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SECURITIES AND EXCHANGE COMMISSION

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Company Information

SEC Registration No.	0000031171
Company Name	PETRON CORP.
Industry Classification	Mfg. Ofgas; Distribution Ofgaseous Fuels Through Mains
Company Type	Stock Corporation

Document Information

Document ID	111132015001748
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C O V E R S H E E T

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S. E. C. Registration Number

P E T R O N C O R P O R A T I O N

(Company's Full Name)

S M C H E A D O F F I C E 4 0 S A N M I G U E L

A V E. M A N D A L U Y O N G C I T Y

(Business Address: No. Street City / Town / Province)

ATTY. JOEL ANGELO C. CRUZ

Contact Person

884-9200

Company Telephone Number

1 2 - 3 1

Month Day

Fiscal Year

SEC Form 17-Q (3rd Quarter 2015)

FORM TYPE

0 5 1 9

Month Day

Annual Meeting

(For 2015)

Permit to offer securities

Secondary License Type, if Applicable

Dept. Requiring this Doc.

N/A

Amended Articles Number/Section

Total Amount of Borrowings

149,820 (as of September 30, 2015)

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

Fiscal Number

LCU

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17 (2)(b) THEREUNDER

1. For the quarterly period ended September 30, 2015.

2. SEC Identification Number 31171 3. BIR Tax Identification No. 000-168-801

4. Exact name of registrant as specified in its charter PETRON CORPORATION

5. Philippines
Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
Industry Classification Code:

7. Mandaluyong City, 40 San Miguel Avenue, 1550
Address of principal office Postal Code

8. (0632) 884-9200
Registrant's telephone number, including area code

9. N/A
(Former name, former address, and former fiscal year, if changed since last report.)

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding(As of September 30, 2015)
Common Stock	9,375,104,497 Shares
Preferred Stock Series 2A	7,122,320 Shares
Preferred Stock Series 2B	2,877,680 Shares
Total Liabilities	P212,329 Million (as of September 30, 2015)

11. Are any or all of these securities listed on the Philippine Stock Exchange.

Yes [X] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange	Common and Preferred Shares

12. Indicate by check mark whether the Registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11 (a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports).

Yes [X] No [ ]

(b) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

Page No.

PETRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Amounts in Million Pesos)

	Note	**Unaudited September 30 2015**	Audited December 31 2014
ASSETS			
Current Assets			
Cash and cash equivalents	*9,10*	**P18,537**	P90,602
Financial assets at fair value through profit or loss	*9,10*	**404**	470
Available-for-sale financial assets	*9,10*	**232**	430
Trade and other receivables - net	*7,9,10*	**35,970**	56,299
Inventories		**35,815**	53,180
Other current assets	*7*	**28,727**	18,048
Total Current Assets		**119,685**	219,029
Noncurrent Assets			
Available-for-sale financial assets	*9,10*	**391**	451
Property, plant and equipment - net	*5*	**159,257**	153,650
Investments in associates		**1,788**	1,162
Investment property - net		**112**	113
Deferred tax assets		**188**	242
Goodwill		**7,386**	8,921
Other noncurrent assets - net	*7,9,10*	**6,452**	7,756
Total Noncurrent Assets		**175,574**	172,295
		P295,259	P391,324
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term loans	*8,9,10*	**P100,021**	P133,388
Liabilities for crude oil and petroleum product importation	*9,10*	**19,397**	24,032
Trade and other payables	*7,9,10*	**12,977**	39,136
Derivative liabilities	*9,10*	**133**	98
Income tax payable		**442**	73
Current portion of long-term debt - net	*9,10*	**500**	5,860
Total Current Liabilities		**133,470**	202,587

Forward

	Note	Unaudited September 30 2015	Audited December 31 2014
Noncurrent Liabilities			
Long-term debt - net of current portion	*9,10*	**P69,710**	P66,269
Retirement benefits liability		**2,410**	2,273
Deferred tax liabilities		**3,965**	3,471
Asset retirement obligation		**1,716**	1,659
Other noncurrent liabilities	*7,9,10*	**1,058**	1,373
Total Noncurrent Liabilities		**78,859**	75,045
Total Liabilities		**212,329**	277,632
Equity Attributable to Equity Holders of the Parent Company			
Capital stock		**9,485**	9,485
Additional paid-in capital		**19,653**	19,653
Undated subordinated capital securities		**30,546**	30,546
Retained earnings		**40,550**	40,815
Reserve for retirement plan		**(1,020)**	(1,018)
Other reserves		**(6,236)**	(2,149)
Treasury stock		**(10,000)**	-
Total Equity Attributable to Equity Holders of the Parent Company		**82,978**	97,332
Non-controlling Interests		**(48)**	16,360
Total Equity		**82,930**	113,692
		P295,259	P391,324

See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Interim Financial Statements.

Certified by:

DENNIS S. JANSON
Assistant Vice President - Controllers

PETRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED INTERIM STATEMENTS OF INCOME
(UNAUDITED)
(Amounts in Million Pesos, Except Per Share Data)

		July to September		January to September	
	Note	**2015**	2014	**2015**	2014
SALES	*4*	**P92,244**	P121,310	**P278,295**	P379,540
COST OF GOODS SOLD		**84,020**	117,316	**255,039**	363,875
GROSS PROFIT		**8,224**	3,994	**23,256**	15,665
SELLING AND ADMINISTRATIVE EXPENSES		**(3,438)**	(2,862)	**(9,594)**	(8,517)
INTEREST EXPENSE AND OTHER FINANCING CHARGES		**(1,450)**	(1,306)	**(4,223)**	(3,911)
INTEREST INCOME		**152**	148	**544**	601
SHARE IN NET INCOME OF ASSOCIATE		**48**	22	**101**	67
OTHER INCOME (EXPENSES) - Net		**(1,291)**	(8)	**(3,085)**	127
		(5,979)	(4,006)	**(16,257)**	(11,633)
INCOME (LOSS) BEFORE INCOME TAX		**2,245**	(12)	**6,999**	4,032
INCOME TAX EXPENSE (BENEFIT)		**585**	(200)	**1,931**	830
NET INCOME		**P1,660**	P188	**P5,068**	P3,202
Attributable to:					
Equity holders of the Parent Company		**P1,444**	P180	**P4,457**	P3,318
Non-controlling interests		**216**	8	**611**	(116)
		P1,660	P188	**P5,068**	P3,202
BASIC/DILUTED EARNINGS (LOSS) PER COMMON SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	*12*	**(P0.08)**	(P0.17)	**P0.02**	(P0.08)

See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Interim Financial Statements.

Certified by:

DENNIS S. JANSON
Assistant Vice President - Controllers

PETRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
(Amounts in Million Pesos)

	July to September		January to September	
	2015	2014	**2015**	2014
NET INCOME	**P1,660**	P188	**P5,068**	P3,202
OTHER COMPREHENSIVE INCOME (LOSS)				
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS				
Equity reserve for retirement plan	**1**	-	**(3)**	-
Income tax benefit	**-**	-	**1**	-
	1	-	**(2)**	-
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS				
Exchange differences on translation of foreign operations	**(3,106)**	369	**(4,895)**	499
Unrealized fair value loss on available-for-sale financial assets	**(2)**	(5)	**-**	(19)
Income tax benefit (expense)	**-**	(1)	**(1)**	1
	(3,108)	363	**(4,896)**	481
OTHER COMPREHENSIVE INCOME (LOSS)	**(3,107)**	363	**(4,898)**	481
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**(P1,447)**	P551	**P170**	P3,683
Attributable to:				
Equity holders of the Parent Company	**(P1,108)**	P165	**P368**	P3,605
Non-controlling interests	**(339)**	386	**(198)**	78
	(P1,447)	P551	**P170**	P3,683

See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Interim Financial Statements.

Certified by:

DENNIS S. JANSON
Assistant Vice President - Controllers

PETRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
(Amounts in Million Pesos)

		Equity Attributable to Equity Holders of the Parent Company										
					Retained Earnings							
	Note	Capital Stock	Additional Paid-in Capital	Undated Subordinated Capital Securities	Appro-priated	Unappro-priated	Reserve for Retirement Plan	Other Reserves	Treasury Stock	Total	Non-controlling Interests	Total Equity
As of January 1, 2015 (Audited)		**P9,485**	**P19,653**	**P30,546**	**P25,171**	**P15,644**	**(P1,018)**	**(P2,149)**	**P -**	**P97,332**	**P16,360**	**P113,692**
Total comprehensive income (loss) for the period		-	-	-	-	**4,457**	**(2)**	**(4,087)**		**368**	**(198)**	**170**
Cash dividends and distributions	*12*	-	-	-	-	**(4,722)**	-	-		**(4,722)**	**(568)**	**(5,290)**
Redemption of preferred shares		-	-	-	-	-	-	-	**(10,000)**	**(10,000)**	**(15,642)**	**(25,642)**
Reversal of appropriation		-	-	-	**(156)**	**156**	-	-	-	-	-	-
As of September 30, 2015 (Unaudited)		**P9,485**	**P19,653**	**P30,546**	**P25,015**	**P15,535**	**(P1,020)**	**(P6,236)**	**(P10,000)**	**P82,978**	**(P48)**	**P82,930**
As of January 1, 2014 (Audited)		P9,475	P9,764	P30,546	P25,171	P17,487	P2,242	(P721)	P -	P93,964	P17,924	P111,888
Total comprehensive income for the period		-	-	-	-	3,318	-	287	-	3,605	78	3,683
Cash dividends and distributions	*12*	-	-	-	-	(4,523)	-	-	-	(4,523)	(1,185)	(5,708)
As of September 30, 2014 (Unaudited)		P9,475	P9,764	P30,546	P25,171	P16,282	P2,242	(P434)	P -	P93,046	P16,817	P109,863

See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Interim Financial Statements.

Certified by:

DENNIS S. JANSON
Assistant Vice President - Controllers

PETRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)
(Amounts in Million Pesos)

		For the Nine Months Ended September 30	
	Note	**2015**	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P6,999**	P4,032
Adjustments for:			
Share in net income of an associate		**(101)**	(67)
Retirement expense		**303**	74
Interest expense and other financing charges		**4,223**	3,911
Depreciation and amortization		**4,707**	4,470
Interest income		**(544)**	(601)
Unrealized foreign exchange losses - net		**590**	923
Other gains		**(82)**	(2,496)
Operating income before working capital changes		**16,095**	10,246
Changes in noncash assets, certain current liabilities and others		**(5,792)**	(15,933)
Interest paid		**(6,087)**	(5,909)
Income taxes paid		**(267)**	(315)
Interest received		**593**	1,745
Net cash flows provided by (used in) operating activities		**4,542**	(10,166)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property, plant and equipment	*5*	**(10,891)**	(10,142)
Proceeds from sale of property, plant and equipment		**9**	62
Decrease in:			
Other noncurrent assets		**422**	7,298
Reductions from (additions to):			
Financial assets at fair value through profit or loss		**76**	(677)
Available-for-sale financial assets		**258**	20
Investment in an associate		**(525)**	-
Net cash flows used in investing activities		**(10,651)**	(3,439)

Forward

	For the Nine Months Ended September 30	
	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of loans	**P161,884**	P263,626
Payments of:		
Loans	**(197,039)**	(246,253)
Cash dividends and distributions	**(5,361)**	(5,427)
Redemption of preferred shares	**(25,642)**	-
Increase (decrease) in other noncurrent liabilities	**(514)**	410
Net cash flows provided by (used in) financing activities	**(66,672)**	12,356
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**716**	86
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(72,065)**	(1,163)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**90,602**	50,398
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**P18,537**	P49,235

See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Interim Financial Statements.

Certified by:

DENNIS S. JANSON
Assistant Vice President - Controllers

PETRON CORPORATION AND SUBSIDIARIES

SELECTED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Amounts in Million Pesos, Except Par Value, Number of Shares and Per Share Data, Exchange Rates and Commodity Volumes)

1. Reporting Entity

Petron Corporation (the "Parent Company" or "Petron"), a subsidiary of San Miguel Corporation (SMC or the Intermediate Parent), was incorporated under the laws of the Republic of the Philippines and was registered with the Philippine Securities and Exchange Commission (SEC) on December 22, 1966. On September 13, 2013, the SEC approved the extension of the corporate term of Petron until December 22, 2066. Top Frontier Investment Holdings, Inc. (Top Frontier) is the Ultimate Parent Company of Petron.

Petron is the largest oil refining and marketing company in the Philippines supplying nearly 40% of the country's fuel requirements. Petron is committed to its vision to be the leading provider of total customer solutions in the energy sector and its derivative businesses.

The registered office address of Petron is No. 40 San Miguel Avenue, Mandaluyong City.

2. Statement of Compliance

The consolidated interim financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Selected explanatory notes are included to explain events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended December 31, 2014. The consolidated interim financial statements do not include all the information required for full annual financial statements in accordance with Philippine Financial Reporting Standards (PFRS), and should be read in conjunction with the audited consolidated financial statements of Petron Corporation and Subsidiaries (collectively referred to as the "Group") as at and for the year ended December 31, 2014. The audited consolidated financial statements are available upon request from the Group's registered office at SMC Head Office Complex, 40 San Miguel Avenue, Mandaluyong City.

