A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BEEN DECLARED EFFECTIVE. THESE SECURITIES MAY NOT BE SOLD NOR OFFERS TO BUY THE SAME BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS (AND THE RELEVANT OFFER SUPPLEMENT) SHALL NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY.

Subject to Completion

PRELIMINARY PROSPECTUS

Petron Corporation

(*a company incorporated under the laws of the Republic of the Philippines*)

Shelf Registration in the Philippines of
Fixed Rate Bonds in the aggregate principal amount
of up to ₱40,000,000,000

to be offered within a period of three (3) years
at an Issue Price of 100% of Face Value

to be listed and traded through
The Philippine Dealing & Exchange Corp.

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.

The date of this Preliminary Prospectus is August 22, 2016.

Petron Corporation
SMC Head Office Complex
40 San Miguel Avenue
Mandaluyong City, Philippines
Telephone number: (632) 886 3888
Corporate website: www.petron.com

This prospectus ("this Prospectus" and, as the context may require, the term includes the relevant Offer Supplement) relates to the shelf registration and offer by Petron Corporation ("Petron", the "Company" or the "Issuer"), a corporation duly organized and existing under Philippine law, through a sale in the Philippines of fixed rate bonds (the "Bonds") in the aggregate principal amount of up to ₱40,000,000,000.

The Bonds will be offered and issued in tranches within a period of three (3) years from the effective date of the Registration Statement, subject to applicable regulations (the "Shelf Period"). The specific terms of the Bonds for each tranche will be determined by the Company considering the prevailing market conditions and are provided in an Offer Supplement to be issued at the time of the relevant offering.

For each offer of the Bonds, an Offer Supplement will be issued by the Issuer along with this Prospectus. The relevant Offer Supplement will contain the final terms for a particular offer of the Bonds and must be read in conjunction with this Prospectus and the other Bond Agreements. Full information on the Issuer and such offer of the Bonds is only available on the basis of the combination of this Prospectus, the relevant Offer Supplement and the other Bond Agreements. All information contained in this Prospectus are deemed incorporated by reference in the relevant Offer Supplement.

On August 22, 2016, the Company filed an application with the Philippine Securities and Exchange Commission ("SEC") to register the Bonds under the provisions of the Securities Regulation Code of the Philippines (Republic Act No. 8799). The SEC is expected to issue an order rendering the Registration Statement effective, and a corresponding permit to offer securities for sale covering the initial offer of the Bonds, and any subsequent offering under the relevant rules requires the submission by the Company of the relevant updates and amendments to the Registration Statement and the issuance of the corresponding permit to sell by the SEC. As a listed company, Petron regularly disseminates such updates and information in its disclosures to the SEC and the Philippine Stock Exchange.

The Company will, likewise, apply for the listing of the Bonds in the Philippine Dealing & Exchange Corp. ("PDEx"). However, there is no assurance that such a listing will actually be achieved either before or after the relevant issue date of the Bonds being offered at a particular time or whether such a listing will materially affect the liquidity of the Bonds on the secondary market. Such listing will be subject to the Company's execution of a listing agreement with PDEx that may require the Company to make certain disclosures, undertakings and payments on an ongoing basis.

The Company reserves the right to withdraw any offer and sale of the Bonds at any time, and the Lead Underwriters (as such term is defined under "*Definition of Terms*") for any particular offer of the Bonds reserve the right to reject any application to purchase the Bonds in whole or in part and to allot to any prospective purchaser less than the full amount of the Bonds sought by such purchaser. If an offer of the Bonds is withdrawn or discontinued, the Company shall subsequently notify the SEC and, as applicable, the PDEx. The Lead Underwriters, any participating underwriter, co-manager and selling agent for any particular offer of the Bonds may acquire for their own account a portion of the Bonds.

The distribution of this Prospectus and the offer and sale of the Bonds may, in certain jurisdictions, be restricted by law. This Prospectus does not constitute an offer of any securities, or any offer to sell, or a solicitation of any offer to buy any securities of the Company in any jurisdiction, to or from any person to whom it is unlawful to make such offer in such jurisdiction. The Company and the Lead Underwriters require persons into whose possession this Prospectus comes to inform themselves of and observe all such restrictions. Each investor in the Bonds must comply with all laws applicable to it and must obtain the necessary consent, approvals or permission for its purchase or subsequent offer and sale of the Bonds under the laws and regulations in force in any jurisdiction to which it is subject. None of the Company, the Lead Underwriters, any participating underwriter, co-manager and selling agent will have any responsibility therefor.

The price of securities, such as the Bonds, can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. An investment in the Bonds described in this Prospectus involves a certain degree of risk. A prospective purchaser of the Bonds should carefully consider several risk factors relating to the Company's business and operations, risks relating to the Philippines and Malaysia and risks relating to the Bonds, as set out in "*Risk Factors*" found on page [20] of this Prospectus, in addition to the other information contained in this Prospectus, in deciding whether to invest in the Bonds. The risk disclosure discussion does not purport to disclose all the risks and other significant aspects of investing in the Bonds. A person contemplating an investment in the Bonds should seek professional advice if he or she is uncertain of, or has not understood any aspect of the securities to invest in or the nature of risks involved in trading of securities.

Unless otherwise indicated, all information in this Prospectus is as of the date of this Prospectus. Neither the delivery of this Prospectus nor any sale made pursuant to this Prospectus shall, under any circumstances, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Company and its subsidiaries since such date.

Market data and certain statistical information and industry forecasts used throughout this Prospectus were obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Company or the Lead Underwriters makes any representation as to the accuracy of such information.

The contents of this Prospectus are not to be considered as definitive legal, business or tax advice. Each person contemplating an investment in the Bonds should make his own investigation and analysis of the creditworthiness of the Company and his own determination of the suitability of any such investment.

No dealer, salesman or any other person has been authorized to give any information or to make any representation not contained in this Prospectus. If given or made, any such information or representation must not be relied upon as having been authorized by the Company or the Lead Underwriters.

Unless otherwise stated, the information contained in this Prospectus has been supplied by the Company. To the best of its knowledge and belief, the Company (which has taken all reasonable care to ensure that such is the case) confirms that the information contained in this Prospectus is correct, and that there is no material misstatement or omission of fact which would make any statement in this Prospectus misleading in any material respect. The Company hereby accepts full and sole responsibility for the accuracy of the information contained in this Prospectus. The Lead Underwriters have exercised the required due diligence in ascertaining that all material representations contained in this Prospectus, and any amendment or supplement thereto, are true and correct and that no material information was omitted, which was necessary in order to make the statements contained in said documents not misleading in any material respect. No representation, warranty or undertaking, express or implied, is made by any of the Lead Underwriters, and no responsibility or liability is accepted by any thereof to the accuracy, adequacy, reasonableness or completeness of the information and materials contained herein (excluding any and all information pertaining to the Lead Underwriters) or any other information provided by the Company in connection with the Bonds, their distribution or their future performance.

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BEEN DECLARED EFFECTIVE. NO OFFER TO BUY THE SECURITIES CAN BE ACCEPTED AND NO PART OF THE PURCHASE PRICE CAN BE ACCEPTED OR RECEIVED UNTIL THE REGISTRATION STATEMENT HAS BECOME EFFECTIVE, AND ANY SUCH OFFER MAY BE WITHDRAWN OR REVOKED, WITHOUT OBLIGATION OR COMMITMENT OF ANY KIND, AT ANY TIME PRIOR TO NOTICE OF ITS ACCEPTANCE. AN INDICATION OF INTEREST IN RESPONSE HERETO INVOLVES NO OBLIGATION OR COMMITMENT OF ANY KIND. THIS PROSPECTUS (AND THE RELEVANT OFFER SUPLEMENT) SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY.

Petron Corporation
By:

Ramon S. Ang
President and Chief Executive Officer

SUBSCRIBED AND SWORN to before me this 22nd day of August 2016, affiant exhibiting to me his Philippine Passport with number no. EC3542718 issued on February 27, 2015 in Manila.

Doc. No. 166;
Page No. 35;
Book No. IV;
Series of 2016.

DON VIC P. QUEZON
Notary Public for Mandaluyong City
40 San Miguel Avenue, 1550 Mandaluyong City
Appointment No. 0382-16
Until December 31, 2017
Attorney's Roll No. 56728
PTR No. 2616741/1-4-16/Mandaluyong
Lifetime IBP No. 08324
MCLE Compliance No. V-0020700/4-20-2016

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FORWARD-LOOKING STATEMENTS

All statements contained in this Prospectus that are not statements of historical facts constitute "forward-looking statements." Some of these statements can be identified by forward-looking terms, such as "anticipate", "believe", "can", "could", "estimate", "expect", "intend", "may", "plan", "will" and "would" or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding the Company's expected financial condition and results of operations, business, plans and prospects are forward-looking statements. These forward-looking statements include statements as to the Company's business strategy, its revenue and profitability (including, without limitation, any financial or operating projections or forecasts), planned projects and other matters discussed in this Prospectus regarding matters that are not historical fact. These forward-looking statements and any other projections contained in this Prospectus involve known and unknown risks, uncertainties and other factors that may cause the Company's actual financial results, performance or achievements to be materially different from any future financial results, performance or achievements expressed or implied by such forward-looking statements or other projections.

The factors that could cause the Company's actual results to be materially different include, among others:

- changes in crude oil and petroleum product prices;
- general political and economic conditions in the Philippines, Malaysia and elsewhere in the Asia-Pacific region;
- changes in currency exchange rates;
- accidents, natural disasters or other adverse incidents in the operation of the Company's facilities;
- terms on which the Company finances its working capital and capital expenditure requirements;
- the ability of the Company to successfully implement its strategies;
- changes in governmental regulations, including those pertaining to regulation of the oil industry, zoning, tax, subsidies, operational health, safety and environmental standards; and
- competition in the oil industry in the Philippines and Malaysia.

Additional factors that could cause the Company's actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*" starting on page [20].

Should one or more of these uncertainties or risks, among others, materialize, actual results may vary materially from those estimated, anticipated or projected as well as from historical results. Specifically, but without limitation, revenues could decline, costs could increase, capital costs could increase, capital investments could be delayed and anticipated improvements in performance might not be realized fully or at all. Although the Company believes that the expectations of its management as reflected by such forward-looking statements are reasonable based on information currently available to it, no assurances can be given that such expectations will prove to have been correct. Accordingly, prospective investors are cautioned not to place undue reliance on the forward-looking statements herein. In any event, these statements speak only as of the date hereof or the respective dates indicated herein, and the Company undertakes no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

DEFINITION OF TERMS

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

AOC	Aramco Overseas Company B. V.
APM	Malaysian automatic pricing mechanism
BIR	Philippine Bureau of Internal Revenue
Black Products	Fuel oil and asphalts
Bondholder.....................................	A person or entity whose name appears, at any time, as a holder of the Bonds in the relevant Register of Bondholders
Bonds	Collectively, the fixed rate bonds up to an aggregate principal amount of up to ₱ 40,000,000,000, inclusive of the Offer Bonds, to be issued in one or more tranches within the Shelf Period.
bpd	Barrels per day
BNM……………………………………..	Bank Negara Malaysia
BSP	Bangko Sentral ng Pilipinas
CBAs…………………………………	Collective bargaining agreements
Chevron...	Chevron Philippines, Inc.
CODO	Company-owned-dealer-operated service stations
Company, Issuer or Petron	Petron Corporation
CSA...	Malaysian Control of Supplies Act, 1961
CTA	Philippine Court of Tax Appeals
CTESG..	Corporate Technical and Engineering Services Group
DENR	Philippine Department of Environment and Natural Resources
DODO	Dealer-owned-dealer-operated service stations
DOE	Philippine Department of Energy
DOJ	Philippine Department of Justice
DTI	Philippine Department of Trade and Industry
ECC...	Environmental Compliance Certificate
EIS	Environment Impact Statement

EMB	Environmental Management Bureau
EMS…………………………………..	Environmental Management System
EMEPMI………………………………	ExxonMobil Exploration and Production Malaysia Inc.
EPF	Malaysian employees' provident fund
EQA...	Malaysian Environmental Quality Act, 1974
ExxonMobil	Sellers of shares in PMRMB, PFI Malaysia and POM
FIA..	Philippine Foreign Investments Act of 1991 (as amended)
GDP	Gross domestic product
IMS..	Integrated Management System
Innospec..	Innospec, Limited
ISO	International Organization for Standardization
JBC……………………………………	JBC Energy, a research and consultancy service provider for the oil and energy sector
KLIA	Kuala Lumpur International Airport
Lead Underwriters	The sole lead underwriter or, collectively, the joint lead underwriters that may be engaged by the Issuer for a particular offer of the Bonds and as identified in the relevant Offer Supplement. As applicable and as may provided in the relevant Offer Supplement, the term may also include "Issue Manager", "Issue Managers", "Bookrunner" and "Bookrunners."
LGC...	Philippine Local Government Code
LGU...	Local Government Unit
Limay Refinery	The Company's refinery in Limay, Bataan, Philippines
LPG	Liquefied petroleum gas
LSWR...	Low-sulfur waxy residue
MARINA	Philippine Maritime Industry Authority
MBIA	Malaysian Biofuel Industry Act, 2007
MDOE	Malaysian Department of Environment
MDTCC	Malaysian Ministry of Domestic Trade, Cooperative and Consumerism

Mean of Platts Singapore or MOPS	The daily average of all trading transactions between a buyer and a seller of petroleum products as assessed and summarized by Standard and Poor's Platts, a Singapore-based market wire service
MERALCO	Manila Electric Company
MITI	Malaysian Ministry of International Trade and Industry
MNHPI..	Manila North Harbour Port, Inc.
Mogas 95	Formulated unleaded gasoline fuel with an octane index of 95
MPP	Multi-product pipeline
MT	Metric tonnes
NVRC	New Ventures Realty Corporation
Offer Supplement	The offer supplement to and which is issued along with this Prospectus setting out the terms and conditions of a particular offer of Bonds.
Oil Deregulation Law.......................	Philippine Downstream Oil Industry Deregulation Act of 1998
Ovincor	Overseas Ventures Insurance Corporation Ltd.
PAHL	Petrochemical Asia (HK) Limited
Paying Agent	The paying agent that may be engaged by the Issuer for a particular offer of the Bonds and as identified in the relevant Offer Supplement
PCERP	Petron Corporation Employees' Retirement Plan
PDA	Malaysian Petroleum Development Act, 1974
PDB	Petronas Dagangan Berhad
PDEx	Philippine Dealing & Exchange Corp.
PetroFCC	Petrofluidized catalytic cracking
Petrogen..	Petrogen Insurance Corporation
Petronas	Petroliam Nasional Berhad
Petron Malaysia	Collectively, PMRMB, POM and PFI Malaysia
Petrophil	Petrophil Corporation
PFC	Petron Freeport Corporation
PFI Malaysia	Petron Fuel International Sdn. Bhd.

PFRS...	Philippine Financial Reporting Standards
Philippines.......................................	Republic of the Philippines
Philippine Peso, Peso, PHP or ₱....	Philippine Pesos, the legal currency of the Philippines
PMC	Petron Marketing Corporation
PMRMB..	Petron Malaysia Refining & Marketing Bhd.
PNOC...	Philippine National Oil Company
PNS…………………………………...	Philippine National Standards
POM	Petron Oil (M) Sdn. Bhd.
POME...	Palm oil methyl ester
Port Dickson Refinery	The Company's refinery in Port Dickson, Negeri Sembilan, Malaysia
POS..	Point of sale
this Prospectus	The prospectus and any amendments and supplements thereto for the offer and sale to the public of the Bonds. As the context may require, the term includes the relevant Offer Supplement
PPI	Philippine Polypropylene Inc.
PSE	The Philippine Stock Exchange, Inc.
PSMA	Malaysian Petroleum (Safety Measures) Act, 1984
R.A. 8762	Philippine Retail Trade Liberalization Act of 2000
Registrar...	The registrar that may be engaged by the Issuer for a particular offer of the Bonds and as identified in the relevant Offer Supplement
Registration Statement..	The registration statement filed with the SEC in connection with the offer and sale to the public of the Bonds
RIHL…………………………………..	Robinsons International Holdings Limited
Ringgit Malaysia, Ringgit, RM	Ringgit Malaysia, the legal currency of Malaysia
RON…………………………………..	Research Octane Number
RMP-2	Phase 2 of the Refinery Master Plan
RTC..	Regional Trial Court
Saudi Aramco.................................	Saudi Arabian Oil Company

SBM	Single buoy mooring
SBMI	Special Board of Marine Inquiry
SEA BV	SEA Refinery Holdings B.V.
SEC..	Philippine Securities and Exchange Commission
Shelf Period....................................	Subject to applicable regulations, a period of three years from the effective date of the Registration Statement within which the Bonds under shelf registration may be offered and sold in tranches.
Shell	Pilipinas Shell Petroleum Corporation
Shell Malaysia	Shell Malaysia Trading Sdn Bhd
SJS...	Social Justice Society
SMC	San Miguel Corporation
SMS	SSHE management system
SRC..	SEA Refinery Corporation
SSHE	Safety, security, health and the environment
Tax Code..	Philippine National Internal Revenue Code of 1997 (as amended)
TCCs..	Tax Credit Certificates
U.S. dollars, USD or US$...............	U.S. Dollars, the legal currency of the United States of America
VAT	Value-Added Tax
White Products................................	Diesel, gasoline, jet fuel, kerosene and LPG

EXECUTIVE SUMMARY

The following summary is qualified in its entirety by, and is subject to, the more detailed information and the consolidated financial statements of the Company that appear elsewhere in this Prospectus. The meaning of terms not defined in this summary can be found elsewhere in this Prospectus.

Prospective investors should read this entire Prospectus fully and carefully, including investment considerations and the Company's audited financial statements and the related notes. In case of any inconsistency between this summary and the more detailed information in this Prospectus, then the more detailed portions, as the case may be, shall at all times prevail.

Business

Petron Corporation was incorporated under the Corporation Code of the Philippines and registered with the SEC on December 22, 1966. On September 13, 2013, the SEC approved the extension of the 50-year corporate term of the Company to 2066. It has a market capitalization of ₱104.4 billion as at June 30, 2016.

The Company refines crude oil and markets and distributes refined petroleum products in the Philippines and Malaysia. In the Philippines, the Company is the largest integrated oil refining and marketing company, with an overall market share of 32.8%[1] of the Philippine oil market for the year ended December 31, 2015 in terms of sales volume based on Company estimates using its internal assumptions and calculations and industry data from the DOE. The Company entered the Malaysian market in March 2012 through the purchase of ExxonMobil's downstream business in Malaysia. In the [first quarter of 2016], the Company ranked third in the Malaysian retail market with a [17.7]% share based on Company estimates using its internal assumptions and calculations and industry data from Fahrenheit Research, a market research consultant appointed by Malaysian retail market participants to compile industry data.

The Company's IMS-certified Limay Refinery in Limay, Bataan in the Philippines, which has a crude oil distillation capacity of 180,000 barrels per day, processes crude oil into a range of petroleum products, including gasoline, diesel, LPG, jet fuel, kerosene, naphtha, and petrochemical feedstock such as benzene, toluene, mixed xylene and propylene. The completion of Phase 2 of the Refinery Master Plan ("RMP-2"), a US$2 billion project for the Limay Refinery, enables the Company to produce more valuable White Products and increase production of petrochemicals. The completion of the RMP-2 made the Company the first oil company in the Philippines capable of producing Euro IV-standard fuels, the global standard for clean air fuels.

From the Limay Refinery, the Company moves its products, mainly by sea, to depots, terminals and airport installations situated throughout the Philippines, representing the most extensive distribution network for petroleum products in the Philippines. The network comprises 10 depots and terminals in Luzon, nine in the Visayas and seven in Mindanao, as well as two airport installations in Luzon and two in Mindanao. Through this nationwide network, the Company supplies its various petroleum products such as gasoline, diesel, and LPG to its customers. The Company also supplies jet fuel to international and domestic carriers at key airports in the Philippines.

[1] Market share is derived from Company estimates based on Company information and data from the Philippine Department of Energy for FY2015. Company estimates exclude direct imports of jet fuel by airlines, direct imports of naphtha as feedstock for petrochemical plants, direct imports of condensate as fuel for natural gas power plants, and lubes and greases.

Through its network of approximately 2,225 retail service stations in the Philippines as of June 30, 2016, the Company sells gasoline, diesel, kerosene, and auto-LPG (in some stations) to motorists and to the public transport sector. The Company also sells its LPG brands “Gasul” and “Fiesta Gas” to households and other consumers through its extensive dealership network.

The Company also manufactures lubricants and greases through its blending plant in Pandacan, and these products are sold through the Company’s service stations and sales centers. The Company owns and operates a fuel additives blending plant in the Subic Bay Freeport Zone in the Philippines, which has a tolling agreement with Innospec, Limited (“Innospec”), a global fuel additives supplier. Regional customers of Innospec and the Company’s own requirements are served from the output of the Subic plant.

In recent years, the Company has also diversified into petrochemicals, adding a mixed xylene recovery unit to the Limay Refinery in 2000 and a propylene recovery unit in 2008. Its benzene-toluene extraction unit became operational in May 2009. In March 2010, the Company acquired a 40% stake in PAHL, which owns PPI through a wholly owned subsidiary, RIHL. As of July 25, 2016, the Company had increased its stake in PAHL to 100%. PPI operated a polypropylene plant located in Mariveles, Bataan in the Philippines, which has the capacity to produce 160,000 metric tons of polypropylene resin annually. The polypropylene plant is co-owned with RIHL. On July 1, 2014, the Company acquired PPI’s ownership in the polypropylene plant and took over the operations of the polypropylene business in order to enhance the overall efficiency of its petrochemical operations.

On March 30, 2012, the Company completed its acquisition of ExxonMobil’s integrated downstream business in Malaysia for an aggregate purchase price of US$577.3 million. With this acquisition, the Company extended its portfolio of oil refining and marketing businesses outside the Philippines. The Company owns and operates the Port Dickson Refinery, which has a crude oil distillation capacity of 88,000 barrels per day, and produces a range of petroleum products, including LPG, naphtha, gasoline, jet fuel, diesel and low-sulfur waxy residue (“LSWR”). As of June 30, 2016, the Company had nine product terminals, one depot, and a network of approximately 575 retail service stations in Malaysia. In the [first quarter of 2016], the Company had a [17.7%] share of the Malaysian retail market based on Company estimates using its internal assumptions and calculations and industry data from Fahrenheit Research.

The Company’s products are primarily sold to customers in the Philippines and Malaysia. The Company also exports to other customers in the Asia-Pacific region various petroleum products and petrochemical feedstocks, including LSWR, naphtha, mixed xylene, benzene, toluene and propylene. The Company’s revenues from these export sales amounted to ₱ 31.9 billion, or 9% of total sales, in 2015, and ₱11.3 billion, or 7% of total sales, in the first half of 2016.

In 2013, 2014, 2015 and the first six months of 2016, the Company’s sales were ₱ 463.6 billion, ₱ 482.5 billion, ₱ 360.2 billion and ₱ 161.9 billion, respectively, and net income was ₱ 5.1 billion, ₱ 3.0 billion, ₱ 6.3 billion and ₱ 5.3 billion, respectively.

Strengths

The Company believes that its principal competitive strengths include the following:

- Market leadership in the Philippine downstream oil sector;
- Established position in the Malaysian downstream oil sector;
- Capability to produce high margin products;

- Differentiated service experience driving retail volumes;
- Operations in markets with favorable industry dynamics; and
- Experienced management team and employees and strong principal shareholder San Miguel Corporation.

Areas of Strategic Focus

The Company's principal strategies are set out below:

- Further increase market share in the downstream oil markets in the Philippines and in Malaysia;
- Focus on production of high margin refined petroleum products and petrochemicals;
- Continue investments to improve operational efficiency and profitability and to increase market reach; and
- Pursue selective synergistic acquisitions.

Recent Developments

The following are recent developments about the Company:

- The Company completed its US$2 billion RMP-2 project in the fourth quarter of 2014. This enabled the Limay Refinery to increase utilization levels to current level of about 90% and convert fuel oil production into higher value products. In 2015, adjustments in the RMP-2 facilities were made to ensure stable operations and optimize value generation. The Company declared full commercial operations in January 2016.
- The Company began marketing and selling in the Philippines Euro IV compliant gasoline as early as June 2015 and Diesel as early as October 2015, ahead of the government mandated deadline of January 2016.
- In March 2015, the Company completed the rebranding and refurbishment of all the 550 stations acquired from ExxonMobil in Malaysia.
- The Company also completed the linkage of the Port Dickson Refinery to the Klang Valley Distribution Terminal in the second quarter of 2015, enabling the Company to more efficiently supply products to the central region.
- The Company introduced the Blaze 100 Euro 4M in Malaysia in the second quarter of 2016, the only 100 octane gasoline in Malaysia.

