts a growing demand for energy over time due to an expanding middle class and increasing global population. The higher demand for energy will require all available sources of supply including an increasing role for alternative energy. Oil will likely continue to be a major energy source – supplying at least 1/3 of energy in the year 2040.

Retail

- We recognized a need to improve the on-site experience at our retail stations. As a result, changes were implemented to grow the retail network, improve on-site amenities, and strengthen non-fuel offerings.
- Esso is seeking to differentiate itself from its peers based on fuel quality, reliable supply, and competitive pricing.
- Retail is our preferred option to sell refined products but we also have strong commercial, supply, and export channels.
- There are approximately 200 sites out of our retail network of 542 stations that are dealer-owned. The remaining sites are company owned or leased but all sites – regardless of ownership – are now operated in some format by dealers. We ensure the same standard of operation regardless of ownership; however, the dealer-operated model provides cost advantages and flexibility.
• One way we ensure consistency in customer service quality at our sites is by conducting a mystery shopper program every month which factors into our performance assessment of each dealer. Our Territory Managers also visit each site on a regular basis.
• We determine the number of sites we want to open based on our target market share over the next 5 years. The focus is on leveraging dealer investment. Each new site requires an investment of 30M baht - 100M baht, exclusive of the cost of land.
• Contracts with dealers vary in length with one year for company‐owned, three to 15 years for dealer‐owned, and 10-20 years for a new site.
• We do not venture into ownership or operations of backcourt offerings, recognizing that is not our area of expertise. We instead seek to partner with high‐quality, attractive third‐party providers. We try to give our dealers at least three backcourt offering options.
• Investment plans include changing underground tanks, building brand awareness and loyalty, and improving product quality and consumer engagement via the Esso Smiles loyalty card program.
• We seek to maintain our current market share position while continuing to grow the retail network over time.

Refining

• The refinery operates based on economics. We have work processes in place to reduce costs and maximize value. We look to maintain flexibility to process more challenging crudes. This year alone we have processed 11 new crudes. We will process equity crude at times but it is always based on market pricing.
• Our refinery was one of 2 among ExxonMobil’s 24 refineries globally last year that received a Global Standard of Excellence Award for operating flawlessly, efficiently, and reliably.
• We take advantage of ExxonMobil’s extensive expertise and knowledge when selecting the optimal crudes to process.
• We continue to invest in improving cost efficiency. We implemented energy efficiency and margin improvement projects during the last shutdown in August – September. These projects were planned over a 2-year period and were the end result of a very rigorous review process.
• We continue to make investments throughout the ups and downs of the business cycle with the aim of creating long-term shareholder value. Communication to the external community about investments occurs only after we have passed through the later steps in the review process and reached a high-level of certainty that we will undertake the investment.
• Some of the investments we make are to capture capacity creep. For example, over time, as a result of some of these investments, we expanded our FCCU capacity from 27 KBD to 43 KBD.