3. Significant Accounting Policies

Except as described below, the accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended December 31, 2014. The following changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ended December 31, 2015.

Adoption of New Standards, Amendments to Standards and Interpretations
The Financial Reporting Standards Council (FRSC) approved the adoption of new or revised standards, amendments to standards and interpretations [based on International Financial Reporting Interpretation Committee (IFRIC) Interpretations] as part of PFRS.

Amendments to Standards and Interpretation Adopted in 2015

The Group has adopted the following applicable PFRS starting January 1, 2015 and accordingly, changed its accounting policies in the following areas:

- *Defined Benefit Plans: Employee Contributions (Amendments to PAS 19, Employee Benefits)*. The amendments apply to contributions from employees or third parties to the defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service (i.e., employee contributions that are calculated according to a fixed percentage of salary). The adoption of the amendments is required to be applied retrospectively for annual periods beginning on or after July 1, 2014.

- *Annual Improvements to PFRSs: 2010 - 2012 and 2011 - 2013 Cycles* - Amendments were made to a total of nine standards, with changes made to the standards on business combinations and fair value measurement in both cycles. Most amendments will apply prospectively for annual periods beginning on or after July 1, 2014. Earlier application is permitted, in which case the related consequential amendments to other PFRSs would also apply. Special transitional requirements have been set for amendments to the following standards: PFRS 2, PAS 16, PAS 38 and PAS 40. The following are the said improvements or amendments to PFRSs, none of which has a significant effect on the separate financial statements of the Parent Company.

- *Classification and measurement of contingent consideration* (*Amendment to PFRS 3*). The amendment clarifies the classification and measurement of contingent consideration in a business combination. When contingent consideration is a financial instrument, its classification as a liability or equity is determined by reference to *PAS 32*, *Financial Instruments: Presentation*, rather than to any other PFRSs. Contingent consideration that is classified as an asset or a liability is always subsequently measured at fair value, with changes in fair value recognized in profit or loss.

- Consequential amendments are also made to *PAS 39*, *Financial Instruments: Recognition and Measurement* and *PFRS 9, Financial Instruments* to prohibit contingent consideration from subsequently being measured at amortized cost. In addition, *PAS 37, Provisions, Contingent Liabilities and Contingent Assets* is amended to exclude provisions related to contingent consideration. The adoption of the amendments is required to be applied for annual periods beginning on or after July 1, 2014.

- *Scope exclusion for the formation of joint arrangements (Amendment to PFRS 3*). PFRS 3 has been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in *PFRS 11, Joint Arrangements* - i.e. including joint operations - in the financial statements of the joint arrangements themselves.

- *Disclosures on the aggregation of operating segments* (*Amendment to PFRS 8*). PFRS 8 has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. The disclosures include: a brief description of the operating segments that have been aggregated; and the economic indicators that have been assessed in determining that the operating segments share similar economic characteristics. In addition, this amendment clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets is required only if this information is regularly provided to the entity’s chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

- *Measurement of short-term receivables and payables* (*Amendment to PFRS 13*). The amendment clarifies that, in issuing PFRS 13 and making consequential amendments to PAS 39 and PFRS 9, the intention is not to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial. The adoption of the amendments is required to be applied for annual periods beginning on or after July 1, 2014.

- *Scope of portfolio exception (Amendment to PFRS 13*). The scope of the PFRS 13 portfolio exception - whereby entities are exempted from measuring the fair value of a group of financial assets and financial liabilities with offsetting risk positions on a net basis if certain conditions are met - has been aligned with the scope of PAS 39 and PFRS 9.

  PFRS 13 has been amended to clarify that the portfolio exception potentially applies to contracts in the scope of PAS 39 and PFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under PAS 32 - e.g. certain contracts to buy or sell non-financial items that can be settled net in cash or another financial instrument. The adoption of the amendment is required to be retrospectively applied for annual periods beginning on or after July 1, 2014.

- Definition of 'Related Party' (*Amendments to PAS 24, Related Parties*). The definition of a 'related party' is extended to include a management entity that provides key management personnel (KMP) services to the reporting entity, either directly or through a group entity. For related party transactions that arise when KMP services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the KMP services. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of PAS 24 - e.g., loans. The amendment is required to be applied prospectively for annual periods beginning on or after July 1, 2014.

- *Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)*. PAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under PAS 40 and perform a separate assessment under PFRS 3 to determine whether the acquisition of the investment property constitutes a business combination. Entities will still need to use judgment to determine whether the acquisition of an investment property is an acquisition of a business under PFRS 3.

New or Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted

A number of new and amended standards are effective for annual periods beginning after January 1, 2015 and have not been applied in preparing the interim consolidated financial statements. Unless otherwise indicated, none of these is expected to have a significant effect on the interim consolidated financial statements.

The Group will adopt the following new and amended standards on the respective effective dates:

- Disclosure Initiative (*Amendments to PAS 1, Presentation of Financial Statements*). The amendments clarify the following: (i) the materiality requirements in PAS 1; (ii) that specific line items in the consolidated statements of income and consolidated statement of comprehensive income and the consolidated statement of financial position may be disaggregated; (iii) that entities have flexibility as to the order in which they present the notes to the consolidated financial statements; and (iv) that share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. Furtheremore, the amendments clarify the requirements that apply when additional subtotals are presented in the consolidated statement of financial position and the consolidated statements of income and consolidated statement of comprehensive income

- Accounting for Acquisitions of Interests in Joint Operations *(Amendments to PFRS 11).* The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured. The amendments place the focus firmly on the definition of a business, because this is key to determining whether the acquisition is accounted for as a business combination or as the acquisition of a collection of assets. As a result, this places pressure on the judgment applied in making this determination. The amendments are required to be applied prospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted

- *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to PAS 16 and PAS 38).* The amendments to *PAS 38 Intangible Assets* introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

  The amendments to *PAS 16 Property, Plant and Equipment* explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset - e.g., changes in sales volumes and prices.

  The amendments are effective for annual periods beginning on or after January 1, 2016, and are to be applied prospectively. Early application is permitted.

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28).* The amendments address an inconsistency between the requirements in PFRS 10 and in PAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

  The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

  The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

- *Annual Improvements to PFRSs 2012 - 2014 Cycle.* This cycle of improvements contains amendments to four standards, none of which are expected to have significant impact on the Group's consolidated financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

- *Changes in method for disposal (Amendment to PFRS 5).* PFRS 5 is amended to clarify that:

  - if an entity changes the method of disposal of an asset (or disposal group) – i.e. reclassifies an asset (or disposal group) from held-for-distribution to owners to held-for-sale (or vice versa) without any time lag – then the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset (or disposal group) and recognizes any write-down (impairment loss) or subsequent increase in the fair value less costs to sell/distribute of the asset (or disposal group); and

  - if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting.

  Any change in method of disposal or distribution does not, in itself, extend the period in which a sale has to be completed.

  The amendment to PFRS 5 is applied prospectively in accordance with PAS 8 to changes in methods of disposal that occur on or after January 1, 2016.

- Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements *(Amendment to PFRS 7, Financial Instruments: Disclosures)*. The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. The amendment is required to be applied retrospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

- Disclosure of Information 'Elsewhere in the Interim Financial Report' (Amendment to PAS 34). The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. The amendment is required to be applied retrospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

- *'Continuing Involvement' for Servicing Contracts (Amendments to PFRS 7, Financial Instruments: Disclosures)*. PFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset - e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred financial asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement.' The amendments to PFRS 7 are applied retrospectively, in accordance with PAS 8, except that the PFRS 7 amendments relating to servicing contracts need not be applied for any period presented that begins before the annual period for which the entity first applies those amendments.

The amendment to PFRS 7 is applied retrospectively, in accordance with PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, except that the PFRS 7 amendment relating to servicing contracts need not be applied for any period presented that begins before the annual period for which the entity first applies this amendment.

- *PFRS 9 Financial Instruments (2014).* PFRS 9 (2014) replaces PAS 39 *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018 with early adoption permitted.

  The Group is assessing the potential impact on its separate financial statements resulting from the application of PFRS 9.

4. Segment Information

Management identifies segments based on business and geographical locations. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results. The Chief Executive Officer (the chief operating decision maker) reviews management reports on a regular basis.

The Group's major sources of revenues are as follows:

a. Sales of petroleum and other related products which include gasoline, diesel and kerosene offered to motorists and public transport operators through its service station network around the country and in Malaysia.

b. Insurance premiums from the business and operation of all kinds of insurance and reinsurance, on sea as well as on land, of properties, goods and merchandise, of transportation or conveyance, against fire, earthquake, marine perils, accidents and all other forms and lines of insurance authorized by law, except life insurance.

c. Lease of acquired real estate properties for petroleum, refining, storage and distribution facilities, gasoline service stations and other related structures.

d. Sales on wholesale or retail and operation of service stations, retail outlets, restaurants, convenience stores and the like.

e. Export sales of various petroleum and non-fuel products to other Asian countries such as China, Indonesia, Taiwan, Cambodia, Malaysia and Singapore.

f. Sale of polypropylene resins to domestic plastic converters of yarn, film and injection moulding grade plastic products.

Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories, and property, plant and equipment, net of allowances and impairment. Segment liabilities include all operating liabilities and consist principally of accounts payable, wages, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred taxes.

Inter-segment Transactions

Segment revenues, expenses and performance include sales and purchases between operating segments. Transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Such transfers are eliminated in consolidation.

Major Customer

The Group does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenue of the Group.

The following tables present revenue and income information and certain asset and liability information regarding the business segments as of and for the periods ended September 30, 2015, December 31, 2014 and September 30, 2014:

	Petroleum	**Insurance**	**Leasing**	**Marketing**	**Elimination/ Others**	**Total**
September 30, 2015						
Revenue:						
External sales	P276,551	P -	P -	P1,744	P -	P278,295
Inter-segment sales	126,726	106	395	-	(127,227)	-
Operating income	13,102	85	187	70	218	13,662
Net income	5,000	85	34	73	(124)	5,068
Assets and liabilities:						
Segment assets	335,326	1,699	5,238	1,019	(48,211)	295,071
Segment liabilities	219,527	377	4,124	438	(16,102)	208,364
Other segment information:						
Property, plant and equipment	153,812	-	-	212	5,233	159,257
Depreciation and amortization	4,627	-	1	29	50	4,707
Interest expense and other financing charges	4,223	-	138	-	(138)	4,223
Interest income	665	11	- 1	5	(138)	544
Income tax expense	1,885	10	16	17	3	1,931

	Petroleum	Insurance	Leasing	Marketing	Elimination/ Others	Total
December 31, 2014						
Revenue:						
External sales	P479,753	P -	P -	P2,782	P -	P482,535
Inter-segment sales	249,428	82	550	-	(250,060)	-
Operating income	7,154	53	238	59	101	7,605
Net income	3,172	85	36	70	(354)	3,009
Assets and liabilities:						
Segment assets	422,442	1,388	5,090	1,072	(38,910)	391,082
Segment liabilities	292,491	185	4,010	360	(22,885)	274,161
Other segment information						
Property, plant and equipment	148,256	-	-	232	5,162	153,650
Depreciation and amortization	5,920	-	2	45	66	6,033
Interest expense and other financing charges	5,528	-	189	-	(189)	5,528
Interest income	1,011	14	1	6	(188)	844
Income tax expense	809	11	22	14	(52)	804

	Petroleum	Insurance	Leasing	Marketing	Elimination/ Others	Total
September 30, 2014						
Revenue:						
External sales	P377,471	P -	P -	P2,069	P -	P379,540
Inter-segment sales	185,447	93	406	-	(185,946)	-
Operating income	6,751	71	187	24	115	7,148
Net income	3,050	93	37	40	(18)	3,202
Assets and liabilities:						
Segment assets	387,790	1,772	5,165	1,053	(29,105)	366,675
Segment liabilities	260,386	553	4,084	259	(13,347)	251,935
Other segment nformation:						
Property, plant and equipment	146,439	-	-	237	5,228	151,904
Depreciation and amortization	4,386	-	1	34	49	4,470
Interest expense and other financing charges	3,911	-	140	-	(140)	3,911
Interest income	724	11	1	5	(140)	601
Income tax expense	806	10	16	3	(5)	830

The following table presents additional information on the petroleum business segment of the Group as of and for the periods ended September 30, 2015, December 31, 2014 and September 30, 2014:

	Reseller	**Lube**	**Gasul**	**Industrial**	**Others**	**Total**
September 30, 2015						
Revenue	**P129,433**	**P3,023**	**P13,499**	**P79,868**	**P50,728**	**P276,551**
Property, plant and equipment	**18,283**	**129**	**351**	**140**	**134,909**	**153,812**
Capital expenditures	**1,988**	**-**	**45**	**100**	**112,191**	**114,324**
December 31, 2014						
Revenue	P241,118	P3,677	P25,157	P138,455	P71,346	P479,753
Property, plant and equipment	22,167	150	393	161	125,385	148,256
Capital expenditures	2,256	-	41	98	102,333	104,728
September, 2014						
Revenue	P191,345	P2,774	P19,362	P118,299	P45,694	P377,471
Property, plant and equipment	22,650	156	415	165	123,053	146,439
Capital expenditures	2,678	-	35	97	99,532	102,342