Risks Relating to the Offer

Before making an investment decision, investors should carefully consider the risks associated with an investment in the Bonds. These risks include the following, which are discussed in more detail under the section "*Risk Factors*" starting on page [20]:

Risks Relating to the Company's Business and Operations

- Volatility of the prices of crude oil and petroleum products may have a material adverse effect on the Company's business, results of operations and financial condition;
- The Company relies primarily on a small number of suppliers for a significant portion of its crude oil requirements in each of the Philippines and Malaysia;
- The Company's business, financial condition and results of operations may be adversely affected by intense competition and cyclicality in global and regional refining capacities;

- Any significant disruption in operations or casualty loss at the Company's refineries could adversely affect its business and results of operations and result in potential liabilities;
- The fuel business in Malaysia is regulated by the Malaysian government, and the Company is affected by Malaysian government policies and regulations relating to the marketing of fuel products;
- Continued compliance with safety, health, environmental and zoning laws and regulations may adversely affect the Company's results of operations and financial condition;
- Failure to respond quickly and effectively to product substitution or government-mandated product formulations may adversely affect the Company's business and prospects;
- The Company's business strategies require significant capital expenditures, financing, and expansion of marketing and logistical support, which are subject to a number of risks and uncertainties, and its financial condition and results of operations may be adversely affected by its debt levels;
- Changes in applicable taxes, duties and tariffs could increase the Company's operating costs and adversely affect its business, results of operations and financial condition;
- The Company may be adversely impacted by the fluctuations in the value of the Philippine Peso and the Ringgit Malaysia against the U.S. dollar;
- The Company depends on experienced, skilled and qualified personnel and senior management, and its business and growth prospects may be disrupted if it is unable to retain their services;
- The Company's controlling shareholder may have interests that may not be the same as those of other shareholders;
- The Company may fail to integrate acquired businesses properly, which could adversely affect the Company's results of operations and financial condition;
- If the number or severity of claims for which the Company is self-insured increases, or if it is required to accrue or pay additional amounts because the claims prove to be more severe than its recorded liabilities, the Company's financial condition and results of operations may be materially adversely affected; and
- Existing or future claims against the Company, its subsidiaries, associates or joint ventures, or directors or key management may have an unfavorable impact on the Company.

Risks Relating to the Philippines and Malaysia

- The Company's business and sales may be negatively affected by slow growth rates and economic instability in the Philippines and Malaysia, as well as globally;
- Political instability, acts of terrorism or military conflict or changes in laws or government policies in the Philippines or Malaysia could have a destabilizing effect and may have a negative effect on the Company;
- The occurrence of natural or man-made catastrophes or electricity blackouts may materially disrupt the Company's operations;
- Investors may face difficulties enforcing judgments against the Company; and
- If foreign exchange controls were to be imposed, the Company's ability to access foreign currency to purchase raw materials and equipment and to service foreign currency denominated debt obligations could be adversely affected.

Risks Relating to the Bonds

- The Bonds may not be a suitable investment for all investors;
- An active or liquid trading market for the Bonds may not develop;
- The Issuer may be unable to redeem the Bonds;
- Holders of the Bonds may not be able to reinvest at a similar return on investment;
- The Bondholder may face possible gain or loss if the Bonds are sold at the secondary market;

- The Bonds may not be able to retain its credit rating; and
- The Bonds have no preference under Article 2244(14) of the Civil Code.

Corporate Information

Petron Corporation was incorporated under the laws of the Philippines in 1966. Its corporate term has been extended until 2066. The Company's head office and principal place of business is located at the SMC Head Office Complex, 40 San Miguel Avenue, Mandaluyong City, Philippines. The Company's telephone number at this location is (632) 886-3888. The Company's primary website is www.petron.com. Information contained in the Company's website does not constitute a part of this Prospectus.

SUMMARY FINANCIAL INFORMATION

The following tables set forth summary financial information of the Company and should be read in conjunction with the auditors' reports and the Company's consolidated financial statements, including the notes thereto, and the section entitled "Management's Discussion and Analysis of Financial Position and Results of Operations" found on page [120] *of this Prospectus.*

The summary financial information presented below for the years ended December 31, 2013, 2014 and 2015 were derived from the consolidated financial statements of the Company, audited by R.G. Manabat and Co., a member firm of KPMG. The summary financial information for the six months ended June 30, 2015 and 2016 were derived from the unaudited condensed consolidated interim financial statements of the Company, reviewed by R.G. Manabat and Co., a member firm of KPMG. The Company's financial information included in this Prospectus has been prepared in accordance with PFRS.

Summary Consolidated Statements of Income Data

	Audited			**Unaudited**	
	For the years ended December 31			**For the six months ended June 30**	
(*Amounts in millions of ₱, except per share data*)	**2013**	**2014**	**2015**	**2015**	**2016**
Sales	463,638	482,535	360,178	186,051	161,863
Cost of goods sold	440,479	463,100	328,438	171,133	144,109
Gross profit	23,159	19,435	31,740	14,918	17,754
Selling and administrative expenses	(11,475)	(11,830)	(13,606)	(6,042)	(6,275)
Interest expense and other financing charges	(5,462)	(5,528)	(5,533)	(2,773)	(3,702)
Interest income	1,285	844	686	392	273
Share in net income of associates	110	102	133	53	59
Other income (expenses) – net	(675)	790	(3,495)	(1,794)	(637)
Income before tax	6,942	3,813	9,925	4,754	7,472
Income tax expense	1,850	804	3,655	1,346	2,193
Net income	5,092	3,009	6,270	3,408	5,279
Attributable to:					
Equity holders of the Parent Company	5,247	3,320	5,618	3,013	5,075
Non-controlling interests	(155)	(311)	652	395	204
	5,092	3,009	6,270	3,408	5,279

Basic/diluted earnings per common share attributable to equity holders of the Parent Company	₱0.28	(₱0.15)	₱0.15	₱0.10	₱0.30

Summary Consolidated Statements of Comprehensive Income

(*Amounts in millions of ₱*)	Audited			Unaudited	
	For the years ended December 31			For the six months ended June 30	
	2013	**2014**	**2015**	**2015**	**2016**
Net income	5,092	3,009	6,270	3,408	5,279
Other comprehensive income (loss)					
Items that will not be reclassified to profit or loss					
Equity reserve for retirement plan	3,232	(4,656)	(3,112)	(4)	4
Share in other comprehensive loss of an associate	-	-	(6)	-	-
Income tax benefit (expense)	(957)	1,396	935	1	(1)
	2,275	(3,260)	(2,183)	(3)	3
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	589	(1,475)	(3,748)	(1,789)	1,842
Unrealized fair value gains (losses) on available-for-sale financial assets	(31)	(25)	(1)	2	11
Income tax benefit (expense)	2	2	-	(1)	(3)
	560	(1,498)	(3,749)	(1,788)	1,850
Other comprehensive income (loss)	2,835	(4,758)	(5,932)	(1,791)	1,853
Total comprehensive income (loss) for the year	7,927	(1,749)	338	1,617	7,132
Attributable to:					
Equity holders of the Parent Company	6,971	(1,368)	390	1,476	6,669
Non-controlling interests	956	(381)	(52)	141	463
	7,927	(1,749)	338	1,617	7,132

Summary Consolidated Statements of Financial Position Data

(*Amounts in millions of ₱*)	Audited			Unaudited	
	As of December 31			As of the six months ended June 30	
	2013	**2014**	**2015**	**2015**	**2016**
Current assets:					
Cash and cash equivalents	50,398	90,602	18,881	20,870	13,868
Financial assets at fair value through profit or loss	783	1,632	509	256	927
Available-for-sale financial assets	458	430	233	230	52
Trade and other receivables – net	67,667	48,339	30,749	53,809	30,529
Inventories	51,721	53,180	30,823	50,186	38,786
Other current assets	12,933	24,846	34,530	19,293	35,689
Total current assets	183,960	219,029	115,725	144,644	119,851
Noncurrent assets:					
Available-for-sale financial assets	457	451	388	348	414
Property, plant and equipment – net	141,647	153,650	161,597	158,868	160,014
Investments in associates	885	1,162	1,814	1,740	1,875
Investment property – net	114	113	112	112	92
Deferred tax assets	162	242	211	197	224
Goodwill	9,386	8,921	7,694	8,353	8,124
Other noncurrent assets - net	20,847	7,756	6,726	6,804	6,653
Total noncurrent assets	173,498	172,295	178,542	176,422	177,396
Total assets	357,458	391,324	294,267	321,066	297,247
Current liabilities:					
Short-term loans	100,071	133,388	99,481	105,743	88,990

Liabilities for crude oil and petroleum product importation	38,707	24,032	16,271	29,307	25,712
Trade and other payables	29,291	39,136	9,347	17,657	10,484
Derivative liabilities	152	98	603	164	267
Income tax payable	194	73	183	94	127
Current portion of long-term debt – net	8,155	5,860	694	15,246	2,158
Total current liabilities	176,570	202,587	126,579	168,211	127,738

	Audited			Unaudited	
	As of December 31			As of the six months ended June 30	
	2013	2014	2015	2015	2016
Noncurrent liabilities:					
Long-term debt – net of current portion	58,032	66,269	71,726	57,241	68,142
Retirement benefits liability	820	2,273	5,509	2,413	5,774
Deferred tax liabilities	4,605	3,471	4,638	4,015	5,887
Asset retirement obligation	1,004	1,659	1,809	1,691	1,847
Other noncurrent liabilities	4,539	1,373	906	958	961
Total noncurrent liabilities	69,000	75,045	84,588	66,318	82,611
Total liabilities	245,570	277,632	211,167	234,529	210,349
Equity attributable to equity holders of the Parent Company					
Capital stock	9,475	9,485	9,485	9,485	9,485
Additional paid-in capital	9,764	19,653	19,653	19,653	19,653
Undated subordinated capital securities	30,546	30,546	30,546	30,546	30,546
Retained earnings	42,658	40,815	41,712	41,266	43,621
Reserve for retirement plan	2,242	(1,018)	(3,204)	(1,021)	(3,201)
Other reserves	(721)	(2,149)	(5,563)	(3,683)	(4,542)
Treasury stock	-	-	(10,000)	(10,000)	(10,000)
Total equity attributable to equity holders of the Parent Company	93,964	97,332	82,629	86,246	85,562
Non-controlling interests	17,924	16,360	471	291	1,336
Total equity	111,888	113,692	83,100	86,537	86,898
Total liabilities and equity	357,458	391,324	294,267	321,066	297,247

Summary of Consolidated Cash Flows Data

(*Amounts in millions of ₱*)	Audited			Unaudited	
	For the years ended December 31			For the six months ended June 30	
	2013	**2014**	**2015**	**2015**	**2016**
Net cash flows provided by (used in) operating activities	29,023	(737)	8,468	(5,259)	13,209
Net cash flows provided by (used in) investing activities	(38,600)	(3,659)	(14,592)	(8,144)	(1,526)
Net cash flows provided by (used in) financing activities	32,539	44,488	(66,343)	(56,333)	(16,592)
Effect of exchange rate changes on cash and cash equivalents	471	112	746	4	(104)
Net increase (decrease) in cash and cash equivalents	23,433	40,204	(71,721)	(69,732)	(5,013)
Cash and cash equivalents at beginning of period	26,965	50,398	90,602	90,602	18,881
Cash and cash equivalents at end of period	50,398	90,602	18,881	20,870	13,868

SUMMARY OF THE OFFER

A discussion containing the "*Summary of the Offer*" shall be set out in the relevant Offer Supplement. However, any such summary should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this Prospectus and such Offer Supplement, including, but not limited to, the discussion on the "*Description of the Offer Bonds*" and "*Plan of Distribution*". Such overview may not contain all of the information that prospective investors should consider before deciding to invest in the Bonds. Accordingly, any decision by a prospective investor to invest in the Bonds should be based on a consideration of this Prospectus, such Offer Supplement and agreements executed in connection with a particular offer of Bonds as a whole. Should there be any inconsistency between the summary below and the final documentation, the final documentation shall prevail.

DESCRIPTION OF THE BONDS

The detailed terms and conditions of a particular tranche of Bonds shall be set out in the relevant Offer Supplement under "*Description of the Offer Bonds*". However, any such discussion under "*Description of the Offer Bonds*" does not purport to be a complete listing of all the rights, obligations, or privileges of the Bonds. Some rights, obligations, or privileges may be further limited or restricted by other documents. Prospective investors are enjoined to carefully review the Articles of Incorporation, By-Laws and resolutions of the Board of Directors of Petron, the information contained in this Prospectus, the relevant Offer Supplement and other agreements relevant to the offer of a particular tranche of Bonds and to perform their own independent investigation and analysis of the Issuer and the Bonds. Prospective Bondholders must make their own appraisal of the Issuer and the offer, and must make their own independent verification of the information contained herein and the other aforementioned documents and any other investigation they may deem appropriate for the purpose of determining whether to participate in the offer of Bonds. They must not rely solely on any statement or on the significance, adequacy or accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective investor's independent evaluation and analysis. Prospective Bondholders are likewise encouraged to consult their legal counsels and accountants in order to be better advised of the circumstances surrounding the Bonds being offered.

RISK FACTORS

Investment in the Bonds involves a certain degree of risk. Prior to making any investment decision, prospective investors should carefully consider all of the information in this Prospectus, including the risks and uncertainties described below. The business, financial condition or results of operations of the Issuer could be materially adversely affected by any of these risks.

This Prospectus contains forward-looking statements that involve risks and uncertainties. Petron adopts what it considers conservative financial and operational controls and policies to manage its business risks. The Company's actual results may differ significantly from the results discussed in the forward-looking statements. See section "Forward-Looking Statements" of this Prospectus. Factors that might cause such differences, thereby making the offering speculative or risky, may be summarized into those that pertain to the business and operations of Petron, in particular, and those that pertain to the over-all political, economic, and business environment, in general. These risk factors and the manner by which these risks shall be managed are presented below. The risk factors discussed in this section are of equal importance and are only separated into categories for easy reference.

The means by which the Company intends to address the risk factors discussed herein are principally presented under "The Company — Strengths" beginning on page [42], "The Company — Areas of Strategic Focus" beginning on page [45], "Management's Discussion and Analysis of Financial Position and Results of Operations" beginning on page [120], and "Corporate Governance and Management" on page [95] of this Prospectus.

Additional considerations and uncertainties not presently known to the Issuer or which the Issuer currently deems immaterial may also have an adverse effect on an investment in the Bonds.

Investors should carefully consider all the information contained in this Prospectus, including the risk factors described below, before deciding to invest in the Bonds. The Company's business, financial condition and results of operations could be materially adversely affected by any of these risk factors.

General Risk Warning

The price of securities can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Past performance is not a guide to future performance. There may be a big difference between the buying price and the selling price of these securities.

Investors deal in a range of investments, each of which may carry a different level of risk.

Prudence Required

This risk disclosure does not purport to disclose all the risks and other significant aspects of investing in these securities. Investors should undertake independent research and study on the trading of securities before commencing any trading activity. Investors may request publicly available information on the Bonds and the Issuer thereof from the SEC, PSE and PDEx.

Professional Advice

Investors should seek professional advice if they are uncertain of, or have not understood any aspect of the securities to invest in or the nature of risks involved in trading of securities, especially high risk securities.

Risks Relating to the Company's Business and Operations

Volatility of the prices of crude oil and petroleum products may have a material adverse effect on the Company's business, results of operations and financial condition.

The Company's financial results are primarily affected by the relationship, or margin, between the prices for its refined petroleum products and the prices for the crude oil that is the main raw material for these refined petroleum products. Crude oil accounted for approximately 56% and approximately 47% of the Company's total cost of goods sold in 2015 and in the first half of 2016, respectively.

Many factors influence the price of crude oil, including changes in global supply and demand for crude oil, international economic conditions, global conflicts or acts of terrorism, weather conditions, domestic and foreign governmental regulation and other factors over which the Company has no control. Historically, international crude oil prices have been volatile, and they are likely to continue to be volatile in the future. For example, in the latter part of 2014, the global oil market was especially volatile with crude oil prices plunging by as much as approximately US$40/bbl in just four months. Dubai crude oil price declined from an average of approximately US$102/bbl in August 2014 to an average of approximately US$60/bbl in December 2014. The volatility continued, albeit at a more gradual manner, with oil prices extending their downward trend throughout 2015 until January 2016 when Dubai crude oil price reached a bottom of approximately US$23/bbl. Thereafter, crude prices steadily recovered with Dubai crude oil price averaging US$46/bbl in June 2016.

The Company holds approximately two months and approximately three weeks of crude oil and finished petroleum products inventory in the Philippines and Malaysia, respectively. Accordingly, since the Company accounts for its inventory using the first-in-first-out method, a sharp drop in crude oil prices could adversely affect the Company, as it may require the Company to sell its refined petroleum products produced with higher-priced crude oil at lower prices, as was the case in the fourth quarter of 2014 until January 2016. The Company may not be able to pass crude oil price fluctuations along to its consumers in a timely manner, or at all, due to regulatory restrictions or social and competitive concerns. The Philippine government has historically intervened to restrict increases in the prices of petroleum products in the Philippines from time to time. For example, on October 2, 2009, then-President Gloria Macapagal-Arroyo declared a state of national calamity in view of the devastation caused by typhoons "Ondoy" and "Pepeng." President Arroyo subsequently issued Executive Order 839 mandating that prices of petroleum products in Luzon be kept at October 15, 2009 levels effective October 23, 2009. As a result of this price freeze, the Company was unable to raise prices for its refined petroleum products, which adversely affected its profitability during the period until the price freeze was lifted on November 16, 2009. Any inability to pass on fluctuations in the price of crude oil may have a material adverse effect on the Company's business, results of operations and financial condition. In addition, even if the Company were able to pass on increases in the price of crude oil to its customers, demand for its products may decrease as a result of such price increases. The Company's Malaysian operations are subject to government price controls. See "*The fuel business in Malaysia is regulated by the Malaysian government, and the Company is affected by Malaysian government policies and regulations relating to the marketing of fuel products.*"

Furthermore, a sharp rise in crude oil prices would increase the Company's requirements for short-term financing for working capital and may result in higher financing costs for the Company. Any difficulties in securing short-term financing for working capital, or unfavorable pricing terms, may have a material adverse effect on the Company's financial condition and results of operations.

The Company relies primarily on a small number of suppliers for a significant portion of its crude oil requirements in each of the Philippines and Malaysia.

The Company purchases a significant portion of the crude oil for its Philippine operations from Saudi Arabian Oil Company ("Saudi Aramco"). Petron has a term contract with Saudi Aramco entered into in 2008 to purchase various Saudi Aramco crudes. Pricing is determined through a formula that is linked to international industry benchmarks. The contract is automatically renewed annually unless either the Company or Saudi Aramco decides to terminate the contract upon at least 60 days' written notice prior to its expiration date. As of June 30, 2016, neither the Company nor Saudi Aramco has terminated the contract.

In addition, the Company also purchases a significant portion of the crude oil for its Philippine operations from Kuwait Petroleum Corporation ("KPC"). Petron has a contract with KPC to purchase various Kuwait crude. Pricing is determined through a formula that is linked to international industry benchmarks. The contract is renewable subject to mutual agreement of the parties. As of June 30, 2016, neither the Company nor KPC has terminated the contract.

The Company completed Phase 2 of the Refinery Master Plan (the "RMP-2") for the Limay Refinery in the fourth quarter of 2014 and declared commercial operations in January 2016. RMP-2 has increased the total crude oil requirements of the Limay Refinery and improved its flexibility to digest heavier, more sour crude, allowing the Company to expand its crude sourcing. To meet the increased demand, the Company needs to purchase more crude, including Saudi Aramco crude and Kuwait crude. The supply of crude oil by Saudi Aramco and KPC is subject to a variety of factors beyond the Company's control, including political developments in and the stability of Saudi Arabia, Kuwait and the rest of the Middle East, government regulations with respect to the oil and energy industry in those regions, weather conditions and overall economic conditions in the Middle East. In addition, the Company purchases a significant portion of the crude oil supply requirements for its refinery in Port Dickson, Malaysia (the "Port Dickson Refinery") from ExxonMobil Exploration and Production Malaysia, Inc. ("EMEPMI") pursuant to a long-term supply contract. A disruption in the operations of Saudi Aramco, of KPC or of EMEPMI, or a decision by any of Saudi Aramco, KPC or EMEPMI to amend or terminate their respective contracts with the Company, could negatively impact the Company's crude oil supply. If the Company's supply of crude oil from Saudi Aramco, KPC or EMEPMI were disrupted, the Company would be required to meet any consequent supply shortfall through other suppliers or spot market purchases.

The Limay Refinery is capable of processing various types of crude oil. The Company's crude oil optimization strategy includes the utilization of various types of crude oil to provide additional value to the Company. The completion of the RMP-2 has given the Limay Refinery greater flexibility to use heavier, more sour alternative crude. The Port Dickson Refinery is designed to process sweet crude oil. The Company's crude oil optimization strategy for the Port Dickson Refinery includes diversification in processing different types of sweet crude oil. However, there can be no assurance that the Company will be able to successfully implement its crude oil optimization strategies and diversify to using other crude oil efficiently or in a timely manner.

If the Company is unable to obtain an adequate supply of crude oil or is only able to obtain such supply at unfavorable prices, its margins and results of operations would be materially and adversely affected.

The Company's business, financial condition and results of operations may be adversely affected by intense competition and cyclicality in global and regional refining capacities.

The Company faces intense competition in the sale of petroleum and other related products in the markets in which it operates. The Company competes with a number of multinational, national, regional and local competitors in the refined petroleum products business for market share of petroleum products sales. See "*Business—Competition*" for more information about the competition faced by the Company. Because of the commodity nature of oil products, competition in the Philippine and international markets for refined petroleum products is based primarily on price as adjusted to account for differences in product specifications and transportation and distribution costs. Participants in the reseller and LPG sectors in the Philippines continue to rely on aggressive pricing and discounting in order to expand their market share. The Company's Malaysian operations are subject to government price controls, as a result of which competition in those market sectors that are subject to government quotas is based primarily on the allocation of the applicable quotas by the Malaysian government. See "*—The fuel business in Malaysia is regulated by the Malaysian government, and the Company is affected by Malaysian government policies and regulations relating to the marketing of fuel products*."

The Company's competitiveness will depend on its ability to manage costs, increase and maintain efficiency at its refineries, effectively hedge against fluctuations in crude oil prices, maximize utilization of its assets and operations and comply with and obtain additional quotas from the Malaysian government. If the Company is unable to compete effectively with its competitors, its financial condition and results of operations, as well as its business prospects could be materially and adversely affected.

In addition, the Philippine oil industry is affected by ongoing smuggling and illegal trading of petroleum products. These illegal activities have resulted in decreases in sales volume and sales price for legitimate oil market participants in the Philippines. The Company's ability to compete effectively will depend to a degree on the proper enforcement of Philippine regulations by the Philippine government, which is beyond its control.

Furthermore, the global and regional refining industry has historically experienced periods of tight supply, resulting in increased prices and margins, as well as periods of substantial capacity additions, resulting in oversupply and reduced prices and margins. Any downturn in prices or margins resulting from existing or future excess industry capacity could have a material adverse impact on the Company's business, financial condition and results of operations.

Any significant disruption in operations or casualty loss at the Company's refineries could adversely affect its business and results of operations and result in potential liabilities.

The Company's operation of its refineries and implementation of its expansion plans could be adversely affected by many factors, including accidents, breakdown or failure of equipment, interruption in power supply, human error, fires, explosions, release of toxic fumes, engineering and environmental problems, natural disasters and other unforeseen circumstances and problems. For example, in November 2008, the main electrical facilities in the utilities area of the Limay Refinery were damaged by a fire, which necessitated repairs and resulted in higher maintenance and repair costs for 2009.

These types of disruptions could result in product run-outs, facility shutdowns, equipment repair or replacement, increased insurance costs, personal injuries, loss of life and/or unplanned inventory build-up, all of which could have a material adverse effect on the business, results of operations and financial condition of the Company. There can be no assurance that operational disruptions will not occur in the future or that insurance will adequately cover the entire scope or extent of the losses or other financial impact on the Company.

The Company has insurance policies that cover majority of the Company's assets and operations in order to mitigate the potential impact of risks. The policies include property damage, marine cargo, third party liability, personal injury, accidental death and dismemberment, sabotage and terrorism, machinery breakdown and business interruption. The Company self-insures some risks which have a low probability of occurring and for which insurance policies are not readily available or are priced unreasonably high.

The fuel business in Malaysia is regulated by the Malaysian government, and the Company is affected by Malaysian government policies and regulations relating to the marketing of fuel products.

As in many countries, the fuel business in Malaysia is regulated by the government. The Malaysian government regulates the pricing structure through the automatic pricing mechanism ("APM"), pursuant to which it mandates (i) the prices of certain refined petroleum products, (ii) quotas and (iii) certain fixed amounts for marketing, transportation and distribution costs in relation to the subsidy structure. See "*Regulatory and Environmental Matters—Malaysia—Sale and Pricing of Refined Petroleum Products—Price Control and Anti Profiteering Act, 2011*." The Malaysian government may subsidize fuel prices so that increases in international crude oil prices are not borne fully by Malaysian consumers. Effective December 1, 2014, the Malaysian government implemented a managed float system under which the Malaysian government fixes the government-mandated retail prices of RON 95 petroleum and diesel on a monthly basis based on the Mean of Platts Singapore ("MOPS") for the previous month. If government-mandated prices are lower than the Company's total built-up cost, the Company receives subsidies from the Malaysian government. Conversely, if government-mandated prices are higher than the Company's total built-up cost, the Company pays duties to the Malaysian government. See "*Regulatory and Environmental Matters—Malaysia—Sale and Pricing of Refined Petroleum Products—Price Control and Anti Profiteering Act, 2011.*" A substantial portion of the Company's revenue has been derived from sales of refined petroleum products in Malaysia that are subject to price controls.

In addition, the sale of diesel in Malaysia is subject to a quota system that applies to oil companies and eligible users and customers to ensure that subsidized diesel sold at service stations (meant strictly for road transport vehicles) is not sold illegally to industrial or commercial customers at unregulated prices. Diesel sales at service stations that exceed the volumes permitted under the Company's or its customers' quotas are not eligible for government subsidies. Accordingly, in instances when the government-mandated prices are lower than the Company's total built-up costs, the Company endeavors to limit diesel sales to volumes covered by the quotas. See "*Regulatory and Environmental Matters—Malaysia—Sale and Pricing of Refined Petroleum Products—Price Control and Anti Profiteering Act, 2011.*" There can be no assurance that the Malaysian government will increase quotas, grant applications or not decrease the Company's quotas or those of any of its customers in the future. A substantial portion of the Company's revenue is derived from sales of diesel in Malaysia that are subject to the quota system. Accordingly, if the Malaysian government decreases or does not increase the Company's quotas or those of any of its selected transportation sector customers, the Company's financial condition and results of operations may be materially and adversely affected.