Geographical Segments

The following table presents segment assets of the Group as at September 30, 2015 and December 31, 2014:

	September 30, 2015	December 31, 2014
Local	**246,883**	P320,516
International	**48,188**	70,566
	P295,071	P391,082

The following table presents revenue information regarding the geographical segments of the Group for the periods ended September 30, 2015, December 31, 2014 and September 30, 2014:

	Petroleum	Insurance	Leasing	Marketing	Elimination/ Others	Total
September 30, 2015						
Revenue:						
Local	**P162,263**	**P68**	**P395**	**P1,744**	**(P1,528)**	**P162,942**
Export/international	**241,015**	**37**	**-**	**-**	**(125,699)**	**115,353**
December 31, 2014						
Revenue:						
Local	P276,885	P52	P550	P2,782	(P3,538)	P276,731
Export/international	452,296	30	-	-	(246,522)	P205,804
September 30, 2014						
Revenue:						
Local	P218,268	P50	P406	P2,069	(P2,920)	P217,873
Export/international	344,650	43	-	-	(183,026)	161,667

5. Property, Plant and Equipment

This account consists of:

	Buildings and Related Facilities	Refinery and Plant Equipment	Service Stations and Other Equipment	Computers, Office and Motor Equipment	Land and Leasehold Improvements	Construction In-progress	Total
Cost:							
December 31, 2013	P27,862	P49,647	P15,669	P4,157	P12,302	P92,268	P201,905
Additions	161	207	687	219	57	14,591	15,922
Disposals/reclassifications/ acquisition of subsidiaries	695	1,265	179	(8)	2,327	(2,020)	2,438
Currency translation adjustment	(388)	(587)	(393)	(40)	(411)	(110)	(1,929)
December 31, 2014	28,330	50,532	16,142	4,328	14,275	104,729	218,336
Additions	472	612	1,582	180	189	10,036	13,071
Disposals/reclassifications	(13)	(4)	(124)	(49)	1	0	(189)
Currency translation adjustment	(1,422)	(1,953)	(1,274)	(135)	(1,350)	(441)	(6,575)
September 30, 2015	**27,367**	**49,187**	**16,326**	**4,324**	**13,115**	**114,324**	**224,643**
Accumulated depreciation and amortization:							
December 31, 2013	15,803	30,285	9,673	2,897	1,600	-	60,258
Additions	1,331	1,887	1,310	863	103	-	5,494
Disposals/reclassifications/ acquisition of subsidiaries	(49)	(40)	(274)	(47)	422	-	12
Currency translation adjustment	(319)	86	(238)	(578)	(29)	-	(1,078)
December 31, 2014	16,766	32,218	10,471	3,135	2,096	-	64,686
Additions	936	1,357	1,090	569	74	-	4,026
Disposals/reclassifications	(9)	(4)	(51)	(46)	-	-	(110)
Currency translation adjustment	(839)	(1,163)	(717)	(416)	(81)	-	(3,216)
September 30, 2015	**16,854**	**32,408**	**10,793**	**3,242**	**2,089**	**-**	**65,386**
Net book value:							
December 31, 2014	P11,564	P18,314	P5,671	P1,193	P12,179	P104,729	P153,650
September 30, 2015	**P10,513**	**P16,779**	**P5,533**	**P1,082**	**P11,026**	**P114,324**	**P159,257**

Capital Commitments

As at September 30, 2015 and December 31, 2014, the Group has outstanding commitments to acquire property, plant and equipment amounting to P3,974 and P4,537, respectively.

6. Fuel Supply Contract

The Parent Company entered into various fuel supply contracts with National Power Corporation (NPC) and Power Sector Assets and Liabilities Management Corporation (PSALM). Under these contracts, Petron supplies the bunker fuel, diesel fuel oil and engine lubricating oil requirements of selected NPC and PSALM plants, and NPC-supplied Independent Power Producers (IPP) plants.

As of September 30, 2015, the following are the fuel supply contracts granted to the Parent Company:

NPC

Bid Date	Date of Award	Contract Duration	Volume in KL DFO*	Volume in KL IFO*	Volume in KL ELO*	Contract Price DFO*	Contract Price IFO*	Contract Price ELO*
Nov. 12, 2013	Jan. 2, 2014	NPC Lubuangan DP & Others 2014 (with 6 months extension)	30,369			1,406		
Jan. 22, 2014	Feb. 21, 2014	NPC Lubuangan DP & Others (with 6 months extension)		885			33	
Jun 3, 2014	Jul 11, 2014	NPC ELO Patnanungan DP & Others (with 6 months extension)			50			6
Dec. 19, 2014	Jan. 20, 2015	NPC Jomalig DP & Others (Jan.-Dec. 2015 with 6 months extension)	29,482			1,203		
Dec. 19, 2014	Feb. 2, 2015	NPC Boac DP & Others (Jul.-Dec. 2015 with 6 months extension)	30,200			1,215		
July 10, 2015	Aug 7, 2015	NPC ELO Basco DP & Others (Jan.-Dec. 2015 with 6 months extension)			355			30,324
Sep 7, 2015	Sep 7, 2015	NPC ELO Jolo DP & Others (Sep.-Dec. 2015 with 6 months extension)			864			85,322

PSALM

Bid Date	Date of Award	Contract Duration	Volume in KL DFO*	Volume in KL IFO*	Volume in KL ELO*	Contract Price DFO*	Contract Price IFO*	Contract Price ELO*
Jun. 26, 2014	Jul. 25, 2014	Power Barge 101 & 102 (April-December 2014 with 6 months extension)		2091			72	
Jun. 26, 2014	Jul. 25, 2014	Power Barge 104 (April-December 2014 with 6 months extension)		1916			72	
May 27, 2014	Aug. 12, 2014	Power Barge 101 and 102 (August-December 2014 with 6 months extension)			40			5
Feb. 24, 2014	Aug. 22, 2014	Naga Plant Complex Corporation - Supplemental (August-December 2014 with 6 months extension	301			13		
Jul. 10, 2014	Aug. 22, 2014	Malaya Thermal (August-December 2014 with 6 months extension)	800			38		

May 19, 2015	June 15, 2015	Malaya Thermal (June-December 2015 with 6 monts extension)	35,000	754
May 19, 2015	June 15, 2015	SPPC (June-December 2015 with 6 monts extension)	34,464	837
May 19, 2015	June 15, 2015	WMPC June-December 2015 with 6 monts extension)	58,967	1,473
July 2, 2015	Sep 2, 2015	Power Barge 104 (July-December 2015 with 6 monts extension)	3,003	63

* *IFO = Industrial Fuel Oil*
DFO = Diesel Fuel Oil
ELO= Engine Lubricating Oil
KL = Kilo Liters

7. Related Party Disclosures

The Parent Company, certain subsidiaries, associate, joint venture and SMC and its subsidiaries, in the normal course of business, purchase products and services from one another. Transactions with related parties are made at normal market prices and terms. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

The balances and transactions with related parties as of and for the periods ended September 30, 2015 and December 31, 2014 follow:

	Note	Year	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Retirement plan	*e*	**2015**	**P222**	**P -**	**P6,512**	**P -**	On demand/ long-term; Interest bearing	Unsecured; No impairment
		2014	428	-	6,263	-		
Intermediate Parent	*a, d*	**2015**	**3**	**50**	**5**	**54**	On demand; Non-interest bearing	Unsecured; No Impairment
		2014	5	133	5	46		
Under common control	*a, b, c*	**2015**	**3,164**	**6,848**	**579**	**1,795**	On demand; Non-interest bearing	Unsecured; No Impairment
		2014	7,261	7,298	1,026	1,089		
Associate	*a*	**2015**	**106**	**-**	**24**	-	On demand; Non-interest bearing	Unsecured; No Impairment
		2014	152	-	29	-		
Joint venture	*b*	**2015**	**-**	**85**	**7**	-	On demand; Non-interest bearing	Unsecured; No impairment
		2014	-	83	11	12		
		2015	**3,495**	**P6,983**	**P7,127**	**P1,849**		
		2014	P7,846	P7,514	P7,334	P1,147		

a. Sales relate to the Parent Company's supply agreements with associate, SMC and its various subsidiaries. Under these agreements, the Parent Company supplies the bunker, diesel fuel, gasoline and lube requirements of selected SMC plants and subsidiaries.

b. Purchases relate to purchase of goods and services such as construction, information technology, power and shipping from a joint venture and various subsidiaries of SMC.

c. The Parent Company entered into a lease agreement with San Miguel Properties, Inc. for its office space covering 6,802 square meters with a monthly rate of P6.3. The lease, which commenced on June 1, 2015, is for a period of one year and may be renewed in accordance with the written agreement of the parties.

d. The Parent Company also pays SMC for its share in common expenses such as utilities and administrative fees.

e. The Parent Company has interest bearing advances to Petron Corporation Employee Retirement Plan (PCERP), included as part of “Other receivable” and “Other noncurrent assets” accounts in the consolidated statements of financial position.

f. Amounts owed by related parties consist of trade and non-trade receivables, advances and security deposits.

g. Amounts owed to related parties consist of trade and nontrade payables and other noncurrent liabilities.

8. Loans and Borrowings

Short-term Loans

The movements of short-term loans for the nine months ended September 30, 2015 follow:

Balance as of January 1, 2015	**P133,388**
Loan availments	**137,453**
Loan repayments	**(168,936)**
Translation adjustment	**(1,884)**
Balance as of September 30, 2015	**P100,021**

Average interest rates and maturities for these loans are consistent with those reported as of December 31, 2014.

9. Financial Risk Management Objectives and Policies

The Group’s principal financial instruments include cash and cash equivalents, debt and equity securities, bank loans and derivative instruments. The main purpose of bank loans is to finance working capital relating to importation of crude and petroleum products, as well as for other general corporate purposes. The Group has other financial assets and liabilities such as trade and other receivables and trade and other payables, which are generated directly from its operations.

It is the Group’s policy not to enter into derivative transactions for speculative purposes. The Group uses hedging instruments to protect its margin on its products from potential price volatility of crude oil and products. It also enters into short-term forward currency contracts to hedge its currency exposure on crude oil importations.

The main risks arising from the Group’s financial instruments are foreign currency risk, interest rate risk, credit risk, liquidity risk and commodity price risk. The BOD regularly reviews and approves the policies for managing these financial risks. Details of each of these risks are discussed below, together with the related risk management structure.

Risk Management Structure
The Group follows an enterprise-wide risk management framework for identifying, assessing and addressing the risk factors that affect or may affect its businesses.

The Group's risk management process is a bottom-up approach, with each risk owner mandated to conduct regular assessment of its risk profile and formulate action plans for managing identified risks. As the Group's operation is an integrated value chain, risks emanate from every process, while some could cut across groups. The results of these activities flow up to the Management Committee and, eventually, the BOD through the Group's annual business planning process.

Oversight and technical assistance is likewise provided by corporate units and committees with special duties. These groups and their functions are:

a. The Risk and Insurance Management Group, which is mandated with the overall coordination and development of the enterprise-wide risk management process.

b. The Financial Risk Management Unit of the Treasurer's Department, which is in charge of foreign currency hedging transactions.

c. The Transaction Management Unit of Controllers Department, which provides backroom support for all hedging transactions.

d. The Corporate Technical & Engineering Services Group, which oversees strict adherence to safety and environmental mandates across all facilities.

e. The Internal Audit Department, which has been tasked with the implementation of a risk-based auditing.

f. The Commodity Risk Management Department (CRMD), which sets new and updates existing hedging policies by the Board, provides the strategic targets and recommends corporate hedging strategy to the Commodity Risk Management Committee and Steering Committee.

g. Petron Singapore Trading Pte Ltd. (PSTPL) executes the hedging transactions involving crude and product imports on behalf of the Group.

The BOD also created separate board-level entities with explicit authority and responsibility in managing and monitoring risks, as follows:

a. The Audit Committee, which ensures the integrity of internal control activities throughout the Group. It develops, oversees, checks and pre-approves financial management functions and systems in the areas of credit, market, liquidity, operational, legal and other risks of the Group, and crisis management. The Internal Audit Department and the External Auditor directly report to the Audit Committee regarding the direction, scope and coordination of audit and any related activities.

b. The Compliance Officer, who is a senior officer of the Parent Company reports to the BOD. He monitors compliance with the provisions and requirements of the Corporate Governance Manual, determines any possible violations and recommends corresponding penalties, subject to review and approval of the BOD. The Compliance Officer identifies and monitors compliance risk. Lastly, the Compliance Officer represents the Group before the SEC regarding matters involving compliance with the Corporate Governance Manual.

Foreign Currency Risk
The Parent Company's functional currency is the Philippine peso, which is the denomination of the bulk of the Group's revenues. The Group's exposures to foreign currency risk arise mainly from US dollar-denominated sales as well as purchases principally of crude oil and petroleum products. As a result of this, the Group maintains a level of US dollar-denominated assets and liabilities during the period. Foreign currency risk occurs due to differences in the levels of US dollar-denominated assets and liabilities.

The Group's exposure to foreign currency risks also arise from US dollar-denominated sales and purchases, principally of crude oil and petroleum products, of Petron Malaysia whose transactions are in Malaysian ringgit, which are subsequently converted into US dollar before ultimately translated to equivalent Philippine peso amount using applicable rates for the purpose of consolidation.

The Group pursues a policy of mitigating foreign currency risk by entering into hedging transactions or by substituting US dollar-denominated liabilities with peso-based debt. The natural hedge provided by US dollar-denominated assets is also factored in hedging decisions. As a matter of policy, currency hedging is limited to the extent of 100% of the underlying exposure.

The Group is allowed to engage in active risk management strategies for a portion of its foreign currency risk exposure. Loss limits are in place, monitored daily and regularly reviewed by management.

Information on the Group's US dollar-denominated financial assets and liabilities and their Philippine peso equivalents are as follows:

	September 30, 2015		December 31, 2014	
	US Dollar	**Phil. Peso Equivalent**	US Dollar	Phil. Peso Equivalent
Assets				
Cash and cash equivalents	**260**	**12,172**	1,252	56,039
Trade and other receivables	**180**	**8,445**	172	7,709
Other assets	**44**	**2,078**	53	2,357
	484	**22,695**	1,477	66,105
Liabilities				
Short-term loans	**423**	**19,773**	776	34,713
Liabilities for crude oil and petroleum product importation	**383**	**17,900**	532	23,804
Long-term debts (including current maturities)	**1,027**	**48,000**	1,111	49,676
Other liabilities	**130**	**6,078**	712	31,869
	1,963	**91,751**	3,131	140,062
Net foreign currency - denominated monetary liabilities	**(1,479)**	**(69,056)**	(1,654)	(73,957)

The Group incurred net foreign currency losses amounting to P4,172 and P1,279 for the period ended September 30, 2015 and September 30, 2014, respectively, that were mainly countered by certain marked-to-market gains (losses) and hedging gains (losses) (Note 10). The foreign currency rates from Philippine peso (Php) to US dollar (US$) as of reporting dates are shown in the following table:

	Peso to US Dollar
September 30, 2015	**46.740**
December 31, 2014	44.720
September 30, 2014	44.875
December 31, 2013	44.395

The management of foreign currency risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various foreign currency exchange rate scenarios. Foreign currency exchange movements affect reported equity in the following ways:

- through the retained earnings arising from increases or decreases in unrealized and realized foreign currency gains or losses; and
- translation reserves arising from increases or decreases in foreign exchange gains or losses recognized directly as part of other comprehensive income.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of profit before tax and equity as of September 30, 2015 and December 31, 2014:

	P1 Decrease in the US Dollar Exchange Rate		**P1 Increase in the US Dollar Exchange Rate**	
September 30, 2015	**Effect on Income Before Income Tax**	**Effect on Equity**	**Effect on Income Before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P69)**	**(P239)**	**P69**	**P239**
Trade and other receivables	**(63)**	**(161)**	**63**	**161**
Other assets	**(31)**	**(35)**	**31**	**35**
	(163)	**(435)**	**163**	**435**
Short-term loans	**350**	**318**	**(350)**	**(318)**
Liabilities for crude oil and petroleum product importation	**185**	**328**	**(185)**	**(328)**
Long-term debts (including current maturities)	**960**	**739**	**(960)**	**(739)**
Other liabilities	**75**	**107**	**(75)**	**(107)**
	1,570	**1,492**	**(1,570)**	**(1,492)**
	P1,407	**P1,057**	**(P1,407)**	**(P1,057)**

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
December 31, 2014	Effect on Income Before Income Tax	Effect on Equity	Effect on Income Before Income Tax	Effect on Equity
Cash and cash equivalents	(P882)	(P988)	P882	P988
Trade and other receivables	(51)	(157)	51	157
Other assets	(32)	(43)	31	43
	(965)	(1,188)	965	1,188
Short-term loans	450	641	(450)	(641)
Liabilities for crude oil and petroleum product importation	297	443	(297)	(443)

Long-term debts (including current maturities)	1,025	803	(1,025)	(803)
Other liabilities	636	522	(636)	(522)
	2,408	2409	(2,408)	(2,409)
	P1,443	P1,221	(P1,443)	(P1,221)

Exposures to foreign currency rates vary during the year depending on the volume of foreign currency denominated transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates relates primarily to the Group's long-term borrowings and investment securities. Investments acquired or borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, investment securities or borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group manages its interest costs by using a combination of fixed and variable rate debt instruments. Management is responsible for monitoring the prevailing market-based interest rates and ensures that the marked-up rates levied on its borrowings are most favorable and benchmarked against the interest rates charged by other creditor banks.

On the other hand, the Group's investment policy is to maintain an adequate yield to match or reduce the net interest cost from its borrowings prior to deployment of funds to their intended use in the Group's operations and working capital management. However, the Group invests only in high-quality securities while maintaining the necessary diversification to avoid concentration risk.

In managing interest rate risk, the Group aims to reduce the impact of short-term volatility on the Group earnings. Over the longer term, however, permanent changes in interest rates would have an impact on profit or loss.

The management of interest rate risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various standard and non-standard interest rate scenarios. Interest rate movements affect reported equity through the retained earnings arising from increases or decreases in interest income or interest expense as well as fair value changes reported in profit or loss, if any.

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) and equity by P480 and P497 for the period ended September 30, 2015 and for the year ended December 31, 2014, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect.

Interest Rate Risk Table

As of September 30, 2015 and December 31, 2014, the terms and maturity profile of the interest-bearing financial instruments, together with its gross amounts, are shown in the following tables:

September 30, 2015	**<1 Year**	**1-<2 Years**	**2-<3 Years**	**3-<4 Years**	**4-<5 Years**	**>5 Years**	**Total**
Fixed Rate							
Philippine peso denominated	**P36**	**P36**	**P20,036**	**P678**	**P29**	**P2,677**	**P23,492**
Interest rate	**6.3% - 7.2%**	**6.3% - 7.2%**	**6.3% - 7.2%**	**6.3% - 7.2%**	**7.2%**	**7.2%**	

	<1 Year	1-<2 Years	2-<3 Years	3-<4 Years	4-<5 Years	>5 Years	Total
Floating Rate							
Malaysian ringgit denominated (expressed in PhP)	**349**	**1,050**	**1,050**	**701**		**-**	**3,150**
Interest rate	**1.5%+COF**	**1.5%+COF**	**1.5%+COF**	**1.5%+COF**	**1.5%+COF**		
US$ denominated (expressed in Php)	**134**	**10,016**	**13,688**	**13,688**	**7,345**	**-**	**44,871**
Interest rate*	**1, 3, 6 mos. Libor + margin**	**1, 3, 6 mos. Libor + margin**	**1, 3, 6 mos. Libor + margin**	**1, 3, 6 mos. Libor + margin**			
	P519	**P11,102**	**P34,774**	**P15,067**	**P7,374**	**P2,677**	**P71,513**

**The group reprices every 3 months but has been given an option to reprice every 1 or 6 months.*

December 31, 2014	<1 Year	1-<2 Years	2-<3 Years	3-<4 Years	4-<5 Years	>5 Years	Total
Fixed Rate							
Philippine peso denominated	P36	P36	P20,036	P678	P29	P2,677	P23,492
Interest rate	6.3% - 7.2%	6.3% - 7.2%	6.3% - 7.2%	6.3% - 7.2%%	6.3% - 7.2%	6.3% - 7.2%	
Floating Rate							
Malaysian ringgit denominated (expressed in PhP)	-	746	1,280	1,280	534	-	3,840
Interest rate		1.5%+COF	1.5%+COF	1.5%+COF	1.5%+COF		
US$ denominated (expressed in Php)	6,101	18,399	12,266	6,069	3,035	-	45,870
Interest rate*	1, 3, 6 mos. Libor + margin	1, 3, 6 mos. Libor + margin	1, 3, 6 mos. Libor + margin	1, 3, 6 mos. Libor + margin	1, 3, 6 mos. Libor + margin		
	P6,137	P19,181	P33,582	P8,027	P3,598	P2,677	P73,202

**The group reprices every 3 months but has been given an option to reprice every 1 or 6 months.*

Credit Risk

Credit Risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. In effectively managing credit risk, the Group regulates and extends credit only to qualified and credit-worthy customers and counterparties, consistent with established Group credit policies, guidelines and credit verification procedures. Requests for credit facilities from trade customers undergo stages of review by the Sales and Finance Divisions. Approvals, which are based on amounts of credit lines requested, are vested among line managers and top management that includes the President and the Chairman.

Generally, the maximum credit risk exposure of financial assets is the total carrying amount of the financial assets as shown on the face of the consolidated statements of financial position or in the notes to the consolidated financial statements, as summarized below:

	September 30, 2015	December 31, 2014
Cash in bank and cash equivalents (net of cash on hand)	**P16,837**	P87,906
Financial assets at FVPL	**147**	136
Derivative assets	**257**	334
Available-for-sale financial assets	**623**	881
Trade and other receivables - net	**35,970**	56,299
Due from related parties	**1,814**	1,747
Long-term receivables - net	**43**	43
Noncurrent deposits	**120**	90
	P55,811	P147,436

The credit risk for cash in bank and cash equivalents and derivative financial instruments is considered negligible, since the counterparties are reputable entities with high quality external credit ratings. The credit quality of these financial assets is considered to be high grade.

In monitoring trade receivables and credit lines, the Group maintains up-to-date records where daily sales and collection transactions of all customers are recorded in real-time and month-end statements of accounts are forwarded to customers as collection medium. Finance Division's Credit Department regularly reports to management trade receivables balances (monthly), past due accounts (weekly) and credit utilization efficiency (semi-annually).

Collaterals. To the extent practicable, the Group also requires collateral as security for a credit facility to mitigate credit risk in trade receivables. Among the collaterals held are letters of credit, bank guarantees, real estate mortgages, cash bonds and cash deposits valued at P4,276and P4,653 as September 30, 2015 and December 31, 2014, respectively. These securities may only be called on or applied upon default of customers.

Credit Risk Concentration. The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of trade and other receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous trade customers. The Group does not execute any guarantee in favor of any counterparty.

Credit Quality. In monitoring and controlling credit extended to counterparty, the Group adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the non-financial aspects include but are not limited to the assessment of the customer's nature of the business, management profile, industry background, payment habit and both present and potential business dealings with the Group.

Class A "High Grade" are accounts with strong financial capacity and business performance and with the lowest default risk.

Class B "Moderate Grade" refers to accounts of satisfactory financial capability and credit standing but with some elements of risks where certain measure of control is necessary in order to mitigate risk of default.

Class C "Low Grade" are accounts with high probability of delinquency and default.

Liquidity Risk
Liquidity risk pertains to the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group's objectives in managing its liquidity risk are as follows: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; c) to be able to access funding when needed at the least possible cost; and d) to maintain an adequate time spread of refinancing maturities.

The Group constantly monitors and manages its liquidity position, liquidity gaps or surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary. The Group also uses derivative instruments such as forwards and swaps to manage liquidity.

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted payments used for liquidity management as of September 30, 2015 and December 31, 2014:

September 30, 2015	**Carrying Amount**	**Contractual Cash Flow**	**1 Year or Less**	**>1 Year - 2 Years**	**>2 Years - 5 Years**	**Over 5 Years**
Financial Assets						
Cash and cash equivalents	**P18,537**	**P18,537**	**P18,537**	**P -**	**P -**	**P -**
Trade and other receivables - net	**35,970**	**35,970**	**35,970**	-	-	-
Due from related parties	**1,814**	**1,814**	-	**1,814**	-	-
Derivative assets	**257**	**257**	**257**	-	-	-
Financial assets at FVPL	**147**	**147**	**147**	-	-	-
AFS financial assets	**623**	**794**	**506**	**69**	**181**	**38**
Long-term receivables - net	**43**	**43**	-	**5**	**14**	**24**
Noncurrent deposits	**120**	**121**	-	**2**	**9**	**110**
Financial Liabilities						
Short-term loans	**100,021**	**100,667**	**100,667**	-	-	-
Liabilities for crude oil and petroleum product importation	**19,397**	**19,397**	**19,397**	-	-	-
Trade and other payables (excluding dividends payable, taxes payable and retirement benefits liability)	**11,156**	**11,156**	**11,156**	-	-	-
Derivative liabilities	**133**	**133**	**133**	-	-	-
Long-term debts (including current maturities)	**70,210**	**80,273**	**3,630**	**14,078**	**59,601**	**2,964**
Cash bonds	**476**	**477**	-	**468**	**3**	**6**
Cylinder deposits	**525**	**525**	-	-	-	**525**
Other noncurrent liabilities	**57**	**57**	-	-	-	**57**

December 31, 2014	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P90,602	P90,602	P90,602	P -	P -	P -
Trade and other receivables - net	56,299	56,299	56,299	-	-	-
Due from related parties	1,747	1,747	-	1,747	-	-
Derivative assets	334	334	334	-	-	-
Financial assets at FVPL	136	136	136	-	-	-
AFS financial assets	881	932	475	243	214	-
Long-term receivables - net	43	52	-	14	14	24
Noncurrent deposits	90	91	-	2	9	80
Financial Liabilities						
Short-term loans	133,388	134,232	134,232	-	-	-
Liabilities for crude oil and petroleum product importation	24,032	24,032	24,032	-	-	-
Trade and other payables (excluding dividends payable, taxes payable and retirement benefits liability)	36,807	36,807	36,807	-	-	-
Derivative liabilities	98	98	98	-	-	-
Long-term debts (including current maturities)	72,129	84,857	6,774	22,656	52,242	3,185
Cash bonds	870	873	-	864	3	6
Cylinder deposits	442	442	-	-	-	442
Other noncurrent liabilities	61	61	-	-	-	61

Commodity Price Risk
Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in market prices. The Group enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material cost and preserving margins. For consumer (buy) hedging transactions, if prices go down, hedge positions may show marked-to-market losses; however, any loss in the marked-to-market position is offset by the resulting lower physical raw material cost. While for producer (sell) hedges, if prices go down, hedge positions may show marked-to-market gains; however, any gain in the marked-to-market position is offset by the resulting lower selling price.