Continued compliance with safety, health, environmental and zoning laws and regulations may adversely affect the Company's results of operations and financial condition.

The operations of the Company's business are subject to a number of national and local laws and regulations in the countries in which it operates, including safety, health, environmental and zoning laws and regulations. These laws and regulations impose controls on air and water discharges, the storage, handling, discharge and disposal of waste, the location of storage facilities, and other aspects of the Company's business. Failure to comply with relevant laws and regulations may result in financial penalties or administrative or legal proceedings against the Company, including the revocation or suspension of the Company's licenses or operation of its facilities.

The Company has incurred, and expects to continue to incur, operating costs to comply with such laws and regulations. In addition, the Company has made, and expects to continue to make, capital expenditures on an ongoing basis to comply with safety, health, environmental and zoning laws and regulations. For example, the Company built a light virgin naphtha isomerization unit and a gas oil hydrotreater in 2006 to ensure that the Limay Refinery complied with the standards mandated by the Philippine Clean Air Act. See "*Regulatory and Environmental Matters—Philippines*." Additional facilities were also built to comply with environmental requirements mainly in relation to the RMP-2. These included a refinery wastewater treatment plant, sour water stripping facilities, sulphur recovery units, a flue gas desulfurizer and a flare system. There can be no assurance that the Company will be in compliance with applicable laws and regulations or will not become involved in future litigation or other proceedings or be held responsible in any future litigation or proceedings relating to safety, health, environmental and zoning matters, the costs of which could be material.

In addition, safety, health, environmental and zoning laws and regulations in the Philippines and Malaysia have become increasingly stringent. There can be no assurance that the adoption of new safety, health, environmental and zoning laws and regulations, new interpretations of existing laws, increased governmental enforcement of safety, health, environmental and zoning laws or other developments in the future will not result in the Company being subject to fines and penalties or having to incur additional capital expenditures or operating expenses to upgrade or relocate its facilities. For example, in November 2001, the City of Manila, citing concerns of safety, security and health, passed an ordinance reclassifying the area occupied by the Company's main storage facility in Pandacan, Manila, from industrial to commercial, thereby prohibiting the continued operation of the Company's facility in Pandacan as a petroleum storage facility and necessitating a relocation to other alternative sites in Luzon. In accordance with the Supreme Court decision in the case relating to the petroleum storage facilities in Pandacan, the Company ceased operations of its petroleum storage facilities in Pandacan in August 2015. The Company has also decided to eventually relocate its lubricant blending plant located in Pandacan to another site.

Another example is that the Euro IV-standard fuels became mandatory in the Philippines in 2016. In Malaysia, the government is considering implementation of Euro 4M and Euro 5M fuels in phases: Euro 4M for RON 97 by September 1, 2015, Euro 4M for RON 95 by October 1, 2018, Euro 5M (sulfur specification only) for diesel by September 1, 2020, and Euro 5M for RON 95 and RON 97 by January 1, 2025. See "*Regulatory and Environmental Matters—Malaysia—Environmental Laws—Environmental Quality Act, 1974*." The Company has made and is making capital expenditures to ensure that its refineries comply with Euro IV standards, Euro 4M and Euro 5M standards, as applicable, as these standards are mandated by the Philippine and Malaysian governments, respectively. If the Company fails to complete its planned refinery upgrades or enhancements on time, it may have to import additional products in the spot market to blend with its own production to ensure compliance with the relevant standards, which could have a material adverse effect on the Company's financial condition and results of operations.

In addition, if the measures implemented by the Company to comply with applicable laws, regulations and standards are not deemed sufficient by governmental authorities, compliance costs may significantly exceed current estimates, and expose the Company to potential liabilities, including administrative penalties. If the Company fails to meet safety, health and environmental requirements, it may be subject to administrative, civil and criminal proceedings by governmental authorities, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines and penalties against the Company and damage to its reputation, as well as orders that could limit or affect its operations. There is no assurance that the Company will not become involved in future litigation or other proceedings relating to safety, health and environmental matters. Litigation or other proceedings are inherently unpredictable and may be time-consuming and disruptive to the Company's business and operations, regardless of the merits of the claims. There is no assurance that the Company will not be held responsible in any such future litigation or other proceedings, the costs of which could be material. Environmental compliance and remediation costs at sites on which the Company's facilities are located or other locations and related litigation and other proceedings could materially and adversely affect the Company's financial condition and results of operations.

Failure to respond quickly and effectively to product substitution or government-mandated product formulations may adversely affect the Company's business and prospects.

Any potential increase in oil prices and environmental concerns could make it more attractive for the Company's customers to switch to alternative fuels such as natural gas, ethanol and palm oil methyl ester fuel blends. If alternative fuels become more affordable and available than petroleum products, customers may shift from petroleum to these alternative fuels not offered by the Company, resulting in lower sales volumes. In recent years, the Philippine government has enacted regulations mandating the inclusion of a specified percentage of alternative fuels in gasoline and diesel fuels sold or distributed by every oil company in the Philippines, and these types of requirements may be increased in the future. In Malaysia, the government initially mandated that all diesel used for automotive purposes be comprised of 5% palm oil methyl ester. This was subsequently increased to 7% in the second half of 2014. If the Company does not respond quickly and effectively to product substitutions or government-mandated product formulations in the future, its business and prospects may be adversely affected.

The Company's business strategies require significant capital expenditures, financing, and expansion of marketing and logistical support, which are subject to a number of risks and uncertainties, and its financial condition and results of operations may be adversely affected by its debt levels.

The Company's business is capital intensive. Specifically, the processing and refining of crude oil and the purchase, construction and maintenance of machinery and equipment require substantial capital expenditures. The Company's ability to maintain and increase its sales, net income and cash flows may be affected by the timely and successful completion of its planned capital expenditure projects. The Company's current business strategies involve, among others, (i) continued investment in the Limay Refinery to support the increased utilization from RMP-2 and improve refinery operations; (ii) continued expansion of its retail service station, LPG and lubes network in the Philippines; (iii) expansion and upgrade of its logistics capacity; and (iv) expansion of Malaysia operations with new service station additions and facilities improvement in Port Dickson Refinery to enable it to produce Euro 5M-standard fuels. If the Company fails to complete its planned capital expenditure projects on time or within budget or at all, or to operate its facilities at their designed capacity, it may be unable to achieve the targeted growth in sales and profits, and its business, results of operations and financial condition could be adversely affected. Furthermore, there can be no assurance that following the completion of the RMP-2, the Limay Refinery will run at the expected capacity or achieve the expected production profile, or that there will be sufficient demand and logistical support for the Company's increased production. Any of the foregoing factors could adversely affect the Company's business, financial condition and results of operations.

In addition, the Company has incurred a substantial amount of debt to finance its capital expenditure projects, a significant portion of which is due in five years or less. The Company's ability to complete its planned capital expenditure projects and meet its debt servicing obligations will depend in part on its ability to generate sufficient cash flows from its operations and obtain adequate additional financing. There can be no assurance that the Company will be able to generate sufficient cash flows from its operations or obtain adequate financing for its planned capital expenditure projects or to meet its debt servicing obligations, on acceptable terms or at all. Failure by the Company to finance and successfully implement its planned capital expenditure projects could adversely affect its business, financial condition and results of operations.

Changes in applicable taxes, duties and tariffs could increase the Company's operating costs and adversely affect its business, results of operations and financial condition.

The Company's operations are subject to various taxes, duties and tariffs. The tax and duty structure of the oil industry in the Philippines has undergone some key changes in recent years. For example, duties for the import of crude oil and petroleum products into the Philippines were increased on January 1, 2005 from 3% to 5%, and these duties were subsequently reduced to 0% with effect from July 4, 2010 (except for certain types of aviation gas). Furthermore, the Philippine government imposed an additional 12% value-added tax ("VAT") on the sale or importation of petroleum products in 2006. Malaysia's system of import duties and sales taxes was replaced by a goods and service tax effective April 1, 2015. There can be no assurance that any future tax changes in the Philippines or Malaysia would not have a material and adverse effect on the Company's business, financial condition and results of operations.

The Company may be adversely impacted by the fluctuations in the value of the Philippine Peso and the Ringgit Malaysia against the U.S. dollar.

A substantial portion of the Company's revenues are denominated in either Philippine Pesos or Ringgit Malaysia, while a substantial portion of its expenses, including crude oil purchases and foreign currency denominated debt service costs, is denominated in U.S. dollars. In 2015 and the six month period ended June 30, 2016, approximately 54% and 55%, respectively, of the Company's revenues were denominated in Philippine Pesos, approximately 32% and 30%, respectively, of its revenues were denominated in Ringgit Malaysia, while approximately 80% and 76%, respectively, of its cost of goods sold were denominated in U.S. dollars. In addition, as of June 30, 2016, 29% of the Company's outstanding debt was denominated in U.S. dollars. The Company's financial reporting currency is the Peso, and therefore depreciation of the Peso relative to the U.S. dollar would result in increases in the Company's foreign currency denominated expenses as reflected in its Peso financial statements, and could also result in foreign exchange losses resulting from the revaluation of foreign currency denominated assets and liabilities, including increases in the Peso amounts of the Company's U.S. dollar denominated debt obligations, thereby adversely affecting the Company's results of operations and financial condition. In addition, there can be no assurance that the Company could increase its Peso- or Ringgit-denominated product prices to offset increases in its crude oil or other costs resulting from any depreciation of the Peso or the Ringgit, as applicable. From January 1, 2013 to June 30, 2016, the value of the Peso against the U.S. dollar fluctuated from a low of ₱ 40.55 per U.S. dollar on March 13, 2015 to a high of ₱ 48.049 per U.S. dollar on January 26, 2016. In the same period, the value of the Ringgit Malaysia against the U.S. dollar has fluctuated from a low of RM 2.9625 per U.S. dollar on May 8, 2013 to a high of RM 4.4570 per U.S. dollar on September 29, 2015.[2] While the Company uses a combination of natural hedges, which involve holding U.S. dollar-denominated assets and liabilities, and derivative instruments to manage its exchange rate risk exposure, its exchange rate exposures are not fully protected. There can be no assurance that the value of the Peso or the Ringgit Malaysia will not decline or continue to fluctuate significantly against the U.S. dollar, and any significant future depreciation of the Peso or the Ringgit Malaysia could have a material adverse effect on the Company's margins, results of operations and financial condition.

The Company depends on experienced, skilled and qualified personnel and senior management, and its business and growth prospects may be disrupted if it is unable to retain their services.

The Company depends on experienced, skilled and qualified personnel for the management and operation of its business. The loss of such experienced, skilled or qualified personnel may lead to operating challenges and increased costs. These challenges include lack of resources, loss of knowledge and lengthy period of time associated with skill development. In this case, costs, including costs related to contract labor, productivity and safety, may rise. Failure to hire and adequately train replacement employees, including the transfer of significant internal historical knowledge and expertise to new employees, or the limited availability and rising cost of contract labor may adversely affect the Company's ability to manage and operate its business. The loss of a significant number of qualified personnel could adversely affect the Company's ability to compete in its industry, which in turn could have a material adverse effect on its business, results of operations and cash flows.

In addition, the Company relies, and will likely continue to rely, significantly on the continued individual and collective contributions of its senior management. There can be no assurance that the Company will be able to retain its senior management. The loss of any of these key employees without a suitable replacement, or the Company's inability to retain these key employees, could have a material adverse effect on its business, results of operations and cash flows.

The Company's controlling shareholder may have interests that may not be the same as those of other shareholders.

San Miguel Corporation ("SMC"), directly and indirectly, holds an effective 68.26% of the Company's outstanding common equity as of June 30, 2016. See "Ownership and Corporate Structure" of this Prospectus. SMC is not obligated to provide the Company with financial support or to exercise its rights as a shareholder in the Company's best interests or the best interests of the Company's other shareholders. If the interests of SMC conflict with the interests of the Company, the Company could be disadvantaged by the actions that SMC chooses to pursue.

In addition, while the Company expects to benefit from its ongoing relationship with SMC and its subsidiaries and affiliates through their global reach and relationships, there can be no assurance that SMC will allow the Company to have access to such benefits.

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[2] According to Bloomberg historical rates of the Philippine Peso Spot Currency and Malaysian Ringgit Spot Currency

The Company may fail to integrate acquired businesses properly, which could adversely affect the Company's results of operations and financial condition.

From time to time, the Company considers selective opportunities to expand both domestically and outside the Philippines through strategic acquisitions consistent with its focuses on increased production of diesel, gasoline, jet fuel, kerosene and LPG ("White Products") and the creation of operational synergies. However, there can be no assurance that the Company will be able to integrate its acquisitions fully in line with its strategy. Any failure to do so could have a material adverse effect on the business, results of operations and financial condition of the Company.

If the number or severity of claims for which the Company is self-insured increases, or if it is required to accrue or pay additional amounts because the claims prove to be more severe than its recorded liabilities, the Company's financial condition and results of operations may be materially and adversely affected.

The Company's refining of crude oil and marketing and distribution of refined petroleum products in the Philippines and Malaysia are subject to inherent risks, such as equipment defects, malfunctions, failures or misuse, which could cause environmental pollution, leaks or spills, personal injury or loss of life, as well as damage to and destruction of the environment, which could result in liabilities that exceed the Company's insurance coverage and have a material adverse effect on its financial condition and results of operations. The Company could also be adversely affected by business interruption caused by war, terrorist activities, mechanical failure, human error, political action, labor strikes, fire and other circumstances or events.

The Company uses a combination of self-insurance, reinsurance and purchased insurance to cover its properties and certain potential liabilities. The Company's insurance coverage includes property, marine cargo and third party liability, as well as personal injury, accidental death and dismemberment, sabotage and terrorism, machinery breakdown and business interruption. One of the main insurance policies of the Company, the Industrial All-Risk (the "IAR") policy covers the Limay Refinery for material damages, including from machinery breakdown and business interruption. The business interruption coverage under the IAR policy has a US$293.0 million limit. All insurance policies relating to the Company's Philippine operations are written by its wholly-owned insurance subsidiary, Petrogen Insurance Corporation ("Petrogen"). The majority of the risks insured by Petrogen are reinsured with Standard & Poor's A-rated foreign insurers through Overseas Ventures Insurance Corporation Ltd. ("Ovincor"), Petron's Bermuda-based captive insurance subsidiary. For its Malaysian operations, the Company purchases insurance from Malaysian insurance companies, consistent with Malaysian law. The Company estimates the liabilities associated with the risks retained by it, in part, by considering historical claims, experience and other actuarial assumptions which, by their nature, are subject to a degree of uncertainty and variability. Among the causes of this uncertainty and variability are unpredictable external factors affecting future inflation rates, discount rates, litigation trends, legal interpretations and actual claim settlement patterns. If the number or severity of claims for which the Company is self-insured increases, or if it is required to accrue or pay additional amounts because the claims prove to be more severe than the original assessments, the Company's financial condition, results of operations and cash flows may be materially and adversely affected.

Existing or future claims against the Company, its subsidiaries, associates or joint ventures, or directors or key management may have an unfavorable impact on the Company.

From time to time, the Company, its subsidiaries, associates or joint ventures, or directors or key management may be subject to litigation, investigations, claims and other legal proceedings. For a description of certain legal proceedings, see "*Business—Legal Proceedings*" of this Prospectus. Legal proceedings could cause the Company to incur unforeseen expenses, occupy a significant amount of management's time and attention, and negatively affect the Company's business operations and financial position. Further, legal proceedings could continue for a prolonged period of time and be time-consuming with unpredictable outcomes and it is difficult for the Company to predict the possible losses, damages or expenses arising from such legal proceedings. An unfavorable outcome in these or other legal proceedings could have a material adverse effect on the business, financial position, results of operations and cash flows.

Risks Relating to the Philippines and Malaysia

The Company's business and sales may be negatively affected by slow growth rates and economic instability in the Philippines and Malaysia, as well as globally.

The Company derives substantially all of its revenues and operating profits from sales of its products in the Philippines and Malaysia. In 2015 and the six months ended June 30, 2016, the Company derived approximately 68% and 70%, respectively, of its sales from its Philippine operations, and in 2015 and the six months ended June 30, 2016, the Company derived approximately 32% and 30%, respectively, of its sales from its Malaysian operations. The Company's product demand and results of operations have generally been influenced to a significant degree by the general state of the Philippine and Malaysian economies and the overall levels of business activity in the Philippines and Malaysia, and the Company expects that this will continue to be the case in the future. The Philippines and Malaysia have both experienced periods of slow or negative growth, high inflation, significant devaluation of the Philippine Peso or the Ringgit Malaysia, as applicable, and the imposition of exchange controls. The Company cannot assure prospective investors that one or more of these factors will not negatively impact Philippine or Malaysian consumers' purchasing power, which could materially and adversely affect the Company's financial condition and results of operations.

In addition, global financial, credit and currency markets have in the second half of 2008 and in 2009, experienced, and may continue to experience, significant dislocations and liquidity disruptions. The volatility in global financial markets has added to the uncertainty of the global economic outlook, and a number of countries have experienced slowing economic activity. In the past, the Philippine and Malaysian economies and the securities of Philippine companies have been influenced, to varying degrees, by economic and market conditions in other countries, particularly other countries in Southeast Asia, as well as investors' responses to those conditions. The uncertainty surrounding the global economic outlook could cause economic conditions in the Philippines and/or Malaysia to deteriorate. Any downturn in the Philippine or Malaysian economies may negatively affect consumer sentiment and general business conditions in the Philippines or Malaysia, as applicable, which may lead to a reduction in demand for the Company's products and materially reduce the Company's revenues, profitability and cash flows. Moreover, there can be no assurance that current or future Philippine and Malaysian government policies will continue to be conducive to sustaining economic growth.

Political instability, acts of terrorism or military conflict or changes in laws or government policies in the Philippines or Malaysia could have a destabilizing effect and may have a negative effect on the Company.

The Philippines has from time to time experienced political and military instability. In the last few years, there has been political instability in the Philippines, including impeachment proceedings against two former presidents and the chief justice of the Supreme Court of the Philippines, hearings on graft and corruption issues against various government officials, and public and military protests arising from alleged misconduct by previous and current administrations. There can be no assurance that acts of election-related or other political violence will not occur in the future, and any such events could negatively impact the Philippine economy. An unstable political environment, whether due to the impeachment of government officials, imposition of emergency executive rule, martial law or widespread popular demonstrations or rioting, could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material adverse effect on the Company's business, financial condition and results of operations. The Philippines has also been subject to a number of terrorist attacks since 2000, and the Philippine armed forces have been in conflict with groups that have been identified as being responsible for kidnapping and terrorist activities in the Philippines. In addition, bombings have taken place in the Philippines, mainly in cities in the southern part of the country. Political instability, acts of terrorism, violent crime and similar events could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

The Company may also be affected by political and social developments in Malaysia, as well as changes in the political leadership and/or government policies in Malaysia. Such political or regulatory changes may include (but are not limited to) the introduction of new laws and regulations that impose and/or increase restrictions on imports, the conduct of business, the repatriation of profits, the imposition of capital controls, changes in interest rates and the taxation of goods and services. There can be no assurance that any changes in such regulations or politics imposed by the Malaysian government from time to time will not have an adverse effect on the Company's business, financial condition, results of operations and prospects. In addition, terrorist attacks and other acts of violence or war in Malaysia may negatively affect the Malaysian economy, resulting in a loss of consumer confidence and reduced demand for the Company's products in Malaysia, which could adversely affect the Company's business, financial condition, results of operations and prospects.

The occurrence of natural or man-made catastrophes or electricity blackouts may materially disrupt the Company's operations.

The Philippines and Malaysia have experienced a number of major natural or man-made catastrophes in recent years, including typhoons, volcanic eruptions, earthquakes, tsunamis, mudslides, fires, droughts and floods related to El Niño and La Niña weather events. Natural catastrophes may disrupt the Company's ability to produce or distribute its products and impair the economic conditions in affected areas, as well as the overall Philippine and Malaysian economies. The Philippines and Malaysia have both experienced electricity blackouts resulting from insufficient power generation, faulty transmission lines and other disruptions, such as typhoons or other tropical storms. These types of events may materially disrupt the Company's business and operations and could have a material adverse effect on the Company's financial condition and results of operations. The Company has insurance policies that cover business interruption and material damage to its facilities caused by natural catastrophes. However, the Company cannot assure prospective investors that the insurance coverage it maintains for these risks will adequately compensate the Company for all damages and economic losses resulting from natural or man-made catastrophes or electricity blackouts, including possible business interruptions.

Investors may face difficulties enforcing judgments against the Company.

The Company is organized under the laws of the Philippines and most of its assets are located in the Philippines and Malaysia. It may be difficult for investors to effect service of process outside the Philippines upon the Company with respect to claims pertaining to the Bonds. Moreover, it may be difficult for investors to enforce in the Philippines or Malaysia judgments against the Company obtained outside the Philippines or Malaysia, as applicable, in any actions pertaining to the Bonds, particularly with respect to actions for claims to which the Company has not consented to service of process outside the Philippines or Malaysia, as the case may be.

In addition, substantially all of the directors and senior management of the Company are residents of the Philippines, and all or a substantial portion of the assets of these persons are or may be located in the Philippines. As a result, it may be difficult for investors to effect service of process outside of the Philippines upon such persons or to enforce against them judgments obtained in courts or arbitral tribunals outside the Philippines.

The Philippines is not a party to any international treaty relating to the recognition or enforcement of foreign judgments. Philippine law provides that a final and conclusive judgment of a foreign court is enforceable in the Philippines through an independent action filed to enforce such judgment, and without re-trial or re-examination of the issues, only if (i) the court rendering such judgment had jurisdiction in accordance with its jurisdictional rules; (ii) the other party had notice of the proceedings; (iii) such judgment was not obtained by collusion or fraud or based on a clear mistake of fact or law; or (iv) such judgment was not contrary to public policy or good morals in the Philippines.

A judgment obtained for a fixed sum in a court of a reciprocating country (as listed in the First Schedule of the Reciprocal and Enforcement of Foreign Judgments Act 1958 ("REJA")) may be recognized and enforced by the courts of Malaysia upon registration of the judgment with the courts of Malaysia under the REJA within six years after the date of the judgment, or, where there have been proceedings by way of appeal against the judgment, after the date of the last judgment given in those proceedings, so long as the judgment: (i) is not inconsistent with public policy in Malaysia; (ii) was not given or obtained by fraud or duress or in a manner contrary to natural justice; (iii) is not directly or indirectly for the payment of taxes or other charges of a like nature or of a fine or other penalty; (iv) was of a court of competent jurisdiction of such jurisdiction and the judgment debtor being the defendant in the original court received notice of those proceedings in sufficient time to enable it to defend the proceedings; (v) has not been wholly satisfied; (vi) is final and conclusive between the parties; (vii) could be enforced by execution in the country of that original court; (viii) is for a fixed sum; (ix) is not preceded by a final and conclusive judgment by a court having jurisdiction in that matter; and (x) is vested in the person by whom the application for registration was made.

Under current Malaysian law, any judgment obtained for a fixed sum in a court of a foreign jurisdiction with which Malaysia has no arrangement for reciprocal enforcement of judgments, after due service of process, may, at the discretion of the courts of Malaysia, be actionable in the courts of Malaysia by way of a suit on a debt if such judgment is final and conclusive. However, such action may be met with defenses, including, but not limited to, defenses based on the conditions listed in the preceding paragraph. A money judgment by the courts of a non-reciprocating country may be recognized by Malaysian courts and be enforced by way of summary judgment without re-examination of the issues in dispute provided that the judgment: (i) is not inconsistent with public policy in Malaysia; (ii) was not given or obtained by fraud or duress or in a manner contrary to natural justice; (iii) is not directly or indirectly for the payment of taxes or other charges of a like nature or of a fine or other penalty; (iv) was of a court of competent jurisdiction of such jurisdiction; (v) has not been wholly satisfied; (vi) is final and conclusive between the parties; and (vii) is for a fixed sum.

If foreign exchange controls were to be imposed, the Company's ability to access foreign currency to purchase raw materials and equipment and to service foreign currency denominated obligations could be adversely affected.

Generally, Philippine residents may freely dispose of their foreign exchange receipts and foreign exchange may be freely sold and purchased outside the Philippine banking system. The Monetary Board of the Bangko Sentral ng Pilipinas (the "BSP"), with the approval of the President of the Philippines, has statutory authority, in the imminence of or during a foreign exchange crisis or in times of national emergency, to: (i) suspend temporarily or restrict sales of foreign exchange; (ii) require licensing of foreign exchange transactions; or (iii) require delivery of foreign exchange to the BSP or its designee banks. The Philippine government has, in the past, instituted restrictions on the conversion of Pesos into foreign currency and the use of foreign exchange received by Philippine residents to pay foreign currency obligations.