To minimize the Group's risk of potential losses due to volatility of international crude and product prices, the Group implemented commodity hedging for crude and petroleum products. The hedges are intended to protect crude inventories from downward price risk and margins of MOPS (Mean of Platts of Singapore)-based sales. Hedging policy (including the use of commodity price swaps, buying of put options, collars and 3-way options) developed by the Commodity Risk Management Committee is in place. Decisions are guided by the conditions set and approved by the Group's management.

Other Market Price Risk
The Group's market price risk arises from its investments carried at fair value [financial assets at fair value through profit or loss (FVPL) and available for sale (AFS) financial assets]. The Group manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

Capital Management
The Group's capital management policies and programs aim to provide an optimal capital structure that would ensure the Group's ability to continue as a going concern while at the same time provide adequate returns to the shareholders. As such, it considers the best trade-off between risks associated with debt financing and relatively higher cost of equity funds.

An enterprise resource planning system is used to monitor and forecast the Group's overall financial position. The Group regularly updates its near-term and long-term financial projections to consider the latest available market data in order to preserve the desired capital structure. The Group may adjust the amount of dividends paid to shareholders, issue new shares as well as increase or decrease assets and/or liabilities, depending on the prevailing internal and external business conditions.

The Group monitors capital via carrying amount of equity as stated in the consolidated statements of financial position. The Group's capital for the covered reporting period is summarized in the table below:

	September 30, 2015	December 31, 2014
Total assets	**P295,259**	P391,324
Total liabilities	**212,329**	277,632
Total equity	**82,930**	113,692
Debt to equity ratio	**2.6:1**	2.4:1

There were no changes in the Group's approach to capital management during the period.

10. Financial Assets and Financial Liabilities

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated as at FVPL, includes transaction costs.

The Group classifies its financial assets in the following categories: held-to-maturity (HTM) investments, AFS financial assets, financial assets at FVPL and loans and receivables. The Group classifies its financial liabilities as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

'Day 1' Profit. Where the transaction price in a non-active market is different from the fair value of the other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' profit) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where data used is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit amount.

Financial Assets

Financial Assets at FVPL. A financial asset is classified as at FVPL if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVPL if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Derivative instruments (including embedded derivatives), except those covered by hedge accounting relationships, are classified under this category.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

Financial assets may be designated by management at initial recognition as at FVPL, when any of the following criteria is met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on a different basis;
- the assets are part of a group of financial assets which are managed and their performances are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recognized.

The Group uses commodity price swaps to protect its margin on petroleum products from potential price volatility of international crude and product prices. It also enters into short-term forward currency contracts to hedge its currency exposure on crude oil importations. In addition, the Parent Company has identified and bifurcated embedded foreign currency derivatives from certain non-financial contracts.

Derivative instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently re-measured at fair value. Derivatives are presented in the consolidated statements of financial position as assets when the fair value is positive and as liabilities when the fair value is negative. Unrealized gains and losses from changes in fair value of forward currency contracts and embedded derivatives are recognized under the caption marked-to-market gains (losses) included as part of "Other income (expenses)" in the consolidated statements of income. Unrealized gains or losses from changes in fair value of commodity price swaps are recognized under the caption hedging gains - net included as part of "Other income (expenses)" in the consolidated statements of income. Realized gains or losses on the settlement of commodity price swaps are recognized under "Others" included as part of "Cost of goods sold" in the consolidated statements of income.

The fair values of freestanding and bifurcated forward currency transactions are calculated by reference to current exchange rates for contracts with similar maturity profiles. The fair values of commodity swaps are determined based on quotes obtained from counterparty banks.

The Group's financial assets at FVPL and derivative assets are included in this category.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method, less any impairment in value. Any interest earned on loans and receivables is recognized as part of "Interest income" in consolidated statements of income on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" in the consolidated statements of income. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired.

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

The Group's cash and cash equivalents, trade and other receivables, due from related parties, long-term receivables and noncurrent deposits are included in this category.

AFS Financial Assets. AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other financial asset categories. Subsequent to initial recognition, AFS financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS debt instruments, are recognized in other comprehensive income and presented in the consolidated statements of changes in equity. The effective yield component of AFS debt securities is reported as part of "Interest income" account in the consolidated statements of income. Dividends earned on holding AFS equity securities are recognized as "Dividend income" when the right to receive payment has been established. When individual AFS financial assets are either derecognized or impaired, the related accumulated unrealized gains or losses previously reported in equity are transferred to and recognized in profit or loss.

AFS financial assets also include unquoted equity instruments with fair values which cannot be reliably determined. These instruments are carried at cost less impairment in value, if any.

The Group's investments in equity and debt securities included under "AFS" account are classified under this category.

Financial Liabilities

Financial Liabilities at FVPL. Financial liabilities are classified under this category through the fair value option. Derivative instruments (including embedded derivatives) with negative fair values, except those covered by hedge accounting relationships, are also classified under this category.

The Group carries financial liabilities at FVPL using their fair values and reports fair value changes in the consolidated statements of income.

The Group's derivative liabilities are classified under this category.

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability.

The Group's liabilities arising from its short term loans, liabilities for crude oil and petroleum product importation, trade and other payables, long-term debt, cash bonds, cylinder deposits and other non-current liabilities are included in this category.

Debt Issue Costs

Debt issue costs are considered as directly attributable transaction cost upon initial measurement of the related debt and subsequently considered in the calculation of amortized cost using the effective interest method.

Embedded Derivatives

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group becomes a party to the contract.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized at FVPL. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- the right to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of the ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of Group's continuing involvement. In that case, the Group also recognizes the associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Impairment of Financial Assets

The Group assesses, at the reporting date, whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Assets Carried at Amortized Cost. For financial assets carried at amortized cost such as loans and receivables, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Group includes the asset as part of a group of financial assets with similar credit risk characteristics and collectively assesses the group for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective impairment assessment.

Evidence of impairment for specific impairment purposes may include indications that the borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. If a loan or receivable has a variable rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. For collective impairment purposes, impairment loss is computed based on their respective default and historical loss experience.

The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The impairment loss for the period is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

AFS Financial Assets. For equity instruments carried at fair value, the Group assesses, at each reporting date, whether objective evidence of impairment exists. Objective evidence of impairment includes a significant or prolonged decline in the fair value of an equity instrument below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' is evaluated against the period in which the fair value has been below its original cost. The Group generally regards fair value decline as being significant when decline exceeds 25%. A decline in a quoted market price that persists for 12 months is generally considered to be prolonged.

If an AFS financial asset is impaired, an amount comprising the difference between the cost (net of any principal payment and amortization) and its current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals of impairment losses in respect of equity instruments classified as AFS financial assets are not recognized in profit or loss. Reversals of impairment losses on debt instruments are recognized in profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

In the case of an unquoted equity instrument or of a derivative asset linked to and must be settled by delivery of an unquoted equity instrument for which its fair value cannot be reliably measured, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows from the asset discounted using its historical effective rate of return on the asset.

Classification of Financial Instruments between Debt and Equity

From the perspective of the issuer, a financial instrument is classified as debt instrument if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;

- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or

- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

The table below presents a comparison by category of carrying amounts and fair values of the Group's financial instruments as of September 30, 2015 and December 31, 2014:

	September 30, 2015		December 31, 2014	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial assets (FA):				
Cash and cash equivalents	**P18,537**	**P18,537**	P90,602	P90,602
Trade and other receivables - net	**35,970**	**35,970**	56,299	56,299
Due from related parties	**1,814**	**1,814**	1,747	1,747
Long-term receivables - net	**43**	**43**	43	43
Noncurrent deposits	**120**	**120**	90	90
Loans and receivables	**56,484**	**56,484**	148,781	148,781
AFS financial assets	**623**	**623**	881	881
Financial assets at FVPL	**147**	**147**	136	136
Derivative assets	**257**	**257**	334	334
FA at FVPL	**404**	**404**	470	470
Total financial assets	**P57,511**	**P57,511**	P150,132	P150,132

	September 30, 2015		December 31, 2014	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial liabilities (FL):				
Short-term loans	**P100,021**	**P100,021**	P133,388	P133,388
Liabilities for crude oil and petroleum product importation	**19,397**	**19,397**	24,032	24,032
Trade and other payables (excluding taxes payable and retirement benefits liability)	**11,156**	**11,156**	36,807	36,807
Long-term debt (including current portion)	**70,210**	**70,210**	72,129	72,129
Cash bonds	**476**	**476**	870	870
Cylinder deposits	**525**	**525**	442	442
Other noncurrent liabilities	**57**	**57**	38	38
FL at amortized cost	**201,842**	**201,842**	267,706	267,706
Derivative liabilities	**133**	**133**	98	98
Total financial liabilities	**P201,975**	**P201,975**	P267,804	P267,804

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Trade and Other Receivables, Due from Related Parties, Long-term Receivables and Noncurrent Deposits. The carrying amount of cash and cash equivalents and receivables approximates fair value primarily due to the relatively short-term maturities of these financial instruments. In the case of long-term receivables, the fair value is based on the present value of expected future cash flows using the applicable discount rates based on current market rates of identical or similar quoted instruments.

Short-term Loans, Liabilities for Crude Oil and Petroleum Product Importation and Trade and Other Payables. The carrying amount of short-term loans, liabilities for crude oil and petroleum product importation and trade and other payables approximates fair value primarily due to the relatively short-term maturities of these financial instruments.

Derivatives. The fair values of freestanding and bifurcated forward currency transactions are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Marked-to-market valuation in 2015 and 2014 of commodity hedges were based on the forecasted crude and product prices from external independent traders.

Financial Assets at FVPL and AFS Financial Assets. The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market. For debt instruments with no quoted market prices, a reasonable estimate of their fair values is calculated based on the expected cash flows from the instruments discounted using the applicable discount rates of comparable instruments quoted in active markets. Unquoted equity securities are carried at cost less impairment.

Long-term Debt - Floating Rate. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

Cash Bonds, Cylinder Deposits and Other Noncurrent Liabilities. Fair value is estimated as the present value of all future cash flows discounted using the market rates for similar types of instruments as of reporting date.

Derivative Financial Instruments

The Group's derivative financial instruments according to the type of financial risk being managed and the details of freestanding and embedded derivative financial instruments are discussed below.

The Group enters into various currency and commodity derivative contracts to manage its exposure on foreign currency and commodity price risk. The portfolio is a mixture of instruments including forwards, swaps and options. These include freestanding and embedded derivatives found in host contracts, which are not designated as accounting hedges. Changes in fair value of these instruments are recognized directly in profit or loss.

Freestanding Derivatives

Freestanding derivatives consist of commodity and currency derivatives entered into by the Group.

Currency Forwards

As of September 30, 2015 and December 31, 2014, the Group has outstanding foreign currency forward contracts with aggregate notional amount of US$1,358 and US$1,673 respectively and with various maturities in 2015. As of September 30, 2015 the net fair value of these currency forwards amounted to P124 while the December 31, 2014 figure is minimal.

Commodity Swaps
The Group has outstanding swap agreements covering its oil requirements, with various maturities in 2015. Under the agreements, payment is made either by the Group or its counterparty for the difference between the hedged fixed price and the relevant monthly average index price.

Total outstanding equivalent notional quantity covered by the commodity swaps were 11.9 and 6.6 million barrels as at September 30, 2015 and December 31, 2014, respectively. The estimated net pay-out for these transactions amounted to P307 as of September 30, 2015 and estimated net receipts of P1,420 as of December 31, 2014.

Embedded Derivatives
Embedded foreign currency derivatives exist in certain US dollar-denominated sales and purchases contracts for various fuel products of Petron. Under the sales and purchase contracts, the peso equivalent is determined using the average Philippine Dealing System rate on the month preceding the month of delivery.

As of September 30, 2015 the total outstanding notional amount of currency forwards embedded in non financial contracts amounted to US$11.2 million while the December 31, 2014 figure is minimal. These non-financial contracts consist mainly of foreign currency-denominated service contracts, purchase orders and sales agreements. The embedded forwards are not clearly and closely related to their respective host contracts. As of September 30, 2015, the net negative fair value of these embedded currency forwards amounted to P(16) while December 31, 2014 figure is minimal.

For the periods ended September 30, 2015 and December 31, 2014, the Group recognized marked-to-market gains from freestanding and embedded derivatives amounting to P1,536 and P733, respectively.

Fair Value Measurements
The Group measures a number of financial and non-financial assets and liabilities at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability assuming the market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For purposes of the fair value disclosure, the Group has determined classes of assets and liabilities on the basis of nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair Value Hierarchy
Financial assets and liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities.

The table below analyzes financial instruments carried at fair value by valuation method:

September 30, 2015	**Level 1**	**Level 2**	**Total**
Financial Assets:			
FVPL	**P147**	**P -**	**P147**
Derivative assets	**-**	**257**	**257**
AFS financial assets	**125**	**498**	**623**
Financial Liabilities:			
Derivative liabilities	**-**	**(133)**	**(133)**

December 31, 2014	Level 1	Level 2	Total
Financial Assets:			
FVPL	P136	P -	P136
Derivative assets	-	334	334
AFS financial assets	372	509	881
Financial Liabilities:			
Derivative liabilities	-	(98)	(98)

The Group has no financial instruments valued based on Level 3 as of September 30, 2015 and December 31, 2014. During the period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

11. Significant Transactions During the Period

a. On February 5, 2015, the Parent Company made an additional investment of P525 in MNHPI for common shares to be issued from the increase in authorized capital stock of MNHPI.

b. On February 6, 2015, the Parent Company paid distributions amounting to US$28.125 million (P1,770) to the holders of USCS.

c. On March 5, 2015, the Parent Company redeemed the 2010 preferred shares at their issue price of P100 per share.

d. On March 13, 2015, the Parent Company subscribed to an additional 9,354,136 common shares of PGL for US$1.00 per share or for a total consideration of US$9,354,136.

e. On April 13, 2015, the Parent Company subscribed to an additional 1,710,231 common shares of PGL for US$1.00 per share or for a total consideration of US$1,710,231.

f. On May 13, 2015, the Parent Company subscribed to an additional 1,067,462 common shares of PGL for US$1.00 per share or for a total consideration of US$1,067,462.

g. On July 29, 2015, the Parent Company drew US$550 million from a US$550 million refinancing facility which was signed and executed on July 20, 2015. The proceeds were used to pay in full the remaining outstanding balances of US$206 million and US$345 million under the US$480 million Term Loan Facility and the US$485 million Term Loan Facility, respectively.

h. On August 6, 2015, the Parent Company paid distributions amounting to US$28.125 million (P1,837) to the holders of USCS.

i. On September 29, 2015, the Parent Company made a partial prepayment of $65 million on the $475 million Term Loan Facility.

12. Basic and Diluted Earnings Per Share

Basic and diluted earnings per share amounts for the nine months ended September 30, 2015 and 2014 are computed as follows:

	2015	2014
Net income attributable to equity holders of the Parent Company	**P4,457**	P3,318
Dividends on preferred shares for the period	**646**	476
Distributions paid to the holders of USCS	**3,607**	3,580
Net income (loss) attributable to common shareholders of the Parent Company (a)	**P204**	(P738)
Weighted average number of common shares outstanding (in millions) (b)	**9,375**	9,375
Basic and diluted earnings (loss) per common share attributable to equity holders of the Parent Company (a/b)	**P0.02**	(P0.08)

As at September 30, 2015 and 2014, the Group has no dilutive debt or equity instruments.

13. Dividends

a. On March 17, 2015, the BOD approved cash dividends for common and series 2 preferred shareholders with the following details:

Type	Per share	Record date	Payment date
Common	P0.0500	April 1, 2015	April 16, 2015
Series 2A	15.7500	April 17, 2015	May 4, 2015
Series 2B	17.14575	April 17, 2015	May 4, 2015

Series 2A	15.7500	July 20, 2015	August 3, 2015
Series 2B	17.14575	July 20, 2015	August 3, 2015

b. On August 10, 2015, the BOD approved cash dividends for the Series 2 preferred shareholders as follows:

Type	Per share	Record date	Payment date
Series 2A	15.7500	October 16, 2015	November 3, 2015
Series 2B	17.14575	October 16, 2015	November 3, 2015
Series 2A	15.7500	January 18, 2016	February 3, 2016
Series 2B	17.14575	January 18, 2016	February 3, 2016

14. Commitments and Contingencies

Supply and Lease Agreements

The Parent Company assigned all its rights and obligations to Petron Singapore Trading Pte. Ltd. (as Assignee) to have a term contract to purchase the Parent Company's crude oil requirements from Saudi Arabian American Oil Company ("Saudi Aramco"), based on the latter's standard Far East selling prices. The contract is for a period of one year from November 1, 2013 to December 31, 2014 with automatic one-year extensions thereafter unless terminated at the option of either party, within 60 days' written notice. Outstanding liabilities of the Parent Company for such purchases are shown as part of "Liabilities for Crude Oil and Petroleum Product Importation" account in the consolidated statements of financial position as of September 30, 2015 and December 31, 2014.

On September 30, 2009, New Ventures Realty Corporation (NVRC) entered into a 30-year lease with Philippine National Oil Company (PNOC) without rent-free period, covering a property which is being used as site for its refinery, commencing January 1, 2010 and ending on December 31, 2039. Based on the latest re-appraisal made, the annual rental shall be P138, starting 2012, payable on the 15th day of January each year without the necessity of demand. This non-cancelable lease is subject to renewal options and annual escalation clauses of 3% per annum to be applied starting 2013 until the next re-appraisal is conducted. The leased premises shall be reappraised in 2017 and every fifth year thereafter in which the new rental rate shall be determined equivalent to 5% of the reappraised value, and still subject to annual escalation clause of 3% for the four years following the re-appraisal. Prior to this agreement, Petron had an outstanding lease agreement on the same property from PNOC. Also, as of September 30, 2015, Petron leases other parcels of land from PNOC for its bulk plants and service stations.

Unused Letters of Credit and Outstanding Standby Letters of Credit

Petron has unused letters of credit totaling approximately P21,100 and P31,396 as of September 30, 2015 and December 31, 2014, respectively.

Tax Credit Certificates-Related Matters

In 1998, the Bureau of Internal Revenue (BIR) issued a deficiency excise tax assessment against Petron relating to Petron's use of P659 of Tax Credit Certificate ("TCCs") to pay certain excise tax obligations from 1993 to 1997. The TCCs were transferred to Petron by suppliers as payment for fuel purchases. Petron contested the BIR's assessment before the Court of Tax Appeals (CTA). In July 1999, the CTA ruled that as a fuel supplier of BOI-registered companies, Petron was a qualified transferee of the TCCs and that the collection of the BIR of the alleged deficiency excise taxes was contrary to law. On March 21, 2012, the Court of Appeals promulgated a decision in favor of Petron and against the BIR affirming the ruling of the CTA striking down the assessment issued by the BIR to Petron. On

April 19, 2012, a motion for reconsideration was filed by the BIR, which was denied by the Court of Appeals in its resolution dated October 10, 2012. The BIR elevated the case to the Supreme Court through a petition for review on *certiorari* dated December 5, 2012. On June 17, 2013, Petron filed its comment on the petition for review filed by the BIR. The petition was still pending as of September 30, 2015.

Pandacan Terminal Operations

In November 2001, the City of Manila enacted Ordinance No. 8027 (Ordinance 8027) reclassifying the areas occupied by the oil terminals of the Company, Pilipinas Shell Petroleum Corporation (Shell) and Chevron Philippines Inc. (Chevron) from industrial to commercial. This reclassification made the operation of the oil terminals in Pandacan, Manila illegal. In December 2002, the Social Justice Society (SJS) filed a petition with the Supreme Court against the Mayor of Manila asking that the latter be ordered to enforce Ordinance 8027. In April 2003, the Company filed a petition with the Regional Trial Court (RTC) to annul Ordinance 8027 and enjoin its implementation. On the basis of a *status quo* order issued by the RTC, Mayor of Manila ceased implementation of Ordinance 8027.

The City of Manila subsequently issued the Comprehensive Land Use Plan and Zoning Ordinance (Ordinance 8119), which applied to the entire City of Manila. Ordinance 8119 allowed the Company (and other non-conforming establishments) a seven-year grace period to vacate. As a result of the passage of Ordinance 8119, which was thought to effectively repeal Ordinance 8027, in April 2007, the RTC dismissed the petition filed by the Company questioning Ordinance 8027.

However, on March 7, 2007, in the case filed by SJS, the Supreme Court rendered a decision (March 7 Decision) directing the Mayor of Manila to immediately enforce Ordinance 8027. On March 12, 2007, the Company, together with Shell and Chevron, filed motions with the Supreme Court seeking intervention and reconsideration of the March 7 Decision. In the same year, the Company also filed a petition before the RTC of Manila praying for the nullification of Ordinance 8119 on the grounds that the reclassification of the oil terminals was arbitrary, oppressive and confiscatory, and thus unconstitutional, and that the said Ordinance contravened the provisions of the Water Code of the Philippines (Presidential Decree No. 1067, the Water Code). On February 13, 2008, the Company, Shell and Chevron were allowed by the Supreme Court to intervene in the case filed by SJS but their motions for reconsideration were denied. The Supreme Court declared Ordinance 8027 valid and dissolved all existing injunctions against the implementation of the Ordinance 8027.

In May 2009, Manila City Mayor Alfredo Lim approved Ordinance No. 8187 (Ordinance 8187), which amended Ordinance 8027 and Ordinance 8119 and permitted the continued operations of the oil terminals in Pandacan.

On August 24, 2012 (August 4 Decision), the RTC of Manila ruled that Section 23 of Ordinance 8119 relating to the reclassification of subject oil terminals had already been repealed by Ordinance 8187; hence any issue pertaining thereto had become moot and academic. The RTC of Manila also declared Section 55 of Ordinance 8119 null and void for being in conflict with the Water Code. Nonetheless, the RTC upheld the validity of all other provisions of Ordinance 8119. On September 25, 2012, the Company sought clarification and partial consideration of the August 24 decision and prayed for the nullification of the entire Ordinance 8119. In an Order dated December 18, 2012, the RTC of Manila denied the motion filed by the Company. The Company filed with the RTC a Notice of Appeal to the Court of Appeals on January 23, 2013. The parties have filed their respective briefs. As of September 30, 2015, the appeal remained pending.

As regard to Ordinance 8187, petitions were filed before the Supreme Court, seeking for its nullification and the enjoinment of its implementation. The Company filed a manifestation on

November 30, 2010 informing the Supreme Court that, without prejudice to its position in the cases, it had decided to cease operation of its petroleum product storage facilities in Pandacan within 5 years or not later than January 2016 due to the many unfounded environmental issues being raised that tarnish the image of the Company and the various amendments being made to the zoning ordinances of the City of Manila when the composition of the local government changes that prevented the Company from making long-term plans. In a letter dated July 6, 2012 (with copies to the offices of the Vice Mayor and the City Council of Manila), the Company reiterated its commitment to cease the operation of its petroleum product storage facilities and transfer them to another location by January 2016.

On November 25, 2014, the Supreme Court issued a Decision (November 25 Decision) declaring Ordinance 8187 unconstitutional and invalid with respect to the continued stay of the oil terminals in Pandacan. The Company, Shell and Chevron were given 45 days from receipt of the November 25 Decision to submit a comprehensive plan and relocation schedule to the RTC of Manila. Acting on a motion for reconsideration filed by Shell, a Motion for Clarification filed by Chevron, and a Manifestation filed by the Company, on March 10, 2015, the Supreme Court denied Shell's motion with finality and clarified that relocation and transfer necessarily include removal of the facilities in the Pandacan terminals and should be part of the required comprehensive plan and relocation schedule.

On May 14, 2015, the Company filed its submission in compliance with the November 25 Decision.

Oil Spill Incident in Guimaras
On August 11, 2006, MT Solar I, a third party vessel contracted by the Parent Company to transport approximately two million liters of industrial fuel oil, sank 13 nautical miles southwest of Guimaras, an island province in the Western Visayas region of the Philippines. In separate investigations by the Philippine Department of Justice (DOJ) and the Special Board of Marine Inquiry (SBMI), both agencies found the owners of MT Solar I liable. The DOJ found the Company not criminally liable, but the SBMI found the Company to have overloaded the vessel. The Company has appealed the findings of the SBMI to the Philippine Department of Transportation and Communication (DOTC) and is awaiting its resolution. The Company believes that SBMI can impose administrative penalties on vessel owners and crew, but has no authority to penalize other parties, such as the Company, which are charterers.

In 2009, complaints for violation of the Philippine Clean Water Act of 2004 (Republic Act No. 9275, the Clean Water Act) and homicide and less serious physical injuries were filed against the Company. Complainants claim that their exposure to and close contact with waters along the shoreline and mangroves affected by the oil spill has caused them major health problems. On February 13, 2012, an Information was filed against the owner and the Captain of MT Solar 1 and Messrs. Khalid Al-Faddagh and Nicasio Alcantara, former President and Chairman of the Company, respectively, for violation of the Clean Water Act. On March 28, 2012, the court dismissed the information for lack of probable cause and for lack of jurisdiction over the offense charged. A motion for reconsideration filed by the Provincial Prosecutor and the private prosecutor of this March 28 Order was denied on August 13, 2012.