There are foreign exchange policies in Malaysia that support the monitoring of capital flows into and out of the country in order to preserve its financial and economic stability. The foreign exchange policies in Malaysia are governed by the Financial Services Act 2013 ("FSA") and the Islamic Financial Services Act 2013 ("IFSA") and are administered by the Foreign Exchange Administration, an arm of Bank Negara Malaysia ("BNM"), which is the central bank of Malaysia. BNM has issued Rules and Notices that regulate foreign exchange dealings in Malaysia pursuant to the powers conferred by the FSA and IFSA. Under the Rules Applicable to Non-Residents issued by BNM, there is no restriction for non-residents to invest in Malaysia in any form of Ringgit assets either as direct or portfolio investments, and non-residents are free to repatriate any amount of funds in Malaysia at any time, including divestment proceeds, profits, dividends or any income arising from investment in Malaysia, subject to the applicable reporting requirements and any withholding tax. Repatriation, however, must be made in foreign currency.

The Company purchases some critical raw materials, particularly crude oil, and some technically advanced equipment from abroad and needs foreign currency to make these purchases. In addition, the Company has incurred and may continue to incur foreign currency denominated obligations and Peso-denominated debt obligations that are payable in foreign currency. There can be no assurance that the Philippine government or the Malaysian Foreign Exchange Administration will not impose economic or regulatory controls that may restrict free access to foreign currency in the future. Any such restrictions imposed in the future could severely curtail the Company's ability to purchase crude oil, materials and equipment from outside the Philippines or Malaysia in U.S. dollars and its ability to make principal and interest payments in U.S. dollars on its foreign currency-denominated obligations or Peso-denominated debt obligations that are payable in foreign currency, which could materially and adversely affect its financial condition and results of operations.

Risks Relating to the Bonds

The Bonds may not be a suitable investment for all investors.

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Prospectus;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Bonds and be familiar with the behavior of any relevant financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate, foreign exchange rate and other factors that may affect its investment and its ability to bear the applicable risks.

An active or liquid trading market for the Bonds may not develop.

The Bonds are a new issue of securities for which there is currently no trading market. Even if the Bonds are listed on the PDEx, trading in securities such as the Bonds may be subject to extreme volatility at times, in response to fluctuating interest rates, developments in local and international capital markets and the overall market for debt securities among other factors, which may affect liquidity. Although the Bonds are intended to be listed on PDEx as soon as reasonably practicable, no assurance can be given that an active trading market for the Bonds will develop and, if such a market were to develop the Joint Issue Managers are under no obligation to maintain such a market. The liquidity and the market prices for the Bonds can be expected to vary with changes in market and economic conditions, the financial position and prospects of the Company and other factors that generally influence the market prices of securities.

The Company has no control over this risk as active trading of the Bonds is highly dependent on the bondholders.

The Issuer may be unable to redeem the Bonds.

At maturity, the Issuer will be required to redeem all of the Bonds. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. The failure by the Issuer to repay, repurchase or redeem tendered Bonds would constitute an event of default under the Bonds, which may also constitute a default under the terms of other indebtedness of the Issuer.

The Issuer has a very strong business franchise in the Philippines. It has a strong recurring cash flow and maintains a low debt-equity ratio and a high level of liquidity in its balance sheet. The Issuer believes that it has sufficient resources which will allow it to service the principal and interest of the Bonds.

Holders of the Bonds may not be able to reinvest at a similar return on investment.

Prior to the relevant maturity dates of the Bonds, the Issuer shall have the option, but not the obligation, to redeem in whole (and not in part), any series of the outstanding Bonds on the relevant Optional Redemption Dates (see "*Description of the Offer Bonds*" in the relevant Offer Supplement). In the event that the Company exercises this early redemption option, all Bonds will be redeemed and the Company would pay the amounts to which Bondholders would be entitled. Following such redemption and payment, there can be no assurance that investors in the redeemed Bonds will be able to re-invest such amounts in securities that would offer a comparative or better yield or terms, at such time.

The Bondholder may face possible gain or loss if the Bonds are sold at the secondary market.

As with all fixed income securities, the Bonds' market values move (either up or down) depending on the change in interest rates. The Bonds when sold in the secondary market are worth more if interest rates decrease since the Bonds have a higher interest rate relative to the market. Likewise, if the prevailing interest rate increases, the Bonds are worth less when sold in the secondary market. Therefore, holders may either make a gain or incur a loss when they decide to sell the Bonds.

The Bonds may not be able to retain its credit rating.

There is no assurance that the rating of the Bonds will be retained throughout the life of the Bonds. The rating is not a recommendation to buy, sell, or hold securities and may be subject to revision, suspension, or withdrawal at any time by the assigning rating organization.

The Bonds have no preference under Article 2244(14) of the Civil Code.

No other loan or other debt facility currently or to be entered into by the Issuer shall have preference of priority over the Bonds as accorded to public instruments under Article 2244(14) of the Civil Code of the Philippines, and all banks and lenders under any such loans or facilities that are notarized have waived the right to the benefit of any such preference or priority. However, should any bank or bondholder hereinafter have a preference or priority over the Bonds as a result of notarization, then the Issuer shall at the Issuer's option, either procure a waiver of the preference created by such notarization or equally and ratably extend such preference to the Bonds as may be practicable.

USE OF PROCEEDS

The intended use of proceeds for each offer of Bonds being offered shall be set in the relevant Offer Supplement under “*Use of Proceeds*”.

DETERMINATION OF THE OFFER PRICE

Each series of the Bonds shall be issued on a fully paid basis and at an issue price that is at par.

PLAN OF DISTRIBUTION

The detailed plan of distribution and underwriting arrangement for each offer of Bonds shall be set out in the relevant Offer Supplement.

CAPITALIZATION

The unaudited consolidated short-term and long-term debt and capitalization of the Issuer as of the relevant period shall be set out in the relevant Offer Supplement.

THE COMPANY

OVERVIEW

The Company was incorporated under the Corporation Code of the Philippines and registered with the Philippine Securities and Exchange Commission ("SEC") on December 22, 1966. On September 13, 2013, the SEC approved the extension of the 50-year corporate term of the Company to 2066. The Company refines crude oil and markets and distributes refined petroleum products in the Philippines and Malaysia.

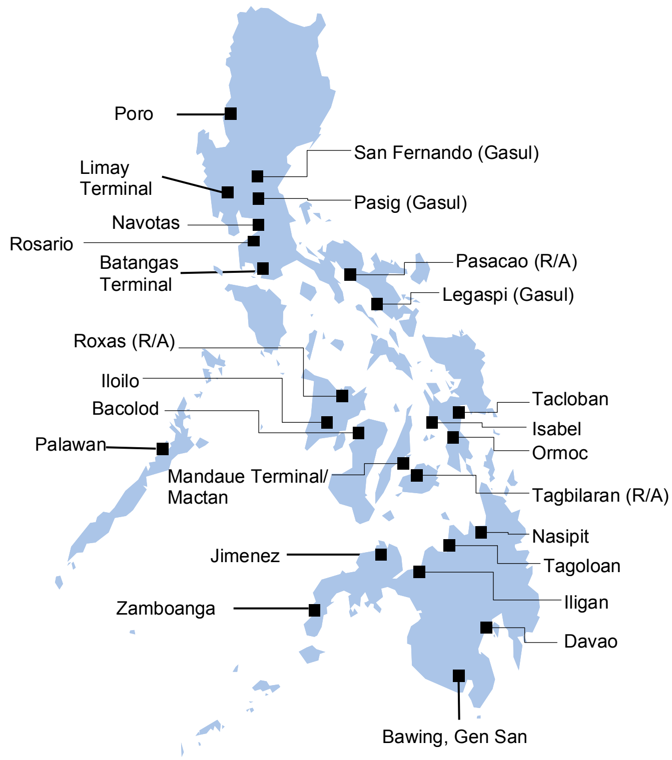
In the Philippines, the Company is the largest integrated oil refining and marketing company. The Company had an overall market share of 32.8%[3] of the Philippine oil market for the year ended December 31, 2015 in terms of sales volume based on Company estimates using its internal assumptions and calculations and industry data from the DOE. The Company's IMS-certified Limay Refinery in Limay, Bataan in the Philippines, which has a crude oil distillation capacity of 180,000 barrels per day, processes crude oil into a range of petroleum products, including gasoline, diesel, LPG, jet fuel, kerosene, naphtha, and petrochemical feedstock such as benzene, toluene, mixed xylene and propylene. The completion of Phase 2 of the Refinery Master Plan ("RMP-2"), a US$2 billion project for the Limay Refinery, enables the Company to produce more valuable White Products and increase production of petrochemicals. The completion of the RMP-2 made the Company the first oil company in the Philippines capable of producing Euro IV-standard fuels, the global standard for clean air fuels.

From the Limay Refinery, the Company moves its products, mainly by sea, to depots, terminals and airport installations situated throughout the Philippines, representing the most extensive distribution network for petroleum products in the Philippines. The network comprises 10 depots and terminals in Luzon, nine in the Visayas and seven in Mindanao, as well as two airport installations in Luzon and two in Mindanao. Through this nationwide network, the Company supplies its various petroleum products such as gasoline, diesel, and LPG to its customers. The Company also supplies jet fuel to international and domestic carriers at key airports in the Philippines.

The map below shows the geographic coverage of the Company's terminals and depots in the Philippines as of June 30, 2016.

[3] Market share is derived from Company estimates based on Company information and data from the Philippine Department of Energy for FY2015. Company estimates exclude direct imports of jet fuel by airlines, direct imports of naphtha as feedstock for petrochemical plants, direct imports of condensate as fuel for natural gas power plants, and lubes and greases.

Geographic coverage of the Company's terminals and depots in the Philippines



Note:

R/A indicates that a rationalization agreement is in place in relation to the relevant depot, which is a contract between the owner-operator of the depot and another oil company regarding product supply and the use of the facilities to rationalize operations and reduce costs.

Through its network of approximately 2,225 retail service stations in the Philippines as of June 30, 2016, the Company sells gasoline, diesel, kerosene, and auto-LPG (in some stations) to motorists and to the public transport sector. The Company also sells its LPG brands "Gasul" and "Fiesta Gas" to households and other consumers through its extensive dealership network.

The Company also manufactures lubricants and greases through its blending plant in Pandacan, and these products are sold through the Company's service stations and sales centers. The Company owns and operates a fuel additives blending plant in the Subic Bay Freeport Zone in the Philippines, which has a tolling agreement with Innospec, Limited ("Innospec"), a global fuel additives supplier. Regional customers of Innospec and the Company's own requirements are served from the output of the Subic plant.

In recent years, the Company has also diversified into petrochemicals, adding a mixed xylene recovery unit to the Limay Refinery in 2000 and a propylene recovery unit in 2008. Its benzene-toluene extraction unit became operational in May 2009. In March 2010, the Company acquired a 40% stake in PAHL, which owns PPI through a wholly owned subsidiary, RIHL. As of July 25, 2016, the Company had increased its stake in PAHL to 100%. PPI operated a polypropylene plant located in Mariveles, Bataan in the Philippines, which has the capacity to produce 160,000 metric tons of polypropylene resin annually.

The polypropylene plant is co-owned with RIHL. On July 1, 2014, the Company acquired PPI's ownership in the polypropylene plant and took over the operations of the polypropylene business in order to enhance the overall efficiency of its petrochemical operations.

The Company entered the Malaysian market in March 2012 through the purchase of ExxonMobil's downstream oil business in Malaysia for a purchase price of US$577.3 million. With this acquisition, the Company extended its portfolio of oil refining and marketing businesses outside the Philippines. The Company owns and operates the Port Dickson Refinery, which has a crude oil distillation capacity of 88,000 barrels per day, and produces a range of petroleum products, including LPG, naphtha, gasoline, jet fuel, diesel and low-sulfur waxy residue ("LSWR"). As of June 30, 2016, the Company had nine product terminals, one depot, and a network of approximately 575 retail service stations in Malaysia. In the [first quarter of 2016], the Company ranked third in the Malaysian retail market with a [17.7] % share of the Malaysian retail market based on Company estimates using its internal assumptions and calculations and industry data from Fahrenheit Research, a market research consultant appointed by Malaysian retail market participants to compile industry data.

The Company's products are primarily sold to customers in the Philippines and Malaysia. The Company also exports to other customers in the Asia-Pacific region various petroleum products and petrochemical feedstocks, including LSWR, naphtha, mixed xylene, benzene, toluene and propylene. The Company's revenues from these export sales amounted to ₽ 31.9 billion, or 9% of total sales, in 2015, and ₽ 11.3 billion, or 7% of total sales, in the first half of 2016.

In 2013, 2014, 2015 and the first six months of 2016, the Company's sales were ₽ 463.6 billion, ₽ 482.5 billion, ₽ 360.2 billion and ₽ 161.9 billion, respectively, and net income was ₽ 5.1 billion, ₽ 3.0 billion, ₽ 6.3 billion and ₽ 5.3 billion, respectively.

The Company's common shares are listed for trading on the PSE under the symbol "PCOR", while its Series 2 preferred shares are listed and traded on the same exchange under the symbols "PRF2A" and "PRF2B." The preferred shares that used to be traded under the symbol "PPREF" were redeemed by the Company on March 5, 2015 and delisted from the PSE on March 6, 2015.

The Company's US$750 million undated subordinated capital securities (ISIN: XS0879849312) are listed on The Stock Exchange of Hong Kong Limited, while its ₽ 20 billion PHP-denominated notes due 2017 payable in U.S. dollars (ISIN: XS0554144831) are listed on the Singapore Exchange Limited.

In Malaysia, the Company's common shares for its subsidiary Petron Malaysia Refining & Marketing Bhd. are listed for trading on the Bursa Malaysia under the symbol "PETRONM."

STRENGTHS

The Company believes that its principal competitive strengths include the following:

Market leadership in the Philippine downstream oil sector.

With an overall market share of approximately 32.8% of the Philippine oil market for the year ended December 31, 2015 in terms of sales volume pursuant to Company estimates based on its internal assumptions and calculations and industry data from the DOE, the Company believes it is the leader in the Philippine oil industry, ahead of the other two major oil companies and other smaller players operating in the Philippines. In particular, the Company believes that it is the market leader based on domestic sales volume in the retail trade as well as in the industrial and LPG market segments and that it enjoys a strong second position in terms of market share based on sales volumes of the two major oil companies in the lubricants and greases market segment.

In the Philippines, the Company owns and operates the largest petroleum refinery complex, with a total crude oil distillation capacity of 180,000 barrels per day, which is 70,000 barrels per day higher compared to the only other operating petroleum refinery in the Philippines. The Company has the most extensive distribution network for petroleum products in the Philippines, which allows it to operate and serve its customers across the Philippines. This distribution network includes 30 depots, terminals, and airport installations and reaches most key points in the Philippines. Given the challenges of distribution across the Philippine archipelago, this capability plays a significant role in securing the Company's leading position in the Philippines. Since 2011, the Company has focused on expanding its distribution network to accommodate the increasing demand across the Philippines, and will continue to invest in the expansion of its distribution network. The Company's strong participation in the different market segments such as retail, LPG and bulk industrial customer operations also plays a large role in its success in the Philippine downstream oil sector. As of June 30, 2016, the Company had approximately 2,225 service stations nationwide, more than any other market participant, and intends to grow this number to serve the increased production from RMP-2. The Company believes it is the leader in the LPG segment with approximately 1,050 branch stores as of June 30, 2016. The Company's industrial sales cover approximately 1,000 direct industrial accounts as of June 30, 2016.

Established position in the Malaysian downstream oil sector.

The Company has acquired an established position in the Malaysian downstream oil sector through its acquisition of ExxonMobil's downstream oil business in Malaysia, which has a recognized health, safety and environmental track record. This provides geographic diversification to its portfolio, an additional platform to expand its business and added stability to its operations.

JBC Energy ("JBC"), a research and consultancy service provider for the oil and energy sector, estimates that the Malaysian market will continue to grow annually by approximately 2.4%. At its current market size of approximately 800,000 barrels per day, as estimated by JBC, it is more than double the size of the Philippine market. Based on Company estimates using its internal assumptions and calculations and industry data from Fahrenheit Research, the Company ranked third in the Malaysian retail market with a [17.7]% share in the [first quarter of 2016].

The Company's network of service stations and distribution infrastructure in Malaysia also facilitate the capture of a growing share of the market. The Company's network in Malaysia includes approximately 575 service stations, about 260 convenience stores, nine product terminals and one depot. Following the acquisition of ExxonMobil's downstream oil business in Malaysia in March 2012, the Company rebranded ExxonMobil Esso-branded service stations to the *Petron* brand to increase the awareness of the *Petron* brand in Malaysia. By March 31, 2015, all of the 550 Esso-branded service stations acquired had been rebranded. Concurrent with the rebranding, the Company launched a comprehensive refurbishment initiative with the goal of creating a convenient one-stop service experience for customers. This refurbishment initiative included upgrading the service stations with a modern look, brighter lights and more efficient display of products and services. The Company also has presence in the aviation segment with a 20% ownership of a multi-product pipeline ("MPP") to Kuala Lumpur International Airport ("KLIA"). The joint venture through which the Company owns its interest in the MPP also owns a fuel terminal, the Klang Valley Distribution Terminal ("KVDT"). In the second quarter of 2015, the Company completed a project linking the Port Dickson Refinery to the KVDT through the MPP to supply the central region more efficiently. Pursuant to Company estimates based on its internal assumptions and calculation and industry data from Fahrenheit Research, for the first quarter of 2016, the Company had a 13.0% market share in terms of sales volume in the LPG segment in Malaysia.

The retail and certain selected transportation sectors in Malaysia operate under a regulated market pursuant to the APM, which mandates (i) the prices of certain refined petroleum products, (ii) quotas and (iii) certain fixed amounts for marketing, transportation and distribution costs in relation to the subsidy structure. See "*Regulatory and Environmental Matters – Malaysia – Sale and Pricing of Refined Petroleum Products*." This regulated environment provides stability to the Company's Malaysian operations in such sectors.

Capability to produce high margin products.

Over the years, the Company has developed and maintained a strong core base of petroleum products, and consistently made significant investments in upgrading its facilities and focused on increasing production of higher margin White Products and petrochemicals while minimizing production of low margin fuel products.

RMP-2, a US$2 billion project completed in the fourth quarter of 2014, enables the Limay Refinery to further enhance its operational efficiencies, convert its fuel oil production into production of more White Products, and increase the Company's production of petrochemical feedstock like propylene, benzene, toluene and xylene. The completion of RMP-2 has made the Company the only oil company in the Philippines capable of producing Euro IV-standard fuels, the global standard for clean air fuels. The upgraded production capability has improved refinery utilization rate to more than 90% and increased White Products to Black Products ratio to approximately 100%, compared to previous operating levels of approximately 65% utilization rate and White Products to Black Products ratio of approximately 80%.

Differentiated service experience driving retail volumes.

The Company's network of service stations in the Philippines and Malaysia offers differentiated and comprehensive services to customers. Beyond just a petroleum station, the Company's service station provides a one-stop service experience to travelers on the road, offering amenities such as *Treats* convenience stores, restaurants, and specialty shops. These convenience stores, restaurants and specialty shops help generate non-fuel revenues and improve traffic in the service stations. In Malaysia, the Company rebranded all ExxonMobil Esso-branded service stations to the *Petron* brand and refurbished the stations. Approximately 260 of the Company's network of approximately 575 service stations in Malaysia have convenience stores. The Company has also partnered with the Royal Malaysia Police to set up "Go-to Safety Points" at selected Petron stations in Malaysia.

The Company also offers loyalty programs that complement its retail business. The Company continues to upgrade existing loyalty programs and offer new and diverse programs to cater to customers' unique needs. Some of the benefits of the program include 24-hour free towing and roadside assistance, reward points for every purchase and complimentary annual personal accident insurance coverage. As of June 30, 2016, more than 4.1 million Petron Value Cards had been issued in the Philippines and approximately 3.3 million Petron Miles Privilege Cards had been issued in Malaysia.

Operations in markets with favorable industry dynamics.

The Company operates as an integrated oil refining and marketing company in the Philippines and Malaysia, both of which the Company believes have favorable oil industry dynamics. According to the

International Monetary Fund, the Philippines and Malaysia are expected to experience strong GDP growth at an average rate of 6.3% and 4.8%, respectively, over the next five years, significantly higher than the global average expected GDP growth of 3.6%. Given the high correlation between GDP per capita and fuel consumption, and relatively low fuel consumption in the Philippines and Malaysia compared to other developed countries, there is significant fuel consumption growth potential in these fast-growing markets. The strong potential demand for refined petroleum products is expected to lead to a further supply shortfall, given that both the Philippines and Malaysia are importers of finished petroleum products. The Company believes it is well-positioned to benefit from this supply shortfall with its current production capacities of 180,000 and 88,000 barrels per day in the Philippines and Malaysia, respectively, which give it a significant competitive advantage over its competitors.

Experienced management team and employees and strong principal shareholder San Miguel Corporation.

The Company has an experienced team of managers with substantial relevant experience in refining operations and development of service stations.

In addition, the Company has a team of employees skilled in managing the various aspects of its business, including a highly experienced management team at the Limay Refinery, a focused sales and marketing team, which includes a group that has years of experience in service station engineering and construction, and a research and development team that has overseen years of product development and production process improvement. The Company is also committed to the development of its employees by adopting on-going training and development programs to ensure that operations will be run by well-equipped and capable employees. The average tenure of employees in the Company is approximately 8 years for the Philippines and 13 years for Malaysia.

SMC, directly and indirectly, holds an effective 68.26% of the Company's outstanding common equity. See "*Ownership and Corporate Structure*" on page [50]. SMC is among the largest and most diversified Philippine conglomerates, generating about 5.1% of the country's gross domestic product ("GDP") in 2015. Its broad range of businesses includes beverages, food, packaging, fuel and oil, energy, infrastructure and real estate. The Company believes that it benefits from its relationship as a key material subsidiary of SMC, primarily by realizing synergies, including the provision of fuels for SMC's expanding power generation business, SMC's infrastructure business and its various production facilities as well as cross-marketing opportunities with SMC's consumer and energy-related businesses. The Company also believes that SMC's strong balance sheet and international reach and relationships increase its leverage and bargaining power with suppliers and financial institutions as well as enhance its sources of funding for its capital expenditure projects.

AREAS OF STRATEGIC FOCUS

The Company's principal strategies are set out below:

Further increase market share in the downstream oil markets in the Philippines and Malaysia.

The Company intends to leverage on its leading market position and extensive retail and distribution network in the Philippines to maximize its revenue and margin potential.

The Company believes that the downstream oil market in the Philippines is still underserved and has a strong potential for growth. To capture this growth and further strengthen its market position, the

Company will embark on: (i) increasing its retail outlets for fuels and LPG to improve market penetration and arrest the growth of other industry players; (ii) introducing new products with differentiated and superior qualities; (iii) expanding lubes distribution network by putting up more sales channels such as new lube outlets, sales centers and car care centers, and penetrating non-traditional outlets such as auto parts and repair shops; (iv) continuing to expand its non-fuel businesses by leasing additional service station spaces to food chains, coffee shops and other consumer services to provide "value conscious" customers with a one-stop full service experience; and (v) intensifying its dealer and sales personnel training to further improve customer service experience. These initiatives will support the Company's growing retail business and continuing service station network expansion.

In Malaysia, the Company intends to increase its market share by expanding its existing Malaysian retail network of approximately 575 retail service stations. The Company plans to strategically increase its presence in urban areas with high traffic to make its products and services accessible to more Malaysians.

In addition, the Company seeks to maintain and further strengthen its established position in the Philippines and Malaysia by reinforcing business relationships with existing customers by providing differentiated service offerings in its retail service stations and promoting enhanced loyalty programs in both countries.

Focus on production of high margin refined petroleum products and petrochemicals.

Over the years, the Company has made significant investments in upgrading its facilities and is focused on increasing production of White Products and petrochemicals while minimizing production of low margin fuel products. In recent years, it has shifted production from lower margin fuel oils to higher margin products, including petrochemical feedstock such as propylene, mixed xylene, toluene and benzene. The RMP-2 program, which exemplifies this strategic focus, aims to increase revenues and reduce costs and place the Limay Refinery's utilization, processing and energy efficiency at par with more advanced refineries in the region and improve its competitiveness. Going forward, the Company expects to continue investing in upgrading its production capability.

In the medium term, the Company will assess the viability of further expanding the Limay Refinery's value generation through upgrading its petrochemicals facilities to increase production of petrochemicals benzene, toluene and mixed xylene, and enable production of higher value para-xylenes.

Continue investments to improve operational efficiency and profitability and to increase market reach.

The Company has undertaken a number of strategic projects such as the RMP-2 aimed at improving operational efficiency and profitability, and increasing market reach through the expansion of the Company's service station network.

The Company also intends to enhance efficiency and reduce production costs through supply chain improvements and enhancements to its existing facilities through a range of initiatives including: (i) enhancing its crude optimization program (a program which determines the crude mix that will yield the best product value at the lowest cost) and expanding its crude oil supply sources in addition to its major crude oil suppliers; (ii) reducing inventory levels in the Philippines by sourcing feedstock from suppliers located near the Limay Refinery; (iii) investing in new receiving and storage facilities and improving the existing facilities to attain greater sourcing flexibility and support new growth areas; (iv) managing crude oil freight costs and availability of terminal-compliant vessels with contracts of affreightment that guarantee cost competitiveness with the spot market; and (v) reducing distribution costs through rationalization of the depot network, joint operations with other companies and optimized utilization of its marine and tank truck fleet. The Company also expects to continue utilizing operational synergies by leveraging on SMC's network, products and services.

Pursue selective synergistic acquisitions.

In addition to organic growth, the Company will continue to consider and evaluate selective opportunities to expand within and outside the Philippines through strategic acquisitions that will create operational synergies and add value to the existing business. For example, in March 2010, the Company acquired a 40% stake in PAHL, which owned PPI through a wholly owned subsidiary RIHL. As of July 25, 2016, the Company had increased its stake in PAHL to 100%. PPI operated a polypropylene plant located in Mariveles, Bataan in the Philippines, which has the capacity to produce 160,000 metric tons of polypropylene resin annually. On July 1, 2014, the Company acquired PPI's polypropylene business and took over the operations of the polypropylene plant in order to enhance the overall efficiency of the petrochemical operations of the Company. In addition, on March 30, 2012, the Company completed its acquisition of ExxonMobil's downstream business in Malaysia, extending its portfolio of oil refining and marketing businesses outside the Philippines.

CORPORATE HISTORY AND MILESTONES

The Company was incorporated in 1966 under the name "Esso Philippines Inc." and was later renamed "Petrophil Corporation" ("Petrophil"). Between 1987 and 1988, Petrophil, Bataan Refining Corporation and Petron TBA Corporation were merged into one entity, and the surviving corporation was renamed "Petron Corporation." In 1994, the Philippine National Oil Company ("PNOC") sold 40% of its shares in the Company to Aramco Overseas Company B.V. ("AOC"), a wholly owned subsidiary of Saudi Aramco, and 20% to the public in an initial public offering. The Company's common shares were listed on the PSE in 1994. In 2008, AOC sold its shares in the Company to the Ashmore group, and, following a series of share transfers, at the end of 2008, the Company was majority-owned by the Ashmore group through its subsidiaries, specifically, 50.1% by SEA Refinery Corporation ("SEA Refinery") and 40.47% by SEA Refinery Holdings B.V. ("SEA BV").

In 2008, SMC and SEA BV entered into an option agreement granting SMC the option to buy 100% of SEA BV's ownership interest in SEA Refinery. In April 2010, SMC exercised its option to purchase a 40% equity interest in SEA Refinery. SMC subsequently acquired an additional 1.97% of the Company's common shares pursuant to a tender offer.

In July 2010, PCERP acquired from SEA BV 24.28% of the common shares in the Company.

In August 2010, SMC purchased approximately 16% of the outstanding common shares in the Company from SEA BV, and in October 2010, SMC acquired from the public 0.006% of the Company's outstanding common shares. SMC subsequently exercised its option to purchase the remaining 60% of SEA Refinery from SEA BV in December 2010, increasing its effective ownership of the outstanding and issued common shares of the Company to 68.26%.

PCERP sold 7.4%, 5.02% and 4.05% of the Company's outstanding common shares to the public in January 2012, March 2014, and August 2014, respectively. In addition, PCERP sold 2.08% of the Company's outstanding common shares to Credit Suisse (Singapore) Limited in December 2012.

In March 2012, the Company acquired 100% of the voting shares in each of ExxonMobil Malaysia Sdn. Bhd. and ExxonMobil Borneo Sdn. Bhd. from Mobil International Petroleum Corporation and ExxonMobil International Holdings Inc., respectively. The acquired companies were subsequently renamed "Petron Fuel International Sdn. Bhd." and "Petron Oil (M) Sdn. Bhd.," respectively.

Also in March 2012, the Company acquired 65% of the voting shares of Esso Malaysia Berhad ("Esso Malaysia") from ExxonMobil International Holdings Inc. The Company subsequently acquired an additional 8.4% of the voting shares of Esso Malaysia in May 2012 pursuant to a mandatory takeover offer. In July 2012, Esso Malaysia was renamed "Petron Malaysia Refining & Marketing Bhd."

On September 13, 2013, the SEC approved the extension of the 50-year corporate term of the Company to 2066.

In December 2014, PCERP reacquired 2.08% of the Company's ordinary common shares from Credit Suisse (Singapore) Limited through the PSE, increasing its ownership of the outstanding and issued common shares of the Company to 7.80%.

Certain key dates and milestones for the Company's business are set forth below.

1957 Standard Vacuum Oil Company was granted a concession to build and operate the Limay Refinery in Limay, Bataan owned by Bataan Refining Corporation.

1961 The Limay Refinery commenced commercial operations with a capacity of 25,000 barrels per day.

1998 The lubricant oil blending plant in Pandacan, Manila was modernized, replacing facilities that were built in 1968.

2000 The mixed xylene plant in the Limay Refinery commenced operations, marking the Company's entry into the petrochemicals market.

2008 The petrofluidized catalytic cracking ("PetroFCC") unit in the Limay Refinery commenced operations enabling the Company to convert fuel oil into higher value products such as LPG, gasoline and diesel.

The propylene recovery unit in the Limay Refinery commenced operations enabling the recovery of propylene from the LPG produced by the PetroFCC unit.

The fuel additives blending plant in the Subic Freeport Zone commenced operations, making the Company the exclusive blender of Innospec's additives in the Asia Pacific region.

2009 Debottlenecking of the Company's continuous catalyst regeneration reformer unit and its mixed xylene plant was completed, enabling the recovery of more mixed xylene.

The benzene-toluene extraction unit in the Limay Refinery commenced operations, enabling the Company to produce benzene and toluene.

2010 The Company acquired a 40% stake in Petrochemical Asia (HK) Ltd ("PAHL"), the ultimate parent company of Philippine Polypropylene Inc. ("PPI"), which was diluted to 33% when

PAHL issued new shares to another investor in June 2010. PPI operated a polypropylene plant located in Mariveles, Bataan in the Philippines from 2011 until its polypropylene business was acquired by the Company on July 1, 2014.

The Company acquired a 35% stake in Manila North Harbour Port Inc. (“MNHPI”), forming a joint venture between the Company and Harbour Centre Port Terminal, Inc.

In the fourth quarter of 2010, the Company commenced construction of the RMP-2, a US$2 billion project designed to enable the Limay Refinery to further enhance its operational efficiencies, convert its fuel oil production into production of more White Products, increase the Company’s production of petrochemicals, and produce Euro-IV standard fuels.

2011 PPI commissioned a rehabilitated polypropylene plant in Mariveles, Bataan.

2012 The Company acquired ExxonMobil’s downstream oil business in Malaysia, extending its portfolio of oil refining and marketing businesses outside the Philippines.

The Company converted certain loans that it had extended to PAHL to additional equity, increasing its stake in PAHL to 45.9%.

2014 The Company acquired the polypropylene business of PPI and took over the operations of the polypropylene plant, which is leased from PPI’s parent, Robinsons International Holdings Limited (“RIHL”).

The Company completed RMP-2 in the fourth quarter of 2014.

2015 The Company completed commissioning of RMP-2 in the fourth quarter of 2015.

The Company increased its stake in PAHL to 47.25%.

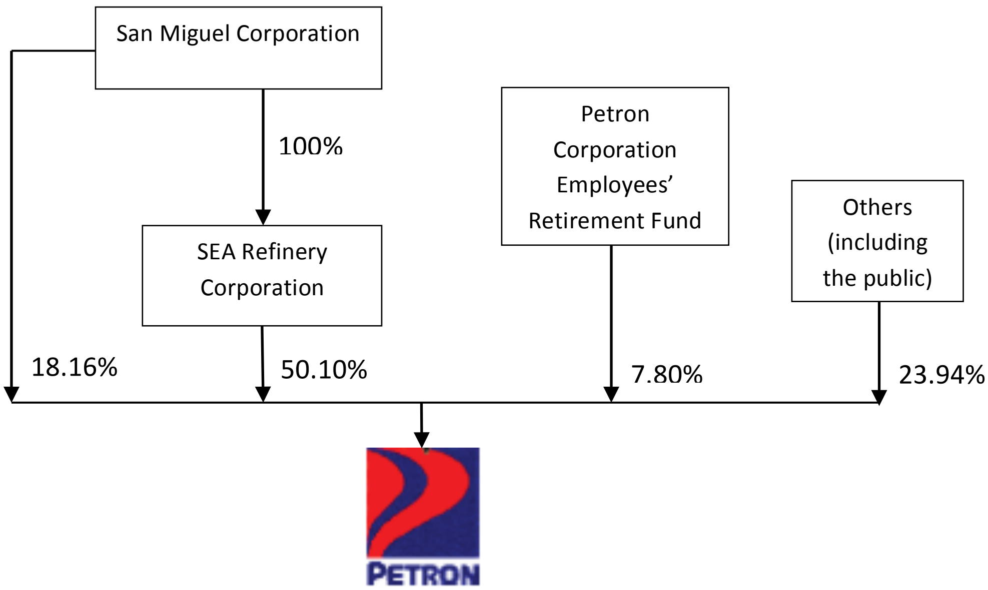
2016 The Company declared commercial operations of RMP-2 in January 2016.

The Company took over the retail operations of PMC.

The Company increased its stake in PAHL to 100%.

OWNERSHIP AND CORPORATE STRUCTURE

The Company is a publicly listed company jointly owned by SEA Refinery, SMC, PCERP and others, including the general public. The chart below sets forth the ownership structure of the Company's common shares as of June 30, 2016.



SEA Refinery is a Philippine company wholly owned by SMC.

SMC is Southeast Asia's largest publicly listed food, beverage and packaging company and also has key investments in the areas of power and energy, oil refining and marketing, mining, infrastructure and banking.

PCERP is a tax qualified and fully funded defined pension plan covering all permanent, regular and full-time employees of the Company. It is administered by its board of trustees. Certain members of the Company's management are also trustees of PCERP.

Subsidiaries, Associates and Holding Companies

The table below sets forth the Company's equity interest in its primary operating subsidiaries and associates and holding companies as of the date of this Prospectus, as well as their principal businesses and places of incorporation. The Company has two insurance subsidiaries, Petrogen and Ovincor, which were established to support the insurance requirements of the Company and its allied business partners, including contractors, suppliers, haulers and dealers. The Company also has marketing and trading subsidiaries and interests in realty companies to support its core business.

Name of Company	Place of Incorporation	Company's Equity Interest	Principal Business
Overseas Ventures Insurance Corporation Ltd. ("Ovincor")	Bermuda	100%	Reinsurance
Petrogen Insurance Corporation ("Petrogen")	Philippines	100%	Insurance
Petron Freeport Corporation ("PFC")	Philippines	100%	Wholesale or retail sale of fuels, operation of retail outlets, restaurants and convenience stores, and the manufacture of fuel additives
Petron Singapore Trading Pte. Ltd. ("PSTPL")	Singapore	100%	Procurement of crude oil, trading of petroleum and petrochemical products, vessel chartering and risk management
Petron Oil & Gas International Sdn Bhd ("POGI")	Malaysia	100% indirect interest	Investment holding
Petron Malaysia Refining & Marketing Bhd. ("PMRMB")	Malaysia	73.4% indirect interest (the other 26.6% is owned by the public)	Manufacturing and marketing of petroleum products in Peninsular Malaysia
Petron Fuel International Sdn. Bhd. ("PFISB")	Malaysia	100% indirect interest	Marketing of petroleum products in Peninsular Malaysia
Petron Oil (M) Sdn. Bhd. ("POMSB")	Malaysia	100% indirect interest	Marketing of petroleum products in East Malaysia
New Ventures Realty Corporation ("NVRC")	Philippines	40% (the other 60% is legally owned by a trustee bank of Petron Corporation Employees' Retirement Plan ("PCERP"))	Purchase and sale of properties suitable for use as service station sites, bulk plants or sales offices

Name of Company	Place of Incorporation	Company's Equity Interest	Principal Business
Manila North Harbour Port Inc. ("MNHPI")	Philippines	35%	Operation and management of the Manila North Harbor passenger and cargo terminal

The percentage of the total revenue and income contribution by the Company's subsidiaries to the net income and total revenue of the Company are set forth below:

(Contribution in %)	2013	2014	2015	1H2016
Net Income	23.6	14.0	71.3	40.7
Total Revenue	40.3	38.9	34.4	35.1

PRODUCTS

The Company's core products are categorized into fuels, lubricants and greases, and petrochemicals.

Fuels

The Philippines

PETRON GASUL is a premium LPG product. It is used as fuel for cooking, lighting and industrial applications and is sold in 2.7-kg, 11-kg, 22-kg and 50-kg cylinders and in bulk.

FIESTA GAS is an economy LPG product. It is used as fuel for cooking, lighting and industrial applications and is sold in 2.7-kg, 11-kg, 22-kg and 50-kg cylinders.

PETRON XTEND AUTOGAS is an automotive LPG product used as fuel for LPG-fueled engines.

PETRON GAAS is a water-white kerosene. It is used as fuel for stoves, lamps and other domestic uses.

PETRON BLAZE 100 Euro 4 is a 100 octane and Euro-4 level premium plus gasoline. It exceeds Euro IV-PH standards and meets European fuel quality standards for Euro-4 technology vehicles.

PETRON XCS is a 95 octane premium gasoline that contains a complete combustion additive system that delivers excellent engine response, enhanced power and acceleration, and improved fuel economy. It meets and exceeds Euro IV-PH standard for premium grade gasoline.

PETRON XTRA ADVANCE is a 91 octane regular gasoline that was formulated to provide better engine protection, corrosion control, better power, and improved fuel economy.

PETRON TURBO DIESEL is an advanced diesel designed for high performance diesel engines. It is designed to provide excellent engine protection, improved fuel economy, and maximum power to today's modern diesel engines.

PETRON DIESEL MAX is a regular diesel fuel formulated with robust multi-functional additive system for optimum engine protection, better power and improved fuel economy.

PETRON AVIATION GASOLINE is a low-lead, high-octane aviation gasoline for aircraft with reciprocating engines.

PETRON JET A-1 is a highly-purified kerosene-type aviation fuel used by aircraft with turbo prop and turbojet engines. It has good combustion characteristics suitable for low-temperature operation at high altitude.

Malaysia

PETRON BLAZE 100 EURO 4M is Malaysia's first and only 100 octane and Euro-4 level premium plus gasoline. It meets Euro 4M and SIRIM MS 118-3.2011 Standards. It provides optimum performance in terms of power, acceleration, and combustion efficiency. It contains 90% less sulfur and more than 30% less benzene, making it a very environmentally-friendly product.

PETRON BLAZE 97 is a 97 octane high-performance premium gasoline. It contains a special blend of multi-functional additive, combustion enhancer and friction modifier, resulting in excellent engine cleaning action, enhanced power and acceleration, and improved fuel economy. It meets Euro 4M specifications.

PETRON BLAZE 95 is a 95 octane premium gasoline. It contains a high performance detergent additive, friction modifier, and unique gas saving combustion improver that provides better engine protection, optimum power and acceleration, and improved fuel economy.

PETRON DIESEL is a premium diesel fuel with robust and multifunctional additives that provide improved fuel economy and reduced emissions. It is designed to maintain and improve fuel injection system cleanliness through unsurpassed detergency characteristics. It meets Euro 2M and SIRIM MS 123-1:2014 specifications.

PETRON DIESEL MAX is a premium biodiesel mix of palm oil methyl ester and diesel which comply with the requirement under the Malaysia Biofuel Industry Act of 2007. It contains a robust multi-functional detergent additive and a smoke reducing agent to provide improved fuel economy, clean engine, and reduced exhaust emissions.

PETRON GASUL is a premium LPG product. It is used as fuel for cooking, lighting and industrial applications and is sold in 12-kg and 14-kg cylinders.

PETRON KEROSENE is a refined kerosene with clean and efficient burning qualities.

PETRON JET A-1 is a highly-purified kerosene-type aviation fuel used by aircraft with turbo prop and turbojet engines.

LOW SULFUR WAXY RESIDUE is a low-sulfur bottom/residue from refinery processing that is used as feedstock for chemical plants or as fuel for industrial boilers or heaters.

Lubricants and Greases

Automotive oil and lubricant products include the Company's extensive line of automotive oil and lubricants for different types of vehicle engines and road conditions.

Industrial oil and lubricant products include the Company's broad range of oil and lubricants designed for extreme temperatures and operating conditions for various industrial uses.

Marine oil and lubricant products include the Company's broad range of oil designed for lubrication of various types of diesel engines used in the maritime industry.

Greases include the Company's grease products used for the protection of equipment and the reduction of wear on gears and other components of vehicle and industrial engines.

Asphalts include the Company's asphalt products used for road paving, sealing applications, undercoating, waterproofing and rust proofing.

Special products include the Company's products designed for special applications, such as process oils, thermal oils, protective coatings, steel case moulding, tire manufacturing, processing of natural fibers and other non-lubricating applications.

Aftermarket specialties include products such as brake fluid coolants, diesel additives, engine oil and gasoline additives, sprayable grease, car shampoos and multi-purpose sprays.

Petrochemicals

Xylene is used to make polyester fibres, packaging materials, bottles and films.

Propylene is the raw material used for the production of polypropylene.

Polypropylene is used to manufacture food packaging plastics, car bumpers, computer housings, appliance parts and fibres.

Benzene is an aromatic hydrocarbon used to produce numerous intermediate petrochemical compounds, such as styrene, phenol, cyclohexane, alkylbenzenes, and chlorobenzenes, which are used to produce plastics, pharmaceuticals, pesticides and other chemicals. It is also used as a solvent for paints and natural rubber.

Toluene is used as a solvent in paints, inks, adhesives, and cleaning agents, as well as in chemical extractions. It is also used in the chemical synthesis of benzene, urethane foams and other organic chemicals, and in the production of pharmaceuticals, dyes and cosmetic nail products.

Other Refinery Products

Naphtha is widely used as a motor gasoline component. It is also used as feedstock in steam crackers to produce olefins. Like some petrochemicals, it is also used as solvent for cleaning applications and also as a diluent in the mining industry.

Molten sulfur is a by-product of the Limay Refinery. It is used as precursor to different chemical compounds with a wide variety of applications from sulfuric acid to fertilizers and pharmaceutical drugs.

Petcoke is used in power generation and manufacturing processes as an alternative feedstock to coal.

SCOPE OF BUSINESS

Petron's principal business involves the refining of crude oil and the marketing and distribution of refined petroleum products. It sells a full range of refined petroleum products including LPG, gasoline, diesel, jet fuel, kerosene, solvents, asphalts, and petrochemical feedstocks such as mixed xylene, propylene and toluene.

The major markets in the petroleum industry are Retail, Industrial, LPG and Lube Trades. Petron sells its products to both industrial end-users and through a nationwide network of service stations, LPG dealerships, sales centers and other retail outlets. It also supplies jet fuel at key airports to international and domestic carriers.

In line with the Company's efforts to increase its presence in the regional market, it exports various petroleum and non-fuel products to Asia-Pacific countries such as Cambodia, South Korea, Taiwan, China, Brunei, Singapore, Malaysia, Hong Kong, Thailand and Indonesia. Exports, which generate dollar inflows for the Company, provide a natural hedge against losses which may arise from fluctuations in the foreign exchange rate.

Petron also operates a lube oil blending plant at its Pandacan terminal. Its fuel additives blending plant in Subic Bay Freeport supplies the Company's requirements and serves as Asian supply hub of Innospec.

All of the Company's permits and licenses are valid and subsisting.

PRODUCTION

Production Facilities

The Philippines

In the Philippines, the Company owns a petroleum refinery complex located in Limay, Bataan. The Limay Refinery has a crude oil distillation capacity of 180,000 barrels per day. Its facilities include three crude oil distillation units, two vacuum pipestill units, a delayed coker unit, two catalytic cracking units, a continuous catalyst regeneration reformer unit, a semi-regenerative reformer unit, three naphtha hydro-treaters, two kerosene merox treaters, three gas oil hydro-treater units, a coker gas oil hydro-treater, a polynaphtha oligomerization unit, four LPG treaters, two selective hydro-processing units, an isomerization unit, benzene, toluene, and mixed xylene recovery units, two propylene recovery units, four sulfur recovery units, a hydrogen production unit, a hydrogen recovery facility, a nitrogen plant, two waste water treatment facilities, four sour water facilities, a desalination facility, eight steam generators, five turbo generators, four cooling towers, a reverse osmosis unit, flare facilities, bulk asphalt receiving facilities, several crude oil storage tanks, as well as a number of refined petroleum products storage tanks. It has its own piers and other berthing facilities, one of which can accommodate very large crude oil carriers, or VLCCs.

The Limay Refinery is capable of producing a range of petroleum products such as LPG, naphtha, gasoline, kerosene, jet fuel, and diesel. In 2000, the Limay Refinery commenced petrochemical production with the commercial operation of its mixed-xylene plant, designed to produce 232,000 tons per year of mixed xylene. The Limay Refinery started producing propylene in 2008 with the commissioning of its first propylene recovery unit, which has a demonstrated capacity of 148,000 tons per year of polymer-grade propylene. Also in 2008, the Limay Refinery started the construction of the benzene-toluene extraction unit to further expand its capability to produce petrochemical feedstock. The benzene-toluene extraction unit, which became operational in May 2009, is designed to produce benzene and toluene at respective capacities of 24,000 and 158,000 tons per year. In early 2011, PPI commissioned a rehabilitated polypropylene plant in Mariveles, Bataan, to capture the incremental margin from converting the Limay Refinery's propylene production into polypropylene. The facility has the capacity to produce 160,000 metric tons of polypropylene resin annually. In July 2014, the Company acquired the polypropylene business of PPI to enhance efficiency. As a result of the acquisition, the operation of the polypropylene plant was integrated into the Limay Refinery's propylene production operation which expanded in 2015 with the commissioning of the second propylene recovery unit, increasing propylene production capacity to 415,000 tons per year.

The Company completed a fuel additives blending plant in the Subic Bay Freeport Zone in July 2008 with a capacity of 12,000 MT per year, which serves the fuel additive requirements of Innospec's customers in the Asia-Pacific region. The Company is Innospec's exclusive blender in the Asia-Pacific region.

Malaysia

In Malaysia, the Company owns a petroleum refinery complex located in Port Dickson, Negeri Sembilan. The Port Dickson Refinery has a crude oil distillation capacity of 88,000 barrels per day. Its facilities include a crude oil distillation unit, a naphtha hydro-treating unit with a processing capacity of 26,000 barrels per day, two semi-regeneration reformer units with a combined processing capacity of 19,000 barrels per day and a kerosene hydro-treating unit with a processing capacity of 12,000 barrels per day. The Port Dickson Refinery has waste water treatment facilities, a boiler, a cooling water plant, flare and safety relieving facilities, six crude oil storage tanks with a total capacity of approximately 1.1 million barrels, 20 refined petroleum products storage tanks and five spheres for LPG storage with a total capacity of approximately 1.1 million barrels.

The Port Dickson Refinery produces a range of petroleum products, including LPG, naphtha, gasoline, jet fuel, diesel and LSWR. With the exception of naphtha and LSWR, these products are intended to meet domestic demand in Malaysia. The Company exports its naphtha and LSWR to various customers in the Asia-Pacific region under term and spot contracts.

Crude oil for the Port Dickson Refinery is received by means of a single buoy mooring ("SBM") and crude pipeline facilities that are jointly owned with Shell Refining Company (Federation of Malaya) Berhad ("SRC (FOM)") through an unincorporated joint venture. The SBM is operated by SRC (FOM), and the Company shares the operating costs equally with SRC (FOM). The Company also pays a levy of one-third of the overhead and administrative charges incurred by SRC (FOM) in connection with the operation of the SBM.

Raw Materials

Philippine Operations

The main raw material used in the Limay Refinery's production process is crude oil. The Company acquires crude oil for the Limay Refinery from foreign sources, through a combination of term purchase contracts and spot market purchases. The Company has a term contract with Saudi Aramco entered into in 2008 to purchase various Saudi Arabian crude. The pricing and payment mechanisms under this contract are consistent with Saudi Aramco's standard practice for its Far East customers. Pricing is determined through a formula that is linked to international industry benchmarks, and payment is on an open account basis and secured by an irrevocable standby letter of credit. The contract is automatically renewed annually unless either the Company or Saudi Aramco elects to terminate the contract upon at least 60 days' written notice prior to its expiration date. As of June 30, 2016, neither the Company nor Saudi Aramco had terminated the contract.

The Company also has a term contract with Kuwait Petroleum Corporation to purchase Kuwait crude. Pricing is determined through a formula that is linked to international industry benchmarks. The contract is renewable subject to mutual agreement of the parties. As of June 30, 2016, neither the Company nor

Kuwait Petroleum Corporation had terminated the contract. Several other crude oils are purchased on a spot basis from various suppliers.

The Limay Refinery is capable of processing various types of crude oil. The Company's crude oil optimization strategy includes the utilization of various types of crude oil that are not confined to light and sweet crude, which the Limay Refinery has been processing predominantly, to provide additional value to the Company. The completion of the RMP-2 has given the Limay Refinery greater flexibility to use heavier, more sour alternative crude.

The Company entered into a contract for the 2016 term supply of group I base oils (SN500, SN150 and BS150) with Shell International Eastern Trading Co. in December 2015. This contract is renewable annually and pricing is calculated using a formula based on an international standard price benchmark for base oils. Group I base oils are the Company's main feedstock for the production of automotive, industrial and marine lubricants.

The Company is the sole buyer of all the ethanol produced by the Philippine-based San Carlos Bioenergy, Inc. pursuant to a 2008 ten-year supply contract based on a formula price. The balance of the Company's ethanol requirements is sourced from other local ethanol producers and imports. Ethanol is blended with gasoline to comply with the current requirement under the Philippine Biofuels Act of 2006 that all premium gasoline sold by every oil company in the Philippines should contain 10% bioethanol starting August 6, 2011.

The Company also imports aviation gas, asphalt and some gasoline blending components. These imports are necessary as the Company does not produce aviation gas and asphalt. The Company ceased producing fuel oil, a lower margin product, upon the completion of the RMP-2. Imports of LPG, diesel, gasoline and jet fuel may also be necessary during maintenance of the Limay Refinery. Pricing is usually based on Mean of Platts Singapore for diesel, gasoline and some gasoline blending components, or Saudi Aramco contract prices ("Saudi CP") for LPG.