Other complaints for non-payment of compensation for the clean-up operations during the oil spill were filed by a total of 1,063 plaintiffs who allegedly did not receive any payment of their claims for damages arising from the oil spill. The total claims for both cases amount to P292,000. Both cases were pending as of September 30, 2015.

15. Events After the Reporting Period

a. On October 13, 2015, the Parent Company drew PHP5 billion from a PHP5 billion term loan which was signed and executed on October 7, 2015.

b. On November 11, 2015, the Parent Company completed the syndication of its US$550 million five-year term loan facility with 29 banks.

16. Other Matters

a. There were no seasonal aspects that had a material effect on the financial position or financial performance of the Group.

b. There were no material off-statements of financial position items, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period, except for the notional values of outstanding derivative transactions entered by the Group as of and for the period ended September 30, 2015.

c. Known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity:

   Gross Domestic Product (GDP)

   GDP grew year-on-year by 5.6% in 2Q 2015, an improvement from the 5.0% in 1Q 2015, but lower than the 6.7% in 2Q 2014.

   The improvement in GDP is attributed to the progress in both public and private sectors. Government expenditure on public construction, most especially on transportation network, prudent fiscal management and good governance, as well as robust household consumption, private construction, remittances, and export and import services, including the BPO sector, all contributed to the said growth. In 2Q 2015, relative to other Asian countries, the Philippines was the third fastest growing economy in the region, next to China and Vietnam.

   91-Day Treasury-Bill (T-bill) Rate

   91-day T-Bill rates averaged 1.86% in 3Q 2015, lower compared to 1.95% in 2Q 2015, but higher than 1.26% in 3Q 2014. This brings the YTD rate of 91-day T-Bills to 1.80% vs. 1.19% in the same period last year. T-Bill rates are expected to go up due to a foreseen US Federal Reserve interest hike.

   Peso-Dollar Exchange Rate

   The peso weakened by 3.02% to average Php46.04/US$ in Q3 2015, from Php44.69/US$ in Q2 2015, and by 5.14% from Php43.79/US$ in Q3 2014. The exchange rate reached Php46 levels in mid-August, bringing the YTD average to Php45.05

   The decision of People's Bank of China, the China's central bank, to devaluate its currency caused financial tremor overseas, dragging down other currencies in the region. However, the Philippine Peso is expected to appreciate and stay firm in 4Q as a result of steady stream of US$ income brought by OFW remittances for the holiday season.

Inflation

The rate of increase in prices of commodities and services continued to decelerate in Q3 2015, slowing down to 0.6% from the rates 1.67% in Q2 2015 and 4.38% in Q3 2014. The low inflation rate for 3Q 2015 brought YTD average inflation to 1.57%.

September's inflation of 0.4% is the lowest since April 1987. Year-on-year, the cost of housing, water and electricity, other fuels and transport fell, while lower price increase in other commodities such as food and non-alcoholic beverages, clothing, and health was observed.

Dubai price (Dubai)

Dubai prices averaged US$49.74/bbl in 3Q 2015, lower than the US$61.30/bbl in 2Q 2015. Reaching prices lower than US$45/bbl in August and September, Dubai's YTD average of US$54.31/bbl is a 47.78% plunge from US$104.01/bbl in the same period last year.

Prices dropped as the oil supply glut persisted with OPEC producing at more than its quota of 30 million barrels per day, to protect its market share. The surplus is expected to persist until end of the year but will tighten by 2016. Low prices have resulted in reduced capital spending by oil producers which will impact on supply growth next year.

Industry Oil Demand

Continued low price environment in 3Q expected to be supportive of demand growth. Oil demand in 4Q 2015 will continue to be robust with increased vehicle sales, favorable business environment, supported by the anticipated influx of OFW remittances for the holiday season. YTD-September automotive sales recorded 206,284 units, 21.54% more than the sales in the same period last year.

Illegal trading practices. Cases of smuggling and illegal trading (e.g. "bote-bote" retailing, illegal refilling) continue to be a concern. These illegal practices have resulted in unfair competition among players.

Existing or Probable Government Regulation

EO 890: Removing Import Duties on All Crude and Refined Petroleum Products. After the ASEAN Trade in Goods Agreement (ATIGA) was implemented starting 2010, tariff rate structure in the oil industry was distorted with crude and product imports from ASEAN countries enjoying zero tariff while crude and product imports from outside the ASEAN are levied 3%. To level the playing field, Petron filed a petition with the Tariff Commission to apply the same tariff duty on crude and petroleum product imports, regardless of source. In June 2010, the government approved Petron's petition and issued Executive Order 890 which eliminates import duties on all crude and petroleum products regardless of source. The reduction of duties took effect on July 4, 2010.

Biofuels Act of 2006. The Biofuels Act of 2006 mandates that ethanol comprise 5% of total gasoline volumes, and diesel contain 2% CME (cocomethyl ester) within two years of the effectivity of the Act. Within four years of the effectivity of the Act, all gasoline grades should contain 10% ethanol. However, the Department of Energy (DOE) in its department circular DC 2011-02-0001, extended an exemption to regular gasoline with RON 81 and RON 87 and gasoline with above 97 RON from the mandated ethanol content. The Act also mandated a review of the feasibility of further increasing CME content for Diesel.

To produce compliant fuels, the Company invested in CME (coco methyl esther) injection systems at the refinery and depots. Prior to the mandatory blending of ethanol into gasoline by 2009, the Company already started selling ethanol blended gasoline in selected service stations in Metro Manila in May 2008.

Currently, the increase in CME content to 5% for diesel and the continued exemption of 97 RON from ethanol content are being evaluated. Meanwhile, regular gasoline's RON specification was upgraded to minimum 91RON based on DOE's DC2013-09-0021, effectively removing the exemption of regular gasoline from the ethanol content mandate.

Laws on Oil Pollution. To address issues on marine pollution and oil spillage, the MARINA mandated the use of double-hull vessels for transporting black products beginning end-2008 and by January 2012 for white products.

Petron is already using double-hull vessels in transporting all products.

Clean Air Act. The Clean Air Act mandated standards on emissions of stationary and mobile sources and fuel sulfur specifications that will enable meeting the emission standards. Petron invested in a Gasoil Hydrotreater Plant and in an Isomerization Plant to enable it to produce diesel and gasoline compliant with the standards set by law.

Liquefied Petroleum Gas (LPG) Bill. This bill, currently pending in Congress, aims to ensure safe practices and quality standards and mitigate unfair competition in the LPG sector. All participants in the LPG business (e.g., refillers, cylinder seal suppliers, cylinder requalifiers, repairers, scrapping centers etc.) must obtain a license/accreditation/certification from appropriate government agencies (e.g., DOE, Department of Trade and Industry etc.) before they operate. The proposed bill also imposes penalties on underfilling, underdelivering, illegal refilling and storage, sale or distribution of LPG-filled cylinders without seals, illegal possession of LPG cylinder seal, hoarding, and importation of used or second-hand LPG cylinders, refusal of inspection, and non-compliance to standards.

Similarly related to safety and standards in the LPG industry, the DOE issued Department Circular 2014-01-0001 directed at ensuring safe and lawful practices by all LPG industry participants as evidenced by Standards Compliance Certificates and imposing penalties for, among others, underfilling, illegal refilling and adulteration.

Inclusion of LPG and kerosene in Price Act. An amendment to the Price Act is proposed to include LPG and kerosene to the list of basic necessities which are under strict monitoring by the government. Prices of these goods can be subject to price control or price ceiling in the event of emergencies, calamities, war, rebellion, etc.

Compliance with Euro 4 standards. The Department of Environment and Natural Resources (DENR) issued on September 2010 an administrative order (AO 2010-23) mandating that by 2016, all new motor vehicles that will be introduced in the market shall comply with Euro 4 emission limits subject to Euro 4 fuel availability. This March 2015, the DENR through Administrative Order 2015-04 encouraged the earlier availability of Euro 4 fuels by July 1, 2015. The oil industry is currently readying its facilities to comply with the DENR mandate. Petron's refinery upgrade, which was mechanically completed last year, allows the company to locally-produce Euro 4-compliant fuels.

PETRON CORPORATION AND SUBSIDIARIES
TRADE AND OTHER RECEIVABLES
As of September 30, 2015
(Amounts in Million Pesos)

Breakdown:

Accounts Receivable – Trade	**P16,523**
Accounts Receivable – Non-Trade	19,447
Total Accounts Receivable	**P35,970**

AGING OF TRADE ACCOUNTS RECEIVABLES

Receivables	1 – 30 days	P15,511
	31 – 60 days	13
	61 – 90 days	59
	Over 90 days	1,803
Total		**17,386**
Allowance for doubtful accounts		863
Accounts Receivable – Trade		**P16,523**

Interim Financial Report as of September 30, 2015

Management's Discussion and Analysis of Financial Position and Financial Performance

Financial Performance

2015 vs 2014

Petron Corporation posted a consolidated net income of **₱ 5.07 billion** during the first nine months of 2015, 58% higher compared to the ₱ 3.20 billion earnings reported during the same period in 2014. This was driven mainly by the surge in sales volume and improved margins brought about by a more stable pricing environment. The resulting better margin, however, was reduced by the increase in operating expenses and the recognition of marked-to-market losses on outstanding commodity hedges versus gain in 2014.

			Variance- Fav (Unfav)	
(In Million Pesos)	**2015**	**2014**	**Amt**	**%**
Sales	**278,295**	**379,540**	**(101,245)**	**(27)**
Cost of Goods Sold	**255,039**	**363,875**	**108,836**	**30**
Gross Margin	**23,256**	**15,665**	**7,591**	**48**
Selling and Administrative Expenses	**9,594**	**8,517**	**(1,077)**	**(13)**
Non-operating Charges	**6,663**	**3,116**	**(3,547)**	**(high)**
Net Income	**5,068**	**3,202**	**1,866**	**58**
EBITDA	**16,281**	**12,233**	**4,048**	**33**
Sales Volume (MB)	**73,646**	**64,656**	**8,990**	**14**
Earnings (Loss) per Share	**0.02**	**(0.08)**	**0.10**	**high**
Return on Sales (%)	**1.8**	**0.8**	**1.0**	**high**

Earnings before interest, taxes, depreciation and amortization (EBITDA) of **₱ 16.28 billion** surpassed the ₱ 12.23 billion level recorded a year ago. Similarly, the **₱ 0.02 earnings per share** in 2015 was a recovery from the (₱ 0.08) loss per share realized in 2014. **Return on sales** also went up to **1.8%** from 0.8% last year.

The highlights of the first three quarter performance were as follows:

- **Consolidated Sales volume** surged by 14% to **73.6 million barrels (MMB)** from previous year's 64.7 MMB. In the Philippines, total sales reached 46.6 MMB, 22% ahead from last year as the company continued to benefit from its service station expansion program boosted by the increased in sales transactions with supply accounts and exports market. LPG business also grew by 21% or 0.7 MMB. Sales volume improvement was toned down by the strategic exit in the fuel oil business. In Malaysia, volume grew in key segments such as Industrial, Exports, LPG and, Gasoline Retail.

- **Net sales** dropped by 27% or ₱ 101.25 billion to ₱ 278.30 billion prompted by the drop in selling prices as regional market prices of finished products fell along with the weakening of global crude oil prices. During the three quarters, reference crude Dubai of the Philippines averaged at US$54.31/bbl, about half of the US$104.01/bbl average during same period in 2014. Similarly, Brent, the benchmark crude for Malaysia dropped at the same rate from

US$106.57/bbl average to US$55.38. The revenue impact of the decline in selling prices, however, was tempered by the 14% increase in sales volume.

- Similarly, **Cost of Goods Sold (CGS)** fell by 30% to **₱ 255.04 billion** from last year's ₱ 363.88 billion, also attributed to the cheaper cost of crude and imported products that formed part of CGS, partly offset by the cost of incremental sales volume.

- Meanwhile, **Selling and Administrative Expenses (OPEX)** of **₱ 9.59 billion** exceeded the ₱ 8.52 billion incurred in 2014 due to the recognition of retirement expense, terminal fee resulting from the move-out of Pandacan operations to other location and additional LPG cylinder purchases.

- **Net Financing Costs and Other Charges** significantly increased to **₱ 6.66 billion** from ₱ 3.12 billion a year ago mainly due to marked-to-market losses on outstanding commodity hedge positions during the period (vs. MTM gain in 2014), coupled by the increase in cost of currency swap hedges and higher interest expense on higher average loan level.

2014 vs 2013

During the nine-month period, Petron Corporation earned a consolidated net income of **₱ 3.20 billion**, lower by ₱ 1.15 billion or 26% vis-à-vis last year's ₱ 4.35 billion due to depressed margins experienced in the third quarter of 2014. This emanated from the sharp decline of the reference crude Dubai from a high of US$109.2/bbl on July 1 to US$94/bbl on September 29 due to the ample crude oil supply amid weak demand globally. Similarly, regional reference prices for products significantly dropped which triggered the company to implement price rollbacks amid high-priced inventories.