Malaysian Operations

The main raw materials used in the Port Dickson Refinery's production process are crude oil and condensate. The Company acquires crude oil and condensate for the Port Dickson Refinery from various sources, through a combination of term purchase contracts and spot market purchases. The Company has a long-term supply contract for Tapis crude oil and Terangganu condensate with EMEPMI, supplemented by other spot crude purchases. Pricing is determined through a formula that is linked to international industry benchmarks.

The Port Dickson Refinery is designed to process sweet crude oil. The Company's crude oil optimization strategy includes diversification in processing different types of sweet crude oil.

The Company buys POME from Malaysian government-approved local suppliers for its biodiesel mix. POME is the bio-component of the biodiesel mix sold to domestic customers in Malaysia as a replacement for diesel. The Company produces a biodiesel mix initially comprising 5% POME and 95% diesel. Subsequently, the Malaysian Biofuel Industry Act of 2007 changed the mix to 7% POME and 93% diesel. In October 2014, the Malaysian government announced the implementation of the B7 programme (blending of 7% POME and 93% diesel) for the subsidized sector. Implementation was completed in the second quarter of 2015.

The Company also imports LPG, diesel, gasoline and some gasoline blending components. These imports, which the Company purchases through term purchase contracts and in the spot market, are necessary as the Company does not produce enough refined products to meet domestic demand in Malaysia. Pricing is usually based on Mean of Platts Singapore for diesel, gasoline and some gasoline blending components, or Saudi CP for LPG.

Utilities

The principal utilities required for the Company's production process are water, electricity and steam.

Water

Deep wells provide the Limay Refinery's water requirements.

The Port Dickson Refinery's clean water requirements for the process units are sourced from the local municipal cooling water source. Water for fire-fighting purposes is sourced from a natural lagoon located within the Port Dickson Refinery complex.

Electricity and Steam

The Limay Refinery's electricity and steam requirements are sourced from the Limay Refinery's existing turbo and steam generators as well as from the SMC Powergen Power Plant, the new cogeneration power plant in Limay, Bataan, which was sold by the Company in 2013 to SMC Powergen Inc., a subsidiary of SMC and an affiliate of the Company.

The Company has a 25-year power supply agreement with SMC Powergen Inc., commencing in 2013 under which the SMC Powergen Power Plant supplies power to the Limay Refinery. The Company also has a 10-year supply agreement with SMC Powergen Inc. commencing in 2013 under which the Company supplies diesel, condensate and petcoke to the SMC Powergen Power Plant.

In 2015, approximately 88% of the Limay Refinery's electricity requirements were purchased from SMC Powergen Power Plant, which was commissioned in the second quarter of 2014.

The Port Dickson Refinery's electricity requirements are purchased from Tenaga Nasional Berhad, the Malaysian national electricity provider, while the Port Dickson Refinery's fired and waste heat boilers supply the steam requirements of the refinery's process units.

SALES AND MARKETING

The Philippines

In the Philippines, the Company is the largest integrated oil refining and marketing company. The Company had an overall market share of 32.8% of the Philippine oil market for the year ended December 31, 2015 in terms of sales volume pursuant to Company estimates based on its internal assumptions and calculations and industry data from the DOE.

Retail Service Stations

The Company had approximately 2,225 retail service stations in the Philippines as of June 30, 2016, representing approximately 29% of the country's total gasoline station count of approximately 7,680, according to the Company's estimates. Most of these stations are located in Luzon, where demand is heaviest.

The Company employs two types of service station operating structures in the Philippines, namely: company-owned-dealer-operated service stations ("CODO") and dealer-owned-dealer-operated service stations ("DODO"). For CODOs, the Company buys or leases the land and owns the service station structures and equipment, but third party dealers operate the CODOs. For DODOs, third party dealers buy or lease the land, build service station structures according to Company specifications, lease the service station equipment from the Company, and operate the DODOs. As of June 30, 2016, approximately 28% of the Company's retail service stations in the Philippines were CODOs, and approximately 72% were DODOs.

In 2009, the Company launched its pioneering Petron *Bulilit* Stations, which are small service stations that provide the flexibility to establish a presence even in remote rural areas and make the Company's products and services accessible to more Filipinos.

To improve traffic in the Company's service stations and increase potential revenues of the Company's non-fuel business, the Company established *Treats* convenience stores and leases space to quick-serve restaurants and other consumer service shops in strategic service stations nationwide. The *Treats* convenience stores were rebranded under the brand name *San Mig Food Avenue* in 2011 pursuant to an agreement with San Miguel Foods Inc. The convenience stores are operated by dealers through a franchise obtained from San Miguel Foods, Inc. In 2014, the Company opened two bakeshops in Manila under the brand name "*Treats,*" with permission from San Miguel Foods, Inc. for the use of the brand name. The *Treats* bakeshops are operated by PMC. As of June 30, 2016, there are about 15 Treats outlets nationwide.

The Company continues to install the point of sale ("POS") system across its retail network throughout the Philippines. POS systems are used for gaining efficiencies through automating retail transactions and the proper monitoring of actual sales in service stations. As of June 30, 2016, the Company had installed POS terminals in approximately 800 retail service stations in the Philippines.

Industrial Sales

The Company believes it is the leading supplier to the Philippine industrial sector, which includes major manufacturing, aviation, marine, and power accounts. The Company had more than 1,000 direct industrial account customers as of June 30, 2016.

LPG

The Company is the leading market participant in the Philippine LPG market in terms of market share. The Company had set up approximately 1,050 branch stores through its *Gasul* and *Fiesta Gas* LPG dealers as of June 30, 2016. It has also gained market share in the field of alternative fuels through its auto-LPG program, *Petron Xtend*, and auto-LPG facilities have been installed in about 16 service stations throughout the Philippines. In 2011, the Company started supplying the LPG requirements of SMC plants such as San Miguel Yamamura and Rightpak. The Company commissioned about 11 mini-refilling plants in the Philippines as of June 30, 2016 to broaden the reach of the Company's LPG products and make them accessible to more Filipinos.

Lubricants, Specialties and Petrochemicals

To augment lubricants and greases sales, the Company had a network of approximately 24 Car Care Centers, 22 Lube Centers, and 17 Motorcycle Centers throughout the Philippines as of June 30, 2016. The Company capitalizes on its expanded LPG-outlet network by utilizing its LPG branch stores as outlets for the Company's lubricants and specialty products. The Company has expanded into blending and export of fuel additives, leveraging on its technology partnership with Innospec, a global fuel additives supplier. The Company also provides technical services to Innospec's customers, and is able to tap the customer base of Innospec in Asia to broaden the market for its own lubricant brands.

The Company exports various petroleum products and petrochemical feedstock, including naphtha, mixed xylene, benzene, toluene and propylene, to customers in the Asia-Pacific region. These products are sold through accredited traders and to end-users under term or spot contracts.

Polypropylene is sold mostly to companies engaged in the manufacture of packaging materials.

Loyalty Programs

The Company actively pursues initiatives to improve customer service and promote customer loyalty. In 2004, the Company launched the Petron Fleet Card, the first microchip-powered card in the Philippines, which is a credit card that offers rebates and discounts on fuel, lubricants and services and provides 24-hour free towing and roadside assistance to cardholders. As of June 30, 2016, more than 152,000 cards had been issued. In 2008, the Company launched Petron e-Fuel Card as a promotional item. To maximize patronage of its service stations and related businesses, the Company launched a loyalty program in October 2011 through its Petron Value Card, which offers 24-hour free towing and roadside assistance, rewards points for every purchase and complimentary annual personal accident insurance coverage. As of June 30, 2016, more than 4.1 million Petron Value Cards had been issued. In the fourth quarter of 2014, the Company introduced the Petron Super Driver Card to the public utility vehicle sector, specifically targeting the taxi and tricycle markets. As of June 30, 2016, more than 782,000 Petron Super Driver Cards had been issued.

Malaysia

The Company's fuels marketing business in Malaysia is divided into retail business and commercial sales.

Retail Service Stations

The retail business markets fuel and other retail products through a dealer network comprising approximately 575 retail service stations located throughout Peninsular and East Malaysia. In Malaysia, the Company uses the CODO and DODO operating structures for its retail service stations. As of June 30, 2016, of the Company's approximately 575 retail service stations, approximately 71% were CODOs and approximately 29% were DODOs. Approximately 260 of the service station sites had convenience stores, which generate non-fuel revenues and improve traffic in the service stations.

To further enhance the customer service experience in Malaysia, the Company launched the Fuel Happy campaign in March 2015 with many marketing activities and events organized to reward and enchant the customers.

In January 2016, the Company pioneered the country's first premium fuel with the roll out of the new Blaze 100 Euro 4M to eight pilot sites in Klang Valley. As of June 30, 2016, Blaze 100 is available in about 45 stations, mainly located in Klang Valley and the southern city, Johor Bahru.

Commercial Sales

The Company's commercial sales are divided into three segments: industrial and wholesale fuels, LPG and lubricants and specialties.

Industrial and Wholesale Fuels

The industrial segment sells diesel and gasoline to unbranded mini-stations and power plants, as well as to the manufacturing, plantation, transportation and construction sectors. The Company's sales to unbranded mini-stations represented approximately [75.8%] of such sales in Malaysia by volume for the first quarter of 2016, based on the Company's estimates and information and data from Fahrenheit Research. Sales to the mini-stations are priced according to the APM. Many power plants in Malaysia run on natural gas and use diesel as alternative fuel when there are gas curtailments. The Company sells diesel to such power plants on an ad-hoc basis at spot prices. The pricing of these sales is determined through a formula that is linked to international industry benchmarks. Sales of diesel to the manufacturing, plantation and construction sectors are not regulated by the Malaysian government, and the pricing of these sales is subject to market supply and demand. Sales of diesel to selected transportation sectors are priced according to the APM. Since sales to these transportation sectors are subject to a quota system in Malaysia, the Company's sales to these transportation sectors are subject to volume limits. Sales in excess of the approved quotas are not entitled to subsidies. Accordingly, when the government-mandated prices are lower than the Company's built-up costs, the Company has to manage its sales of subsidized products to ensure that such sales do not exceed the amount permitted under the approved quotas.

The Malaysian wholesale segment consists of sales, primarily of diesel, to Company-appointed distributors, which subsequently sell the Company's products to industrial customers. As of June 30, 2016, the Company had about 160 active distributors. See "*Risk Factors—Risks Relating to the Company's Business and Operations—The fuel business in Malaysia is regulated by the Malaysian government, and the Company is affected by Malaysian government policies and regulations relating to the marketing of fuel products*."

In Malaysia's aviation sector, the Company is one of the three major jet fuel suppliers at KLIA and KLIA 2 pursuant to a throughput agreement with the Kuala Lumpur Aviation Fuelling System, the operator of the KLIA's storage and hydrant facility.

LPG

The Company markets LPG in 12-kg and 14-kg cylinders for domestic use through redistribution centers, stockists and dealers. LPG redistribution centers are owned by the Company and distribute bottled LPG to dealers. Stockists are dealer-owned and distribute cylinders to other dealers. Dealers generally collect bottled LPG directly from redistribution centers and stockists for onward sale to domestic consumers. Sales of LPG in 14-kg cylinders or less are subsidized under the APM.

See "*Regulatory and Environmental Matters—Malaysia—Sale and Pricing of Refined Petroleum Products— Price Control and Anti Profiteering Act, 2011*" for a more detailed discussion of the APM and the Malaysian quota system. The Company also sells bulk LPG to industrial users through appointed dealers.

Lubricants and Specialties

The Company established a lubricants and specialties segment in April 2012 to introduce Petron lubricants and greases into the Malaysian market. These products are marketed through a network of appointed distributors in both West and East Malaysia to various industry segments, namely, car and motorcycle workshops, transport and fleet operators, manufacturing and industrial accounts. The Company's wide range of automotive lubricants is sold through the Company's extensive network of service stations in Malaysia.

The Company exports surplus intermediate products LSWR and naphtha from the Port Dickson Refinery through accredited traders and to end-users under term or spot contracts.

Loyalty Programs

Since acquiring its Malaysian operations in March 2012, the Company has been actively pursuing initiatives to improve customer service and promote customer loyalty at its Malaysian retail service stations. The Company rebranded its loyalty card programs to Petron Miles Privilege Cards in April 2014 as part of its rebranding program in Malaysia. As of June 30, 2016, approximately 3.3 million Petron Miles Privilege Cards had been issued in Malaysia.

DISTRIBUTION

The Philippines

The Company's main storage facility in the Philippines was formerly located in Pandacan, Manila. The reclassification by local authorities of the area occupied by the Pandacan terminal prohibited the continued operation of the Company's facility in Pandacan as a petroleum storage facility and necessitated relocation to other alternative sites in Luzon. The Company ceased its petroleum product storage operations in Pandacan in January 2015.

To serve its domestic markets, the Company maintains 30 depots, terminals and airport installations situated throughout the Philippines, representing the most extensive distribution network for petroleum products in the Philippines. The network comprises 10 depots and terminals in Luzon, nine in the Visayas and seven in Mindanao, as well as two airport installations in Luzon and two in Mindanao. Depots and terminals have marine receiving facilities, multiple product storage tanks for liquid fuels and LPG, drummed products storage, and warehouses for packaged products, such as lubricants and greases. From the Limay Refinery, refined products are distributed to the various depots and terminals and direct large consumer accounts using a fleet of contracted barges and tankers, and to service stations and industrial accounts through a fleet of contracted tank trucks. The barges and tankers are chartered on term or spot contracts from third party ship owners. From the storage depots, bulk products are hauled by tank trucks owned by third parties to service stations and industrial accounts. Under the terms of the applicable contracts, the third party owners of the contracted barges and tankers and tank trucks that are used to haul the Company's products are liable for losses and environmental issues that may arise while the products are being transported.

In its Philippine LPG business, the Company has a nationwide network of retail dealerships and outlets. Some service stations carry the Company's LPG products and accessories. The Company has stand-alone LPG operations in its depots in Pasig City, Legaspi City and San Fernando in Pampanga.

Lubricants and greases in various packages are transported by container vans to bulk plants and terminals outside Metro Manila. Package trucks owned by third parties are utilized to deliver these lubricants and greases to various customers in Metro Manila and Luzon. Sales counters throughout the Philippines are appointed to sell these products. The Company has a tolling agreement with

Innospec for the blending of fuel additive products in its fuel additive blending plant in the Subic Bay Freeport Zone in the Philippines.

The Company has airport installations at the Ninoy Aquino International Airport and three other airports located in major urban centers in the Philippines. These installations provide storage of aviation fuels as well as refueling services for various aircraft. In addition, the Company has presence in the airport installations in Puerto Princesa and Clark in Luzon, Kalibo, Caticlan and Iloilo City in the Visayas, as well as in Zamboanga City in Mindanao.

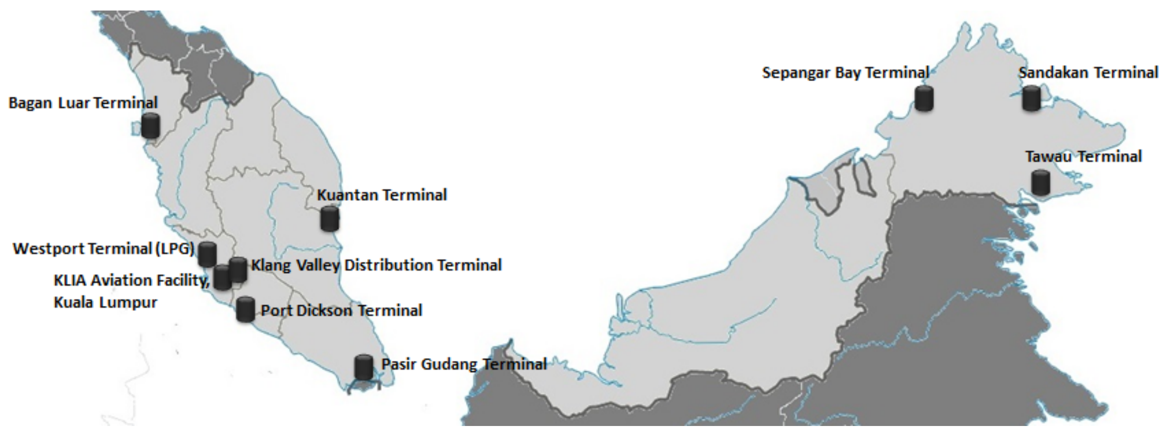
In 2013, the construction of new storage facilities in the Joint Oil Company Aviation Storage ("JOCASP") and Navotas Depot was completed to shore up the Company's ability to serve increasing Jet A-1 requirements.

Malaysia

The Company's products are distributed from the Port Dickson Refinery primarily through tank truck deliveries to the adjacent Port Dickson terminal. The remainder is delivered by coastal tankers to other distribution terminals in Peninsular Malaysia and Sabah. The Company's Malaysian distribution network includes nine product terminals and one depot. The Port Dickson terminal is located at the Port Dickson Refinery, and the other terminals are located near major fuel product market areas.

The map below shows the geographic coverage of the Company's terminals and depot in Malaysia as of June 30, 2016.

Geographic coverage of the Company's terminals and depot in Malaysia



Jet fuel is transported from the Port Dickson Refinery to KLIA through a multi-product pipeline (the "MPP"), which is partly owned by the Company through its 20% ownership interest in an unincorporated joint venture with Petronas Dagangan Berhad ("PDB") and Shell Malaysia Trading Sdn Bhd ("Shell Malaysia"), each of which has a 40% ownership interest. The MPP is a fungible products pipeline for transporting gasoline, diesel and jet fuel and is operated by PS Pipeline Sdn Bhd, a 50-50 joint venture between PDB and Shell Malaysia.

The joint venture through which the Company owns its interest in the MPP also owns a fuel terminal, the Klang Valley Distribution Terminal, where inventory is commingled. The Company has historically only used the MPP to transport jet fuel to KLIA and not for transporting gasoline or diesel to the Klang Valley Distribution Terminal. In 2013, the Company embarked on a project to link the Port Dickson

Refinery to the MPP in order to improve the Company's logistics and reduce the cost of delivery to service stations in the Klang Valley area, a major market. The Company successfully commenced the transport of gasoline and diesel through the MPP to the Klang Valley Distribution Terminal in the second quarter of 2015.

LPG is bottled at the Port Dickson terminal. Most redistribution centers and stockists collect bottled LPG directly from the Port Dickson terminal. The Company has an LPG storage and bottling facility at West Port (part of Port Klang, the principal port facility serving the Klang Valley), which is a 50-50 joint venture between the Company and Boustead Petroleum Marketing Sdn Bhd.

CAPITAL EXPENDITURES PLAN

The Company has upgraded the Limay Refinery and expanded its retail service station network in the Philippines over the past several years and intends to continue to invest in these areas to optimize operational efficiency, reduce costs and widen market reach. The Company will also continue to invest in its Malaysian operations to support retail expansion and improve operational efficiency. Specifically, the Company intends to (i) continue investment in the Limay Refinery to support the increased utilization from RMP-2 and improve refinery operations, (ii) continue the expansion of its retail service station, LPG and lubes network in the Philippines, (iii) expand and upgrade its logistics capacity, and (iv) expand Malaysia operations with new service station additions and facilities improvement in Port Dickson Refinery to enable it to produce Euro 5M-standard fuels.

The Company's estimated consolidated capital expenditures for 2016 are ₱ 10.7 billion (US$227.4 million), allocated as follows: approximately 28% for retail service station network expansion in the Philippines, approximately 17% for various Limay Refinery projects, approximately 27% for expansion/upgrade of logistics capacity, approximately 11% for regular maintenance projects, and approximately 18% for expansion and improvement projects to support Malaysian operations. The Company expects to continue to make substantial capital expenditures after 2016 to complete the major projects described in the preceding paragraph and for other new projects and purposes. These capital expenditures are expected to be funded by a combination of net cash flows provided by operating activities and external financing sources.

The Company's anticipated capital expenditures are based on management's estimates and have not been appraised by an independent organization. In addition, the Company's capital expenditures may change as projects are reviewed or contracts are entered into, and are subject to various factors, including market conditions, the general state of the Philippine economy, the Company's operating performance and cash flow and the Company's ability to obtain financing on terms satisfactory to management.

Capital Expenditure Projects

Limay Refinery

The Company completed Phase 1 of the Refinery Master Plan ("RMP-1") in May 2009, under which it completed the construction of the PetroFCC unit, the propylene recovery unit and the benzene-toluene extraction unit. RMP-1 enhanced the Limay Refinery's capability to convert low-margin fuel oil into White Products such as LPG, gasoline and diesel. RMP-1 also expanded the Company's venture into production of petrochemical feedstocks such as propylene, benzene, toluene and additional mixed xylene.

The Company completed Phase 2 of the Refinery Master Plan ("RMP-2) in the fourth quarter of 2014. RMP-2 was a US$2 billion investment project which enabled the Limay Refinery to further enhance its operational efficiencies, convert its fuel oil production into production of more White Products, and increase the Company's production of petrochemicals. The completion of the RMP-2 made the Company the first oil company in the Philippines capable of producing Euro IV-standard fuels, the global standard for clean air fuels. The Limay Refinery is now also able to produce petcoke, which is used as fuel for the new cogeneration power plant for the Limay Refinery, lowering the Company's power generation costs. RMP-2 places the Limay Refinery's utilization, processing and energy efficiency on par with more advanced refineries in the region and improve its competitiveness.

The Company will continue investments in the Limay Refinery facilities that will ensure sufficiency of inputs to critical refinery processes, and storage facilities for more crude and petroleum products. In the medium term, the Company will also assess the viability of further improving the Limay Refinery's value generation by upgrading its current petrochemical facilities to increase production of high-value petrochemicals, benzene, toluene and mixed xylene, and new capability to produce para-xylenes, feedstock for plastic production.

Philippine Retail Network Expansion

To support growth in sales in the Philippines, the Company intends to continue to increase the number of its service stations in urban and rural areas. LPG and lube outlets will also be expanded for a wider market reach. The retail network expansion will also support the optimized disposition of the increased sales volume from RMP-2.

Logistics Expansion and Upgrade

The Company is upgrading and expanding its storage capacity to support the increase in volume from RMP-2. Investments in new depots and terminals are considered in different locations such as Romblon, Caticlan, Pandan, and Pasacao, among others. Rehabilitation and expansion of existing depots such as JOCASP, Navotas, and Rosario, among others, will also be done, along with improvements in pier facilities. These logistics expansion and upgrade programs also aim to improve product supply reliability to customers and end-users.

In 2013, the construction of new storage facilities in the JOCASP and Navotas Depot were completed to shore up the Company's ability to serve increasing Jet A-1 requirements.

Malaysia Expansion and Improvements

The Company will continue to construct new service stations and expand its retail network in Malaysia. The facilities at the Port Dickson Refinery will also be enhanced to improve operating efficiency. The Company also plans to construct a new diesel hydroteater to meet Euro-5M regulation by 2020. These projects will be financed through a combination of net cash flows provided by operating activities and debt instruments.

COMPETITION

The Philippines

In the Philippines, the Company operates in a deregulated business environment, selling its products to individual, commercial and industrial customers. The enactment of the Downstream Oil Industry Deregulation Law in 1998 effectively removed the rate-setting function of the Philippine government through what was then known as the Energy Regulatory Board, leaving price-setting to market forces. It also opened the oil industry to free competition. See "*Regulatory and Environmental Matters*" for a more detailed discussion of the oil deregulation law.

The Philippine downstream oil industry is dominated by three major oil companies: the Company, Shell and Chevron, which, based on Company estimates based on its internal assumptions and calculations and industry data from the DOE for the year ended December 31, 2015, together constituted 65.2% of the Philippine market based on sales volume. Deregulation has seen the entry of more than 200 other industry market participants, rendering the petroleum business more competitive. The Company, with total crude oil distillation capacity of 180,000 barrels per day, and Shell, with total crude oil distillation capacity of 110,000 barrels per day, are the only industry market participants which operate petroleum refineries in the country. The rest of the industry market participants are importers of finished petroleum products or purchase finished petroleum products from other market participants in the local market. In the Philippines, the Company competes with other industry market participants on the basis of price, product quality, customer service, operational efficiency and distribution network, with price being the most important competitive factor. Providing total customer solutions has increased in importance as consumers became more conscious of value.

The Company participates in the reseller (service station), industrial, LPG and lube sectors through its network of service stations, terminals and depots, dealers and distributors throughout the Philippines. In the reseller sector, competition is most dynamic among the major firms, as seen through the construction of service stations by Shell, Chevron, Total Philippines, Phoenix Petroleum, Seaoil and other new participants in major thoroughfares. The small market participants continued to grow, with station count increasing from 695 in 2001 to approximately 3,710 stations as of June 30, 2016. Participants in the reseller and LPG sectors continue to resort to aggressive pricing and discounting in order to expand their market share. The number of major LPG importers in the Philippines increased from three, prior to deregulation, to about seven, with new entrants having more flexible and bigger import receiving capacities. Although the Company is the biggest participant in the Philippine LPG sector, one of the new participants in this sector, Liquigaz, had a substantial market share of 27.9% for the year ended December 31, 2015 pursuant to Company estimates based on its internal assumptions and calculations and industry data from the DOE. In the industrial sector, the major market participants continue to invest heavily in order to increase their market share and tap new markets. In the lubricants sector, intense competition among over 50 brands, including global brands such as Castrol, Mobil, Shell and Caltex, continues. Brands compete for limited shelf space, which has led to the penetration of previously unutilized markets, such as auto-dealerships in malls.

The Company is the leader in the Philippine downstream oil industry, with an overall market share of 32.8% of the Philippine oil market for the year ended December 31, 2015, ahead of the other two major oil companies, which have a combined market share of 32.3% in terms of sales volume pursuant to Company estimates based on its internal assumptions and calculations and industry data from the DOE. Approximately 200 smaller oil market participants, which started operations after the deregulation of the oil industry in 1998, account for the remaining market share. The Company believes that it is the leader in terms of sales volume in the retail, industrial and LPG market segments and that it enjoys a strong second position, as compared with the market shares of the two other major oil companies, in the lubricants and greases market segment pursuant to Company estimates based on its internal assumptions and calculations and industry data from the DOE for the year ended December 31, 2015. The Company believes that its competitive advantages include organization, technology, assets, resources and infrastructure. The Company continues to implement initiatives aimed at improving operational efficiencies, managing costs and risks, and maximizing utilization of its assets and opportunities.

Malaysia

In the retail service station business, the Company's Malaysian operations compete with four other main participants in the market, namely: subsidiaries of Petronas, Shell, Caltex and BHPetrol. Of these competitors, Petronas and Shell also have refinery operations in Malaysia. The Malaysian government regulates the pricing of gasoline and diesel at retail service stations through the APM. See "*Regulatory and Environmental Matters— Malaysia—Sale and Pricing of Refined Petroleum Products—Price Control and Anti Profiteering Act, 2011*."

The Company continues to face intense competition in the Malaysian industrial, aviation and wholesale market segments from other local and multi-national oil companies. The Company uses its local production from the Port Dickson Refinery and its strategic terminal locations across Malaysia to remain competitive in these segments. Besides the mini stations, fisheries and some selected transportation sectors, which are governed by the APM, other sectors do not benefit from the subsidies provided for under the APM. The aviation market is also very competitive, as the three local refiners offload their jet fuel through the MPP to KLIA. Sales of jet fuel at the other Malaysian airports are supplied by the oil companies having the necessary storage and logistics capability. In the LPG segment, the APM applies only for sales of LPG in domestic cylinders. Competition in this market is driven by supply reliability, dealer network efficiency and customer service. The Company, being well established, remains competitive in this segment.

The lubricants and specialties market is dominated by the traditional global brands as well as established local players. The Company has the advantage of an extensive network of service stations to market its products and to provide brand presence. Price is a major competitive factor in this market. The Company believes that it is well positioned to compete in this market, due to its efficient blending plant and supply chain.

EMPLOYEES

As of June 30, 2016, the Company has 2,929 employees, of which 1,950 are managerial, professional and technical employees, and 979 are rank and file employees. Approximately 82% of the Company's employees are based in the Philippines, with the remaining 18% based in Malaysia and Singapore. The Company believes that it has a well-trained and experienced pool of employees. As of June 30, 2016, approximately 18% of the Company's employees had worked with it for over 20 years. The average tenure of the Company's employees is approximately 8 years in the Philippines and approximately 13 years in Malaysia.

The Company has collective bargaining agreements ("CBAs") with three labor unions in the Philippines: (1) Petron Employees Association with 167 members is affiliated with the National Association of Trade Unions and has a CBA effective from January 1, 2015 to December 31, 2019; (2) Petron Employees Labor Union with 42 members has a CBA effective from January 1, 2014 to December 31, 2018; and (3) the Bataan Refiners Union of the Philippines with 595 members is affiliated with the Philippine Transport and General Workers Organization and has a CBA effective from January 1, 2014 to December 31, 2018. As of June 30, 2016, approximately 33% of the Company's employees in the Philippines were covered by CBAs.

The Company has CBAs with two labor unions in Malaysia: (1) the National Union of Petroleum and Chemical Industry Workers has 131 members with a CBA effective from January 1, 2014 to December 31, 2016; and (2) the Sabah Petroleum Industry Workers Union has eight members with a CBA effective from May 1, 2014 to April 30, 2017. As of June 30, 2016, approximately 27% of the Company's employees in Malaysia were covered by CBAs.

The Company has not experienced any strikes or work stoppages for more than 20 years. The Company considers its relationship with its employees to be good.

In addition to Philippine statutory benefits, the Company provides hospitalization insurance; life insurance; vacation, sick and emergency leaves; and computer, company and emergency loans to its employees. It has also established a savings plan wherein an eligible employee may apply for membership and may have the option to contribute 5-15% of his or her monthly basic salary. The Company, in turn, contributes a maximum of 5% of the monthly basic salary to a member-employee's account in the savings plan. The Company has adopted the "*Rewarding Excellence through Alternative Pay Program*," a performance incentive program that rewards eligible employees who contribute to the achievement of the Company's annual business goals. The Company has a fully-funded tax-qualified defined benefit pension plan, PCERP, which covers all permanent, regular and full-time employees of the Company, excluding its subsidiaries. The control and administration of PCERP are vested in its board of trustees, as appointed by the Board of Directors of the Company. PCERP's accounting and administrative functions are undertaken by the SMC retirement funds office. The annual cost of providing benefits under the plan is determined using the projected unit credit actuarial cost method. Valuations are obtained on an annual basis, and as of the Company's latest actuarial valuation date of January 1, 2015, the Company's projected funding requirement for the year 2016 is ₱ 429.2 million.

The benefits in Malaysia are substantially similar to those in the Philippines, with the exception of the savings plan and variable pay scheme. Malaysian employment regulations require employers and employees to contribute to an employees' provident fund (the "EPF") to provide for the retirement and other needs of employees in Malaysia. Under present regulations, employees contribute a minimum of 11% of their monthly salary to the EPF via payroll deductions. Employers are required to contribute a minimum amount equivalent to 12% to 13% of a managerial, professional and technical ("MPT") employee's monthly salary to the EPF. Under collective agreements entered into by the Company with its non-MPT employees in Malaysia, the Company contributes up to 16% of the salaries to the EPF. The Malaysian government does not require employers to make contributions to the EPF with respect to foreign workers. However, if foreign employees opt to contribute, the Company will make the commensurate employers' contribution.

RESEARCH AND DEVELOPMENT

To enhance productivity and efficiency, reduce costs and strengthen its competitiveness, the Company engages in research and development to identify improvements that can be made to its production processes. In addition to research and product development, the Company's Research and Development Department ("R&D") engages in quality control and technical training. The development, reformulation and testing of new products are continuing business activities of the Company.

R&D develops revolutionary products that meet and exceed the highest industry quality standards. The Company utilizes appropriate technology in developing new fuel and lubricant products to improve performance, cost-effectiveness, and environment-friendliness of its products. The Company also enhances the quality level of its existing products. The Company remains fully compliant with all government laws and regulations such as the Clean Air Act and the Biofuels Act.

To be more competitive both in local and international markets, Petron obtained certification and approvals from globally-accepted licensing organizations and original equipment manufacturers. These approvals are applicable to specific Petron products in the Philippines, Malaysia, China, Brunei, and Cambodia.

The Company believes that its continued success is influenced in part by its ability to be innovative and attentive to consumer preferences and local market conditions. Expenses relating to research and development amounted to approximately ₱ 58.5 million in 2013, approximately ₱ 65.0 million in 2014, and approximately ₱ 64.2 million in 2015 which are equivalent to 0.01% of total revenues in 2013 and 2014, and 0.02% of total revenues in 2015.

As of June 30, 2016, 26 of the Company's employees were employed in R&D. R&D has long-standing partnerships with leading global technology providers in fuels, lubricants and grease products. It is engaged in the customization of products at globally competitive quality and performance. It also manages a petroleum and allied products testing facility that meets global standards. In addition, it provides technical training to keep internal and external customers updated of the latest technology trends in the industry.

INTELLECTUAL PROPERTY

The Company has existing and pending trademark registrations for its products for terms ranging from 10 to 20 years. It also has copyrights for its 7-kg LPG container, "*Gasulito*" with stylized letter "P" and two flames, for "*2T Powerburn*," and for Petron New Logo (22 styles). Under Philippine law, copyrights subsist during the lifetime of the creator and for another 50 years after the creator's death. The Company has not had any significant disputes with respect to any of its trademarks or copyrights.

As of June 30, 2016, the Company has filed trademark registrations in Malaysia for 183 brands relating to its Malaysian operations. It has obtained copyright protection for the stylized letter "P" and has registered other trademarks in Malaysia, including "*Gasul*," "*Fiesta Gas*" and "*Energen*." The Company has filed an application for the right to use the "*Petron*" name with the Malaysian Intellectual Property Office. The application has been accepted for advertisement in the government gazette and will be open to opposition for a period of two months from the date of the advertisement. If no opposition is filed, a certificate of registration will be issued completing the registration of the trademark. In the event of opposition by a third party and if the Company is ultimately prevented from using the name "*Petron*" in Malaysia, the Company does not expect that this would have a material impact on its Malaysian operations.

INSURANCE

The Company's insurance coverage includes property, marine cargo and third party liability, as well as personal injury, accidental death and dismemberment, sabotage and terrorism, machinery breakdown and business interruption. One of the main insurance policies of the Company, the Industrial All Risk (the "IAR") policy, covers the Limay Refinery for material damages, including from machinery breakdown and business interruption. The business interruption coverage under the IAR policy has a US$293.0 million limit. The Company considers its insurance coverage to be in accordance with industry standards.

All insurance policies relating to the Company's Philippine operations are written by its wholly owned insurance subsidiary, Petrogen. The majority of the risks are reinsured with Standard & Poor's A-rated foreign insurers through Ovincor, Petron's Bermuda-based captive insurance subsidiary. The Company's Malaysian operations are insured with local Malaysian insurance companies, as required by Malaysian law.

HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

The Company is guided by its Corporate Health, Safety and Environment Policy (the "Corporate HSE Policy"). The principles of the Corporate HSE Policy apply to all assets, facilities, and operating and support groups of the Company. The Company has a Corporate Technical and Engineering Services Group ("CTESG") responsible for formulating, implementing and enforcing the Company's employee health, safety and environment policies, as well as ensuring compliance with applicable laws and regulations in the Philippines.

The Philippines

The Company is subject to a number of employee health and safety regulations in the Philippines. For example, the Company is subject to the occupational safety and health standards promulgated by the Philippine Department of Labor and Employment.

The Safety unit of the CTESG ("CTESG-Safety") ensures, among others, compliance by the Company's contractors and service station dealers to government-mandated safety standards and regulations, and conducts training programs designed to raise awareness on process safety, oil spill response, fire-fighting and basic safety procedures for employees, contractors and service station dealers. CTESG-Safety has put together a Corporate Safety Management System, the main reference of all safety management systems in the Company, which is based mainly on OHSAS 18001. In addition, the Limay Refinery and some of the Company's depots, terminals and service stations have implemented third party certified management systems. The Limay Refinery is certified by TUV-SUD-PSB, an internationally recognized certification and inspection body, for its Integrated Management System ("IMS") on Quality (ISO 9001), Environment (ISO 14001), and Safety (OHSAS 18001). As of June 30, 2016, 29 of the Company's depots and terminals had been IMS-certified. In addition, all of the Company's depots and terminals have Philippine Coast Guard-approved Oil Spill Response Contingency Plans.

Furthermore, all 17 depots with pier facilities are compliant with International Ship and Port Facility Security ("ISPS") code certified by the Office of the Transportation Security under the DOTC. ISPS certification is a requirement by the International Maritime Organization of the United Nations for all international vessels calling on international ports and for all ports accepting international vessels. The Company's shipping ports for both domestic and international vessels are ISPS certified.

In 2014, CTESG-Safety launched the Safety Management System ("SMS") for Service Stations. This program aims to elevate the level of safety awareness among the Company's service station dealers, their employees, workers as well as the Company's employees. The SMS, based on OHSAS 18001:2007, is very similar to the Environmental Management System ("EMS"), focusing on Hazards Identification and Risk Assessment. It also aims to educate Petron dealers on the Occupational Safety and Health Standards of the Department of Labor and Employment.

As part of its advocacy functions, CTESG-Safety is also actively involved in public stakeholder consultations during the drafting of Philippine safety and environmental protection standards, laws and regulations. The Company also actively participates in the implementation of government programs, such as the Kapatiran WISE-TAV program (also known as the Big Brother/Small Brother Project) of the Philippine Department of Labor and Employment, as well as in local and regional oil spill response consortiums such as Oil Spill Response Ltd.

The Environment unit of CTESG ("CTESG-Environment") provides, among others, technical assistance and consultancy services in areas of environmental management and conducts environmental awareness training for the Company's employees, contractors and service station dealers. CTESG-Environment is a recognized training organization by DENR-Environment Management Bureau ("DENR-EMB") in the conduct of the Basic Pollution Control Officer Training Course for service stations. It also established the Depot ECOWATCH Assessment program, a color-coded rating system for all depots and terminals to assess compliance to applicable environmental regulations and the effectiveness of environmental management programs implemented. CTESG-Environment conducts surveillance audits for service stations with an EMS state of certifiability to ISO 14001:2015 (the Environmental Management System or EMS). As of June 30, 2016, 22 Petron service stations in the Philippines implement an EMS, a first in the Philippine oil industry. In addition, CTESG-Environment conducts environmental due diligence audits for contractors, service providers and possible mergers and acquisitions. It also exercises its advocacy to participate in the crafting of laws with DENR-EMB.

CTESG-Safety and CTESG-Environment conduct annual multi-functional audits of the Limay Refinery and the Company's other facilities, depots, service stations and industrial accounts in the Philippines to ensure compliance with Petron safety standards and government laws and regulations on safety.

See "*Regulatory and Environmental Matters*" for a more detailed discussion of applicable environmental regulations.

As of June 30, 2016, the Company is in material compliance with applicable environmental laws in the Philippines. In particular, the Company has spent approximately US$100 million to build a light virgin naphtha isomerization unit and a gas oil hydrotreater in 2006 to ensure compliance with the more stringent requirements of the Philippine Clean Air Act. Additional facilities were also built to comply with environmental requirements mainly in relation to the RMP-2. These included a refinery wastewater treatment plant, sour water stripping facilities, sulphur recovery units, a flue gas desulfurizer and a flare system. See "*Regulatory and Environmental Matters*" for a more detailed discussion of applicable environmental regulations.

Malaysia

The Company is subject to local safety, health and environmental regulations in Malaysia, including (i) the Factories and Machinery Act 1967 (Act 139) and the Occupational Safety and Health Act 1994 (Act 514), as amended, and regulations, rules and orders made pursuant thereto, which are administered by the Malaysian Department of Occupational Safety and Health, (ii) the Environmental Quality Act 1974 (Act

127), as amended, and regulations, rules and orders made pursuant thereto, which are administered by the Malaysian Department of Environment and (iii) the Fire Services Act 1988 (Act 341), as amended, and regulations made pursuant thereto, which are administered by the Malaysian Fire and Rescue Department.

CTESG-Safety and CTESG-Environment conduct multi-functional audits of the Port Dickson Refinery and the other facilities, depots and service stations in Malaysia every two years. The Company also has a corporate safety, security, health and environment department that is responsible for formulating, implementing and enforcing the Company's safety, health and environmental policies in Malaysia, coordinating and conducting relevant programs to raise the level of awareness of SSHE and ensuring compliance with applicable laws and regulations. For more than ten years, the Company's operating facilities, plants and other businesses in Malaysia have attained good SSHE performance without any lost-time injury for employees or contractors. The Port Dickson Refinery and distribution terminals at Peninsular and East Malaysia have been awarded annual recognition of their safety and health performance by the Malaysian Society for Occupational Safety and Health for more than five consecutive years. The Port Dickson Refinery has been awarded the Prime Minister Hibiscus Award for good environmental performance. As prescribed by local regulatory requirements, the Port Dickson Refinery and the Company's Malaysian terminals have established emergency response and oil spill contingency plans. For more than fifteen years, the Company's Malaysian operations have actively participated in local and regional oil spill response consortiums, such as the Petroleum Industries of Malaysia Mutual-Aid Group and Oil Spill Response Ltd.

The Company strives to achieve and sustain good SSHE performance in Malaysia through the implementation of various key programs including (i) the SMS, which provides a structured approach to the management of work-related personal and operational risks, including the selection, recruitment and training of employees and contractors, equipment design, maintenance and servicing, as well as to ensuring regulatory compliance, and (ii) the Loss Prevention System, which was adopted to prevent or reduce losses and incidents using behavior-based tools and other safety management techniques.

DESCRIPTION OF PROPERTY

The Philippines

In the Philippines, the Company owns a petroleum refinery complex located in Limay, Bataan. The Limay Refinery has a crude oil distillation capacity of 180,000 bpd. Its facilities include three crude oil distillation units, two vacuum pipestill units, a delayed coker unit, two catalytic cracking units, a continuous catalyst regeneration reformer unit, a semi-regenerative reformer unit, three naphtha hydro-treaters, two kerosene merox treaters, three gas oil hydro-treater units, a coker gas oil hydro-treater, a polynaphtha oligomerization unit, four LPG treaters, two selective hydro-processing units, an isomerization unit, benzene, toluene and mixed xylene recovery units, two propylene recovery units, four sulfur recovery units, a hydrogen production unit, a hydrogen recovery facility, a nitrogen plant, two waste water treatment facilities, four sour water facilities, a desalination facility, eight steam generators, five turbo generators, four cooling towers, a reverse osmosis unit, flare facilities, bulk asphalt receiving facilities, several crude oil storage tanks, as well as a number of refined petroleum products storage tanks. It has its own piers and other berthing facilities, one of which can accommodate very large crude oil carriers, or VLCCs.

The Company also operates a lube oil blending plant in Pandacan, a fuel additives blending plant in Subic Bay Freeport, and a polypropylene plant in Mariveles, Bataan.

Petron operates a network of terminals and depots as bulk storage and distribution points throughout the Philippines, as well as LPG plants in its Pasig terminal, San Fernando depot and Legaspi depot. Its airport installations serve the fuel requirements of the airline industry and other aviation accounts.

PETRON TERMINALS, DEPOTS, AIRPORT INSTALLATIONS, SALES OFFICES AND MANUFACTURING PLANTS IN THE PHILIPPINES			
	Luzon	**Visayas**	**Mindanao**
Terminals	Limay, Bataan Mabini, Batangas Pasig, Metro Manila (LPG only)	Mandaue, Cebu	
Depots	Legaspi, Albay (LPG only) Navotas, Metro Manila Pasacao, Camarines Sur (R/A) Poro Point, La Union Puerto Princesa, Palawan Rosario, Cavite San Fernando, Pampanga (LPG only)	Anibong, Tacloban City Bacolod, Negros Occidental Culasi, Roxas City (R/A) Mactan, Lapu-Lapu City Iloilo City Isabel, Leyte Ormoc, Leyte Tagbilaran City, Bohol (R/A)	Bawing, General Santos City Davao City Iligan City, Lanao del Norte Jimenez, Misamis Occidental Nasipit, Agusan del Norte Tagoloan, Misamis Oriental Zamboanga City (R/A)
Airport Installations	Laoag, Ilocos Norte NAIA, Metro Manila		Davao City Laguindingan, Misamis Oriental
Sales Offices	Calapan, Oriental Mindoro	Amlan, Negros Oriental	

	Mamburao, Occidental Mindoro Masbate, Bicol San Jose, Occidental Mindoro Tondo, Manila		
Manufacturing Plants	Pandacan, Manila (for lube oil blending) Subic, Zambales (for fuel additives blending)		

Note: R/A indicates that a rationalization agreement is in place in relation to the relevant depot, which is a contract between the owner-operator of the depot and another oil company regarding product supply and the use of the facilities to rationalize operations and reduce costs.

In the retail market, the Company has approximately 2,220 retail service stations throughout the Philippines as of June 30, 2016, representing approximately 29% of the country's total gasoline station count of about 7,680. Most of these stations are located in Luzon, where demand is heaviest.

Malaysia

In Malaysia, the Company owns a petroleum refinery complex located in Port Dickson, Negeri Sembilan. The Port Dickson Refinery has a crude oil distillation capacity of 88,000 bpd. Its facilities include a crude oil distillation unit, a naphtha hydro-treating unit with a processing capacity of 26,000 bpd, two semi-regeneration reformer units with a combined processing capacity of 19,000 bpd and a kerosene hydro-treating unit with a processing capacity of 12,000 bpd. The Port Dickson Refinery also has waste water treatment facilities, a boiler, a cooling water plant, flare and safety relieving facilities, six crude oil storage tanks with a total capacity of approximately 1.1 million barrels, 20 refined petroleum products storage tanks and five spheres for LPG storage with a total capacity of approximately 1.1 million barrels.

PETRON TERMINALS AND DEPOT IN MALAYSIA

PETRON TERMINALS AND DEPOT IN MALAYSIA		
	Peninsular Malaysia	**Sabah**
Terminals	Port Dickson Klang Valley Distribution Terminal* Westport** Bagan Luar Kuantan Pasir Gudang***	Sepangar Bay Sandakan Tawau
Depot	Kuala Lumpur International Airport Aviation Facility	

* Breakdown of equity share as follows: Petron - 20%, Shell Malaysia Trading Sdn Bhd - 40%, Petronas Dagangan Berhad - 40%

** co-share with Boustead Petroleum Marketing Sdn Bhd

*** co-share with Chevron Malaysia Limited

The retail business in Malaysia markets fuel and other retail products through a dealer network comprising approximately 575 retail service stations located throughout Peninsular and East Malaysia.

All facilities owned by the Company are free from liens and encumbrances.

The Company entered into commercial leases with the PNOC for parcels of land occupied by its Limay Refinery, depots, terminals and certain of its service stations. The lease agreements include upward escalation adjustment of the annual rental rates. In 2009, the Company renewed its lease with PNOC (through NVRC) for the continued use of the Limay Refinery land for 30 years starting 1 January 2010 (renewable upon agreement of the parties for another 25 years). See "*Certain Relationships and Related Transactions*." The Company is currently in negotiations with PNOC for the early renewal of leases relating to 22 terminals, depots and sales offices and 68 service stations that will expire in August 2018. These leases are renewable under such terms and conditions as may be agreed between the parties. Expenses relating to the PNOC leases paid directly to PNOC and through NVRC amounted to ₱226.0 million in 2015 and ₱ 109.1 million in the six months ended June 30, 2016.

The Company leases 130 parcels of land for service stations and depots from NVRC. Expenses relating to the NVRC leases amounted to ₱ 274.5 million in 2015 and ₱ 118.1 million in the six months ended June 30, 2016.

The Company also leases land for its service stations from third parties. As of June 30, 2016, there were leases covering 576 service stations: 430 in Luzon, 81 in the Visayas and 65 in Mindanao. Expenses under these leases amounted to ₱ 865.6 million in 2015 and ₱ 479.1 million in the six months ended June 30, 2016.

In Malaysia, the land on which the Company's retail service stations are located is either owned by the Company or leased from third parties. As of June 30, 2016, the Company owned 161 parcels of land for service stations and leased 274 additional parcels of land for its service stations from third parties. Rentals for the service station lands are either paid in advance and amortized over the lease period, or paid over the lease period pursuant to the relevant schedules. Payments under these leases amounted to approximately RM250 thousand for the first half of 2016. The Port Dickson Refinery occupies a 579-acre site. The Company holds freehold title to 404 acres of this site and leases the remaining 175 acres pursuant to a 99-year lease that expires in 2060.

Currently, the Company has no pending property acquisitions. However, the Company is continuously evaluating available properties for sale based on the needs of the Company's business.

LEGAL PROCEEDINGS

As set forth below, the Company is involved in ongoing legal cases the outcome of which may or may not have a material adverse effect on its operations and profitability. While the final outcomes of these legal proceedings are not certain, the Company believes it has strong legal grounds in each of these legal proceedings, and has not made any provisions in its financial statements for possible liabilities arising from adverse results of these legal proceedings.

Tax Credit Certificates Related Matters

In 1998, the BIR issued a deficiency excise tax assessment against the Company relating to the Company's use of ₱ 659 million worth of Tax Credit Certificates ("TCCs") to pay certain excise tax obligations from 1993 to 1997. The TCCs were transferred to the Company by suppliers as payment for fuel purchases. The Company contested the BIR's assessment before the Court of Tax Appeals ("CTA"). In July 1999, the CTA ruled that as a fuel supplier of Board of Investments ("BOI")-registered companies, the Company was a qualified transferee of the TCCs and that the collection by the BIR of the alleged deficiency excise taxes was contrary to law. On March 21, 2012, the Court of Appeals ("CA") promulgated a decision in favor of the Company and against the BIR affirming the ruling of the CTA striking down the assessment issued by the BIR for deficiency excise taxes in 1998 based on a finding by the BIR that the TCCs used by the Company as payment for fraudulent.

On April 19, 2012, a motion for reconsideration was filed by the BIR, which was denied by the CA in a 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, the Company filed its comment on the petition for review filed by the BIR. The petition remains pending.

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 (7)-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 (the "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 (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, 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. 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. The appeal remains pending.

With regard to Ordinance 8187, petitions were filed before the Supreme Court, seeking 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 five (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 and implement full relocation of their fuel storage facilities within six (6) months from the submission of the required documents. On March 10, 2015, acting on a Motion for Reconsideration filed by Shell, a Motion for Clarification filed by Chevron, and a Manifestation filed by the Company, the Supreme Court denied Shell’s motion with finality, 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.

Guimaras Oil Spill Incident

On August 11, 2006, MT Solar I, a third party vessel contracted by the 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 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 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. 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 ₱ 292 million. The cases are still pending.

Pursuant to DENR Memorandum Circular No. 2012-01, the DENR declared that the Guimaras coastal water was already compliant with applicable water quality standards.

Other Proceedings

The Company is also party to certain other proceedings arising out of the ordinary course of its business, including legal proceedings with respect to tax, regulatory and other matters. While the results of litigation cannot be predicted with certainty, the Company believes that the final outcome of these other proceedings will not have a material adverse effect on its business, financial condition or results of operations.