			Variance- Fav (Unfav)	
(In Million Pesos)	**2014**	**2013**	**Amt**	**%**
Sales	**379,540**	**335,933**	**43,607**	**13**
Cost of Goods Sold	**363,875**	**318,428**	**(45,447)**	**(14)**
Gross Margin	**15,665**	**17,505**	**(1,840)**	**(11)**
Selling and Administrative Expenses	**8,517**	**7,990**	**(527)**	**(7)**
Non-operating Charges	**3,116**	**3,672**	**556**	**15**
Net Income	**3,202**	**4,352**	**(1,150)**	**(26)**
EBITDA	**12,233**	**14,175**	**(1,942)**	**(14)**
Sales Volume (MB)	**64,656**	**60,240**	**4,416**	**7**
Earnings (Loss) per Share	**(0.08)**	**0.19**	**(0.27)**	**(High)**
Return on Sales (%)	**0.8**	**1.3**	**(0.5)**	**(38)**

Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to **₱ 12.23 billion** and stood 14% below last year's ₱ 14.18 billion level owing to a weaker operating income.

L**oss per share** of **₱ 0.08** was realized during the period vis-à-vis 2013's earnings per share of ₱ 0.19 while **return on sales** was reduced from 1.3% to **0.8%**.

Gross margin (GM) plunged by 11% (or ₱ 1.84 billion) to **₱ 15.67 billion** from ₱ 17.51 billion a year earlier. The following accounted for the variances:

- **Sales volume** for the first three quarters of 2014 reached **64.66 million barrels (MMB)**, higher by 7% or 4.42 MMB from prior year's 60.24 MMB due to robust demand from the power generation sector, growth in retail sales from the 2,700+ service stations in the Philippines and in Malaysia, and from higher demand of Jet fuel by aviation accounts in Malaysia.

- **Net sales revenue** rose by 13% from ₱ 335.93 billion to **₱ 379.54 billion** driven by the combined effect of higher sales volume and price. The increase in selling price was traced to the depreciation of Philippine Peso (PHP) against the US Dollar (USD) from an average of ₱ 42.07 in 2013 to ₱ 44.26 this year.

- **Cost of Goods Sold (CGS)** surged by 14% to **₱ 363.88 billion** from last year's ₱ 318.43 billion similarly due to the incremental volume sold and higher average cost per liter (2014: ₱ 35.40 vs. 2013: ₱ 33.25). Higher cost was also triggered by the weakening of the PHP versus the USD partly tempered by cheaper FOB of crude that went into CGS.

- **Refinery Expenses including Refinery Fuel** in the Philippines which formed part of the total CGS amounted to **₱ 8.13 billion**, 3% or ₱ 0.29 billion less than the ₱ 8.42 billion incurred last year. The decline emanated largely from lower maintenance and repairs due to longer turnaround period of various process units and replacement of defective hoses in 2013.

- **Selling and Administrative Expenses (OPEX) climbed to ₱ 8.52 billion from the ₱ 7.99 billion expenditure a year ago traced to rent and depreciation of additional service stations, escalated insurance premium on dollar-denominated Industrial All Risk policy, and increase in advertising and technical support cost for Petron Malaysia (PM). OPEX per liter of volume sold remained at P 0.83.**

- **Net Financing Costs and Other Income decreased by 15% to ₱ 3.12 billion from previous year's ₱ 3.67 billion. The reduction came from lower net translation losses, higher capitalized interest, and unrealized commodity hedging gain partly offset by the absence of gain on sale of Petron MegaPlaza in 2013, higher hedging cost and lower interest income on advances to an affiliate.**

Financial Position

2015 vs 2014

Petron's consolidated assets as of September 30, 2015 stood at **₱ 295.26 billion,** 25% or ₱ 96.07 billion lower than end-December 2014 level of ₱ 391.32 billion primarily due to the decreases in cash and cash equivalents, trade and other receivables and inventories.

Cash and cash equivalents was reduced by 80% (₱ 72.07 billion) to **₱ 18.54 billion** traced to the payments to vendors and of matured loans, redemption of preferred shares issued by the parent company and a subsidiary, and disbursement for interest expense, distributions and dividends.

As the market value of outstanding commodity hedges fell, **financial assets at fair value through profit or loss** went down by 14% from ₱ 470 million to **₱ 404 million**.

Trade and other receivables - net dropped to **₱ 35.97 billion** or by 36% from end December 2014 level of ₱ 56.30 billion due mainly to the collection of value-added tax (VAT) claims, collection of refund from crude supplier and lower receivables from Industrial customers resulting from lower average selling price.

Inventories totaled **₱ 35.82 billion**, 33% or ₱ 17.37 billion less than the ₱ 53.18 billion reported at the close of 2014 attributed to lower volume and price of crude and finished products.

Other current assets increased from ₱ 18.05 billion to **₱ 28.73 billion** on account of the unutilized VAT credit certificates of Petron Philippines (PP).

Available-for-sale financial assets (current and non-current) amounted to **₱ 623 million,** 29% lower than the ₱ 881 million balance in December 2014 brought about by the maturity of government securities which were temporarily placed in short-term investments.

Investment in an associate increased to **₱ 1.79 billion** or by 54% **(**₱ 626 million) with the additional investment to the Company's lone associate Manila North Harbour Port, Inc. (MNHPI) and the share in its net income.

The unutilized Net Operating Loss Carry-Over (NOLCO) of a subsidiary was written-off during the period and largely contributed to the 22% or ₱ 54 million decline in **deferred tax assets** from ₱ 242 million to **₱ 188 million**.

Goodwill decreased to **₱ 7.39 billion** from ₱ 8.92 billion as the Malaysian Ringgit (MYR) continued to weaken both against the US Dollar (USD) and Philippine Peso.

Other noncurrent assets - net closed at **₱ 6.45 billion**, 17% or ₱ 1.30 billion below the December 2014 balance of ₱ 7.76 billion prompted by the amortization of PP's catalysts coupled by the amortization of Petron Malaysia's (PM) prepaid rent on service stations.

Short-term loans and liabilities for crude oil and petroleum product importation dropped by 24% (₱ 38.00 billion) to **₱ 119.42 billion** with the payment of matured loans, as well as the decline both in the volume and price of crude and finished product importations.

Trade and other payables went down by 67% or ₱ 26.16 billion to **₱ 12.98 billion** prompted by the payments made to the Company's various contractors and suppliers.

Derivative liabilities climbed to **₱ 133 million** from the ₱ 98 million level in December 2014 triggered by higher marked-to-market loss on outstanding commodity hedges and transactions with embedded derivatives.

Income tax payable registered a significant increase from ₱ 73 million to **₱ 442 million** essentially due to PM's favorable performance during the period.

Retirement benefits liability of **₱ 2.41 billion** grew by 6% due to accrual of pension costs.

Deferred tax liabilities rose to **₱ 3.97 billion** from ₱ 3.47 billion largely on account of PP's timing differences arising from capitalized pre-commissioning expenses.

Other noncurrent liabilities were down by ₱ 315 million or 23% to end at **₱ 1.06 billion** with the application of customer's cash bond to settle its outstanding trade payable to the Parent Company.

The negative balance of **other reserves** further increased to **₱ 6.24 billion** from end-2014's level of ₱ 2.15 billion due to the cumulative foreign exchange translation loss on equity in foreign subsidiaries.

In March 2015, the company redeemed its preferred shares issued in 2010, which resulted in the recognition of Treasury Stock of **₱ 10.00 billion**.

The redemption of preferred shares issued by a subsidiary, compounded by the minority's share in translation loss on equity of foreign subsidiary resulted to the ₱ 48 million negative balance of **Non-controlling interests,** a turnaround from the ₱ 16.36 billion level as of end of December 2014.

2014 vs 2013

Petron's consolidated assets as of September 30, 2014 climbed further by **3% (₱ 9.42 billion) to ₱ 366.88 billion**, from end-December 2013 level of ₱ 357.46 billion brought about by the increases in Property, plant and equipment, inventories and other current assets tempered by the drop in other non-current assets.

Financial assets at fair value through profit or loss grew by 88% (₱ 688 million) to **₱ 1.47 billion,** stemmed from higher marked-to-market value of outstanding foreign currency forwards.

Inventories surged by 8% from ₱ 51.72 billion to **₱ 55.79 billion** essentially on account of higher volume of crude for PM and finished product for both PP and PM.

Other current assets of **₱ 16.89 billion** exceeded the ₱ 12.93 billion level in December 2013 by 31% traced to PP's additional excess input VAT on imported raw materials and various prepayments such as taxes, insurance and rent.

Property, plant and equipment - net of accumulated depreciation, swelled 7% from ₱ 141.65 billion to **₱ 151.90 billion** mainly due to PP's on-going construction of the Refinery Master Plan-2 (RMP-2) and network expansion program as well as the refurbishment and rebranding of service stations in Malaysia.

Investment in associates reached **₱ 952 million** after considering the ₱ 67 million share in the net income of Manila North Harbour Port, Inc. (MNHPI).

Deferred tax assets went up by 28% (₱ 45 million) to **₱ 207 million** owing to the temporary differences of PM.

Other noncurrent assets-net dropped 45% from ₱ 20.85 billion in December 2013 to **₱ 11.44 billion** in September 2014 owing to the partial collection of advances to PCERP.

Derivative liabilities of ₱ 8 million registered a remarkable 95% dip from the ₱ 152 million level as at end of 2013 attributed to lower loss on outstanding transactions with embedded derivatives.

Short-term loans and liabilities for crude oil and petroleum product importation posted 5% hike to close at **₱ 145.90** billion in September 2014 brought about by higher borrowing level of both PP and PSTPL.

Long-term debt inclusive of current portion escalated by 9% (₱ 6.27 billion) essentially on account of the newly availed loan of PM and PP.

Income tax payable declined by 42% from ₱ 194 million to **₱ 113 million,** principally on account of lower taxes payable of Petron Malaysia.

Retirement benefits liability rose by P38 million due to higher pension expense of PM.

Deferred tax liabilities-net climbed by ₱ 479 million (10%) to **₱ 5.08 billion** largely attributed to PP's unrealized gains and additional capitalized interest partly offset by the provision from the resulting net operating loss and payment of minimum corporate income tax.

Other noncurrent liabilities significantly dropped to **₱ 1.02 billion** from ₱ 4.54 billion in December 2013 due to the reclassification of the maturing retention payable to trade and other payables account as part of current liabilities.

The negative **₱ 434 million Other reserves** as of end-September 2014 showed a 40% reduction from negative ₱ 721 million level as of end December 2013 on account of the translation gain on equity in foreign subsidiaries.

Non-controlling interests closed at **₱ 16.82 billion** which is 6% lower than at end 2013 level brought about by the payment of dividend to preferred shareholders of PGL and common stockholders of PMRMB.

Cash Flows

During the first nine months of 2015, cash generated from internal operations was used to finance the additional working capital requirements and payment of interests. Cash outflow from investing activities pertained to the funding of various capital expenditures particularly the Refinery Master Plan - 2 Project. Meanwhile, bulk of the cash outflow on financing activities was spent on settlement of short-term loans, redemption of preferred shares and payment of cash dividends and distributions.

In Million Pesos	**September 30, 2015**	**September 30, 2014**	**Change**
Operating inflows (outflows)	4,542	(10,166)	14,708
Investing outflows	(10,651)	(3,439)	(7,212)
Financing inflows (outflows)	(66,672)	12,356	(79,028)

Discussion of the company's key performance indicators:

Ratio	**September 30, 2015**	**December 31, 2014**
Current Ratio	0.9	1.1
Debt to Equity Ratio	2.8	2.7
Return on Equity (%)	6.9	2.7
Interest Rate Coverage Ratio	3.9	2.8
Assets to Equity Ratio	3.6	3.4

Current Ratio - Total current assets divided by total current liabilities.

This ratio is a rough indication of a company's ability to service its current obligations. Generally, higher current ratio indicates greater ability of the company to pay currently maturing obligations.

Debt to Equity Ratio - Total liabilities divided by tangible net worth.

This ratio expresses the relationship between capital contributed by creditors and that contributed by owners. It expresses the degree of protection provided by the owners for the creditors. The higher the ratio, the greater the risk being assumed by creditors. A lower ratio generally indicates greater long-term financial safety.

Return on Equity – Annualized net income divided by average total stockholders' equity.

This ratio reveals how much profit a company earned in comparison to the total amount of shareholder equity found on the statements of financial position. A business that has a high return on equity is more likely to be one that is capable of generating cash internally. For the most part, the higher a company's return on equity compared to its industry, the better.

Interest Rate Coverage Ratio – EBITDA divided by interest expense and other financing charges.

This ratio is used to assess the company's financial stability by examining whether it is profitable enough to pay off its interest expenses. A ratio greater than 1 indicates that the company has more than enough interest coverage to pay off its interest expense.

Assets to Equity Ratio – Total assets divided by total equity (including non-controlling interest)**.**

This ratio is used as a measure of financial leverage and long-term solvency. In essence, the function of the ratio is to determine the value of the total assets of the company less any portion of the assets that are owned by the shareholders of the corporation.

PART II – OTHER INFORMATION

The issuer may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

NONE.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: PETRON CORPORATION

Signature and Title: JCCruz

JOEL ANGELO C. CRUZ
Vice President - General Counsel
and Corporate Secretary

Date: November 13, 2015

Principal Financial/Accounting Officer/Controller

Signature and Title:

DENNIS S. JANSON
Assistant Vice President - Controllers

Date: November 13, 2015