REGULATORY AND ENVIRONMENTAL MATTERS

The statements herein are based on the laws in force as of the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the regulatory and environmental considerations that may be relevant to the Company or the offering.

PHILIPPINES

Downstream Oil Industry Deregulation Law

Republic Act No. 8479, otherwise known as the Downstream Oil Industry Deregulation Act of 1998 (the "Oil Deregulation Law"), provides the regulatory framework for the downstream oil industry in the Philippines.

Under the Oil Deregulation Law, any person may import or purchase any quantity of crude oil and petroleum products from foreign and domestic sources, lease or own and operate refineries and other downstream oil facilities, and market such crude oil and petroleum products either in a generic name or in its own trade name, or use the same for its own requirement. The same law declared as policy of the state the liberalization and deregulation of the downstream oil industry in order to ensure a truly competitive market under a regime of fair prices, adequate and continuous supply of environmentally clean and high quality petroleum products.

To ensure the attainment of these objectives, the DOE, in consultation with relevant government agencies, promulgated the Implementing Rules and Regulations of the Oil Deregulation Law in March 1998 through Department Circular No. 98-03-004 and the Supplementing Rules and Regulations of the Oil Deregulation Law in June 1998 through Department Circular No. 98-06-009. The rules require any person or entity engaged in any activity in the downstream oil industry to comply with the notice, reportorial, quality, health, safety and environmental requirements set forth therein.

The DOE is the lead government agency overseeing the oil sector. With the enactment of the Oil Deregulation Law, the regulatory functions of the DOE were significantly reduced. Deregulating the downstream oil industry effectively removed the rate-setting function of the then Energy Regulatory Board, leaving price-setting to market forces. DOE's current function is solely to monitor prices and violations under the law, which includes prohibited acts such as cartelization and predatory pricing.

Other functions of the DOE under the Oil Deregulation Law include the following:

(a) monitoring and publishing the daily international crude oil prices, following the movements of domestic oil prices, monitoring the quality of petroleum and stopping the operation of businesses involved in the sale of petroleum products which do not comply with national standards of quality;
(b) monitoring the refining and manufacturing processes of local petroleum products to ensure that clean and safe technologies are applied;
(c) maintaining a periodic schedule of present and future total industry inventory of petroleum products to determine the level of supply;
(d) immediately acting upon any report from any person of an unreasonable rise in prices of petroleum products; and

(e) in times of national emergency, when the public interest so requires, during the emergency and under reasonable terms, temporarily taking over or directing the operations of any person or entity engaged in the industry.

Promotion of Retail Competition

Pursuant to the Oil Deregulation Law's objective to promote a competitive petroleum product market at the retail level, the DOE is mandated to promote and encourage the active and direct participation of the private sector and cooperatives in the retailing of petroleum products through joint venture or supply agreements with new industry participants for the establishment and operation of gasoline stations. Under prevailing rules and regulations, new industry participants are given preference in the (i) formulation and implementation on management and skills training for the establishment, operation, management and maintenance of gasoline stations and (ii) grant of gasoline station training and loans to be used as capital for the establishment and operation of gasoline stations.

Rules Relating to Retailing of Liquid Petroleum Products

In November 2003, the DOE promulgated Department Circular No. DC 2003-11-010, or the Rules and Regulations Governing the Business of Retailing Liquid Petroleum Products (the "Liquid Petroleum Products Retail Rules"). The Liquid Petroleum Product Retail Rules apply to all persons engaged or intending to engage in the business of retailing liquid petroleum products. Liquid petroleum products generally refer to petroleum products that are flammable liquids such as gasoline, kerosene and diesel and combustible liquid products formed in the course of refining crude petroleum through distillation, cracking, solvent refining and chemical treatment coming out as primary stocks from the refinery and sold through retail outlets.

A person intending to engage in the business of retailing liquid petroleum products must notify the Oil Industry Management Bureau ("OIMB") of its intention to engage in such activity and, upon compliance with the requirements under the Liquid Petroleum Products Retail Rules, secure a certificate of compliance ("Certificate of Compliance") from the OIMB. The owner or operator of a retail outlet shall be deemed to be engaged in illegal trading of liquid petroleum products if such owner or operator operates a retail outlet without a Certificate of Compliance.

The Liquid Petroleum Products Retail Rules likewise imposes: (i) minimum standards on the development and operation of retail outlets of liquid petroleum products; (ii) rules and procedures relating to the storage, handling, transfer and/or dispensing of liquid petroleum products; (iii) rules and procedures relating to pump calibration, testing, sealing and product sampling; and (iv) reportorial obligations on owners and/or operations of retail outlets of liquid petroleum products.

Liquid petroleum products dispensed at retail outlets must comply with the Philippine National Standards. The possession of liquid petroleum products that do not mean the said standards constitute prima facie evidence of adulteration while the sale, distribution, transportation, exchange or barter of adulterated products constitutes illegal trading.

LPG Laws and Regulations

B.P. 33

B.P. 33, as amended by PD 1865, provides for certain prohibited acts inimical to public interest and national security involving petroleum and/or petroleum products. These prohibited acts include, among others, (i) illegal trading in petroleum and/or petroleum products, and (ii) underdelivery or underfilling beyond authorized limits in the sale of petroleum products or possession of underfilled liquefied petroleum gas cylinder for the purpose of sale, distribution, transportation, exchange or barter. For this purpose, the existence of the facts hereunder gives rise to the following presumptions:

(a) That cylinders containing less than the required quantity of liquefied petroleum gas which are not property identified, tagged and set apart and removed or taken out from the display area and made accessible to the public by marketers, dealers, sub-dealers or retail outlets are presumed to be for sale;

(b) In the case of a dispensing pump in a petroleum products retail outlet selling such products to the public, the absence of an out-of-order sign, or padlocks, attached or affixed to the pump to prevent delivery of petroleum products therefrom shall constitute a presumption of the actual use of the pump in the sale or delivery of such petroleum products; and

(c) When the seal, whether official or of the oil company, affixed to the dispensing pump, tank truck or liquefied petroleum gas cylinder, is broken or is absent or removed, it shall give rise to the presumption that the dispensing pump is underdelivering, or that the liquefied petroleum gas cylinder is underfilled, or that the tank truck contains adulterated finished petroleum products or is underfilled.

The use of such pumps, cylinders or containers referred to in sub-paragraph (a), (b), and (c) above, to deliver products for sale or distribution shall constitute prima facie evidence of intent of the hauler, marketer, refiller, dealer or retailer outlet operator to defraud.

Under the said law, "illegal trading in petroleum and/or petroleum products" is understood to mean, among others, (1) the sale or distribution of petroleum products without license or authority from the OIMB, (2) non-issuance of receipts by licensed oil companies, marketers, distributors, dealers, subdealers and other retail outlets, to final consumers; provided: that such receipts, in the case of gas cylinders, shall indicate therein the brand name, tare weight, gross weight, and price thereof, (3) refilling of liquefied petroleum gas cylinders without authority from the OIMB, or refilling of another company's or firm's cylinders without such company's or firm's written authorization, and (4) marking or using in such cylinders a tare weight other than the actual or true tare weight thereof.

“Underfilling” or “underdelivery" refers to a sale, transfer, delivery or filling of petroleum products of a quantity that is actually beyond authorized limits than the quantity indicated or registered on the metering device of container. This refers, among others, to the quantity of petroleum retail outlets or to liquefied petroleum gas in cylinder or to lube oils in packages.

R.A. 9514 - IRR

The Implementing Rules and Regulations of Republic Act No. 9514 or the Fire Code of 2008 also outlines requirements for storage and handling of LPG by outside bulk LPG stores and filling stations and the transportation of LPG which require among others, that during the unloading or transfer of LPG, the tank truck shall be located or parked clear of a public thoroughfare, unless the failure to transfer would create a hazard or it is impossible due to topography.

LPG Industry Rules

In January 2014, the DOE issued Department Circular 2014-01-0001, or the Rules and Regulations Governing the Liquefied Petroleum Gas Industry (the "LPG Industry Rules"). The LPG Industry Rules apply to all persons engaged or intending to engage in the business of importing, refining, refilling, marketing, distributing, handling, storing, retailing, selling and/or trading of LPG.

A Standards Compliance Certificate ("SCC") from the OIMB is required before engaging in any LPG Industry Activity. The SCC is valid for a maximum of three (3) calendar years from date of issue and may be renewed. LPG Industry participants must also submit certain reports to the OIMB.

The LPG Industry Rules also imposes (i) minimum standards and requirements for refilling and transportation of LPG; (ii) qualifications and responsibilities for LPG Industry participants such as bulk suppliers, refillers, marketers, dealers, and retail outlets.

Brand owners whose permanent mark appears on the LPG cylinder are presumed under the rules as the owner thereof, irrespective of their custody, and shall ensure that its cylinders comply with all required quality and safety standards. The owner of the cylinders is also required to secure product liability insurance for any liability that may result from an unsafe condition of LPG cylinders.

Rules Pertinent to Auto-LPG Motor Vehicles

On 13 February 2007, the DOE issued DOE Circular No. DC 2007-02-0002 entitled "Providing for the Rules and Regulations Governing the Business of Supplying, Hauling, Storage, Handling, Marketing and Distribution of Liquefied Petroleum Gas (LPG) for Automotive Use" (the "Auto-LPG Rules"). The Auto-LPG Rules govern the business of supplying, hauling, storage, handling, marketing and distribution of LPG for automotive use.

Under the rules, an Auto-LPG Industry Participant is required to secure from the DOE through the OIMB, an SCC before it can operate. The Auto-LPG also mandates all participants to observe a code of practice consisting of operational guidelines and procedures to ensure the safe operation in the auto LPG business. Illegal trading, adulteration and hoarding are likewise prohibited. Under the Auto-LPG Rules, the following shall constitute prima facie evidence of hoarding: (i) the refusal of Auto-LPG Dispensing Stations to sell LPG products for automotive use shortly before a price increase or in times of tight supply, and in both instances if the buyer or consumer has the ability to pay in cash for the product; (ii) the undue accumulation of Auto-LPG Dispensing Stations of LPG products for automotive use in times of tight supply or shortly before a price increase. For purposes of this Auto LPG Rules, "undue accumulation" shall mean the keeping or stocking of quantities of LPG products for automotive use beyond the inventory levels as required to be maintained by the Auto-LPG Dispensing Stations, for a period of thirty (30) days immediately preceding the period of tight supply or price increase.

The Land Transportation Office ("LTO") also issued Memorandum Circular No. RIB-2007-891 or the "Implementing Rules and Regulations in the Inspection and Registration of Auto-LPG Motor Vehicles". The Circular requires the device for the use of LPG as fuel by any motor vehicle to be installed only by the conversion/installing shop duly certified by the Bureau of Product and Standards ("BPS") of the

Philippine Department of Trade and Industry ("DTI") under its Philippine Standards Certification Mark ("PS Mark") scheme. The converted vehicle shall be subjected to an annual maintenance and inspection by the BPS certified conversion/installing shop. The BPS certified conversion/installing shop shall issue a corresponding Certificate of Inspection and Maintenance Compliance ("CIMC").

Environmental Laws

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an Environmental Compliance Certificate (the "ECC") prior to commencement. The DENR, through its regional offices or through the Environmental Management Bureau (the "EMB"), determines whether a project is environmentally critical or located in an environmentally critical area. As a requirement for the issuance of an ECC, an environmentally critical project must submit an Environment Impact Statement ("EIS") to the EMB while a project in an environmentally critical area is generally required to submit an Initial Environmental Examination ("IEE") to the proper EMB regional office. In the case of an environmentally critical project within an environmentally critical area, an EIS is mandatory. The construction of major roads and bridges are considered environmentally critical projects for which EIS and ECC are mandatory. Presidential Proclamation No. 2146 also classified petroleum and petro-chemical industries as environmentally critical projects.

The EIS refers to both the document and the study of a project's environmental impact, including a discussion of the scoping agreement identifying critical issues and concerns as validated by the EMB, environmental risk assessment if determined necessary by the EMB during the scoping, environmental management program, direct and indirect consequences to human welfare and the ecological as well as environmental integrity. The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas.

While the terms and conditions of an EIS or an IEE may vary from project to project, as a minimum it contains all relevant information regarding the project's environmental effects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The issuance of an ECC is a Philippine government certification that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System; and that the proponent is committed to implementing its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein before or during the operations of the project and in some cases, during the project's abandonment phase.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund when the ECC is issued for projects determined by the DENR to pose a significant public risk to life, health, property and the environment or where the project requires rehabilitation or restoration. The Environmental Guarantee Fund is intended to meet any damage caused by such a project as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are required to include a commitment to establish an Environmental Monitoring Fund when an ECC is eventually issued. In any case, the establishment of an Environmental Monitoring Fund must not occur later than the initial construction phase of the project. The Environmental Monitoring Fund must be used to support the activities of a multi-partite monitoring team, which will be organized to monitor compliance with the ECC and applicable laws, rules and regulations.

The Biofuels Act of 2006

Republic Act No. 9367, also known as "The Biofuels Act of 2006", aims to reduce the dependence of the transport sector on imported fuel and, pursuant to such law, regulations mandate that all premium gasoline fuel sold by every oil company in the Philippines should contain a minimum 10% blend of bioethanol starting August 6, 2011. For diesel engines, the mandated biodiesel blend in the country was increased from 1% to 2% starting February 2009. In June 2015, the DOE issued Department Circular No. DC 2015-06-005, or the Amended Guidelines on E-10 Implementation, which temporarily waives compliance by oil companies with the required bioethanol blend for premium plus grade gasoline products when supply of locally produced bioethanol products are insufficient to meet demand.

In 2008, a Joint Administrative Order known as the "Guidelines Governing the Biofuel Feedstock Production and Biofuel Blends Production, Distribution and Sale" (the "Guidelines") was issued by various Philippine government agencies. The Guidelines mandate oil companies to blend biodiesel with diesel and bioethanol with gasoline. The Guidelines further require oil companies to source biofuels only from biofuel producers accredited by the DOE or from biofuel distributors registered with the DOE. Moreover, unless authorized by DOE to import in case of shortage of supply of locally-produced bioethanol as provided for under the Act, an oil company's failure to source its biofuels from accredited biofuels producers and/or registered biofuel distributors would constitute a prohibited act.

In June 2015, the DOE issued Department Circular No. DC 2015-06-007, or the Revised Guidelines on the Utilization of Locally-Produced Bioethanol ("Revised Guidelines"), which repealed Department Circular No. 2011-12-0013, or the "Guidelines on the Utilization of Locally-Produced Bioethanol in the Production of E-Gasoline Consistent with the Biofuels Act of 2006". The Revised Guidelines require oil companies operating within the Philippines to secure and maintain a DOE accreditation as an "Oil Industry Participant in the Fuel Bioethanol Program" and submit to the OIMB certain reports in order for the OIMB to monitor the oil companies' compliance with the Revised Guidelines, including an annual performance compliance report relating to the oil companies' compliance with the minimum biofuel blends and monthly reports on compliance with local monthly allocations for the use of locally-sourced bioethanol. The Revised Guidelines further require oil companies to strictly comply with the Local Monthly Allocation ("LMA"). The LMA refers to the local bioethanol volume imposed on oil companies based on the committed volume by the local bioethanol producers of bioethanol available for lifting by the oil companies and computed and circulated by the OIMB.

In February 2016, the Congress of the Philippines promulgated Republic Act No. 10745, amending The Biofuels Act of 20016. The law allows natural gas power generation plants to use neat diesel (instead of the mandated biofuel blend) as alternative fuel during shortages of natural gas supply.

Philippine Clean Air Act of 1999

Republic Act No. 8749, otherwise known as the "Philippine Clean Air Act", provides more stringent fuel specifications over a period of time to reduce emission that pollutes the air. The Philippine Clean Air Act specifies the allowable sulfur and benzene content for gasoline and automotive diesel. Under the law, oil firms are mandated to lower the sulfur content of automotive diesel oils to 0.05% by weight by January 1, 2004 nationwide. The law also prohibits a manufacturer, processor or trader of any fuel or additive to import, sell, offer for sale, or introduce into commerce such fuel or fuel additive unless these have been registered with the DOE. All the requirements of the said law have been implemented, starting with the phase-out of leaded gasoline in Metro Manila in April 2000 and all over the country in December 2000.

The Technical Committee on Petroleum Products and Additives sets the standards for all types of fuel and fuel related products, to improve fuel consumption for increased efficiency and reduced emissions. The committee is guided by strict time-bound and quality-specific targets under the mandate of the Philippine Clean Air Act and the DOE initiative on alternative fuels.

Philippine Clean Water Act of 2004

In 2004, Republic Act No. 9275, or the "Philippine Clean Water Act", was enacted to streamline processes and procedures in the prevention, control, and abatement of pollution in the country's water resources and provide for a comprehensive water pollution management program focused on pollution prevention. The law primarily applies to the abatement and control of water pollution from land based sources. The EMB, in partnership with other Philippine government agencies and the respective local government units, is tasked by the Implementing Rules of the Philippine Clean Water Act to identify existing sources of water pollutants and strictly monitor pollution sources which are not in compliance with the effluent standards provided in the law. The Philippine Clean Water Act also authorizes the DENR to formulate water quality criteria and standards for oil and gas exploration which encounter re-injection constraints.

Oil Pollution Compensation Act of 2007

Republic Act No. 9483, otherwise known as the Oil Pollution Compensation Act of 2007, imposes strict liability on the owner of the ship for any pollution damage caused within the Philippine territory. Pollution damage is the damage caused outside the ship by contamination due to the discharge of oil from the ship,as well as the cost of preventive measures to protect it from further damage.

The law also provides that any person who has received more than 150,000 tons of "contributing oil" (as explained below) in a calendar year in all ports or terminal installations in the Philippines through carriage by sea shall pay contributions to the International Oil Pollution Compensation Fund in accordance with the provisions of the 1992 International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage. For this purpose, "oil" includes any persistent hydrocarbon mineral oil such as crude oil, fuel oil, heavy diesel oil and lubricating oil, whether carried on board a ship as cargo or in bunkers of such a ship.

A person shall be deemed to have received "contributing oil," for purposes of determining required contributions, if he received such oil from another country or from another port or terminal installation within the Philippines, notwithstanding that this oil had already been previously received by him. Where the quantity of contributing oil received by any person in the Philippines in a calendar year, when aggregated with the quantity of contributing oil received in the Philippines in that year by such person's subsidiaries or affiliates, exceeds 150,000 tons, such person, including its subsidiaries and affiliates, shall pay contributions in respect of the actual quantity received by each, notwithstanding that the actual quantity received by each did not exceed 150,000 tons. Persons who received contributing oil are required to report to the DOE. Contributing oil means crude oil and fuel oil as defined under Republic Act No. 9483.

Republic Act No. 9483 provides for the establishment of a fund to be constituted from, among others, an impost amounting to ten centavos per liter levied on owners and operators and tankers and barges hauling oil and/or petroleum products in Philippine waterways and coast wise shipping routes. This new fund, named the Oil Pollution Management Fund, will be in addition to the requirement under the 1992

Civil Liability Convention and 1992 Fund Convention and will be administered by the Maritime Industry Authority ("MARINA").

In April 2016, the Department of Transportation and Communications promulgated the implementing rules and regulations of Republic Act No. 9483. Under the rules, oil companies are required to submit (a) reports on the amount of contributing oil received and (b) sales and delivery reports of persistent oil.

Other Regulations on Water Pollution

Philippine maritime laws and regulations are enforced by two Philippine government agencies: MARINA and the Philippine Coast Guard. Both are agencies under the Philippine Department of Transportation and Communications.

Other Regulations on Water Pollution

Philippine maritime laws and regulations are enforced by two Philippine government agencies: the Maritime Industry Authority ("MARINA") and the Philippine Coast Guard. Both are agencies under the Philippine Department of Transportation and Communications.

The MARINA is responsible for integrating the development, promotion, and regulation of the maritime industry in the Philippines. It exercises jurisdiction over the development, promotion, and regulation of all enterprises engaged in the business of designing, constructing, manufacturing, acquiring, operating, supplying, repairing, and/or maintaining vessels, or component parts thereof, of managing and/or operating shipping lines, shipyards, dry docks, marine railways, marine repair ships, shipping and freight forwarding agencies, and similar enterprises.

To address issues on marine pollution and oil spillage, the MARINA issued: (i) Circular No. 207-01 which mandated the use of double-hull vessels, including those below 500 tons deadweight tonnage by the end of 2008 for transporting Black Products; and (ii) Circular No. 2010-01 for transporting White Products in certain circumstances by 2011.

The Philippine Coast Guard, in a 2005 Memorandum Circular, provided implementing guidelines based on the International Convention for the Prevention of Pollution from Ships, MARPOL 73/78. The guidelines provide that oil companies in major ports or terminals/depots are required to inform the Philippine Coast Guard through its nearest station of all transfer operations of oil cargoes in their respective areas. Furthermore, oil companies and tanker owners are required to conduct regular team trainings on managing oil spill operations including the handling and operations of MARPOL combating equipment. A dedicated oil spill response team is required to be organized to react to land and ship-originated oil spills. Oil companies, oil explorers, natural gas explorers, power plants/barges and tanker owners are also required to develop shipboard oil pollution emergency plans to be approved by the Philippine Coast Guard.

Moreover, both the Philippine Clean Water Act and the Philippine Coast Guard Guidelines provide that the spiller or the person who causes the pollution have the primary responsibility of conducting clean-up operations at its own expense.

Foreign Investment Laws and Restrictions

Retail Trade Liberalization Act

Republic Act No. 8762, otherwise known as the Retail Trade Liberalization Act of 2000 ("R.A. 8762"), was enacted into law on March 7, 2000. R.A. 8762 liberalized the Philippine retail industry to encourage Filipino and foreign investors to forge an efficient and competitive retail trade sector in the interest of empowering the Filipino consumer through lower prices, high quality goods, better services, and wider choices. Prior to the passage of R.A. 8762, retail trade was limited to Filipino citizens or corporations that are 100% Filipino-owned.

"Retail Trade" is defined by R.A. 8762 to cover any act, occupation, or calling of habitually selling direct to the general public any merchandise, commodities, or goods for consumption. The law provides that foreign-owned partnerships, associations and corporations formed and organized under the laws of the Philippines may, upon registration with the SEC and the DTI or in case of foreign owned single proprietorships, with the DTI, engage or invest in the retail trade business, in accordance with the following categories:

- Category A—Enterprises with paid-up capital of the equivalent in Philippine Pesos of less than US$2.5 million shall be reserved exclusively for Filipino citizens and corporations wholly-owned by Filipino citizens.

- Category B—Enterprises with a minimum paid-up capital of the equivalent in Philippine Pesos of US$2.5 million but less than US$7.5 million may be wholly owned by foreigners except for the first two years after the effectiveness of R.A. 8762 wherein foreign participation shall be limited to not more than 60% of total equity.

- Category C—Enterprises with a paid-up capital of the equivalent in Philippine Pesos of US$7.5 million or more may be wholly owned by foreigners, provided, that in no case shall the investments for establishing a store in Categories B and C be less than the equivalent in Philippine Pesos of US$830,000[4]; and

- Category D—Enterprises specializing in high-end or luxury products with a paid up capital of the equivalent in Philippine Pesos of US$250,000 per store may be wholly-owned by foreigners.

No foreign retailer is allowed to engage in retail trade in the Philippines unless all the following qualifications are met:

- A minimum of US$200 million net worth in its parent corporation for categories B and C, and US$50 million net worth in its parent corporation for category D;
- Five retail branches or franchises in operation anywhere around the world unless such retailers has at least one store capitalized at a minimum of US$25 million;
- Five-year track record in retail; and
- Only nationals from, or judicial entities formed or incorporated in, countries which allow the entry of Filipino retailers, shall be allowed to engage in retail trade in the Philippines.

The implementing rules of R.A. 8762 define a foreign retailer as an individual who is not a Filipino citizen, or a corporation, partnership, association, or entity that is not wholly-owned by Filipinos, engaged in retail

[4] Category C ceased to be available as a permitted category with effect from March 25, 2002.

trade. The DTI is authorized to pre-qualify all foreign retailers, subject to the provisions of R.A. 8762, before they are allowed to conduct business in the Philippines.

Foreign Investments Act of 1991

The Foreign Investments Act of 1991 ("FIA") liberalized the entry of foreign investment into the Philippines. Under the FIA, foreigners can own as much as 100% equity in domestic market enterprises, except in areas specified in the Foreign Investment Negative List. This Negative List enumerates industries and activities which have foreign ownership limitations under the FIA and other existing laws. The oil refining and distribution business is not found in the latest 10th Negative List of the FIA.

In connection with the ownership of private land, however, the Philippine Constitution states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens.

For the purpose of complying with nationality laws, the term "Philippine National" is defined under the FIA as any of the following:

(a) a citizen of the Philippines;
(b) a domestic partnership or association wholly-owned by citizens of the Philippines;
(c) a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines;
(d) a corporation organized abroad and registered to do business in the Philippines under the Corporation Code of the Philippines, of which 100% of the capital stock outstanding and entitled to vote is wholly owned by Filipinos; or
(e) a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine National and at least 60% of the fund will accrue to the benefit of Philippine Nationals.

For as long as the percentage of Filipino ownership of the capital stock of the corporation is at least 60% of the total shares outstanding and voting, the corporation shall be considered as a 100% Filipino-owned corporation. A corporation with more than 40% foreign equity may be allowed to lease private land for a period of 25 years, renewable for another 25 years.

Consumer Act of the Philippines

Republic Act No. 7394, otherwise known as the Consumer Act of the Philippines ("Consumer Act"), the provisions of which are principally enforced by the DTI, seeks to: (a) protect consumers against hazards to health and safety, (b) protect consumers against deceptive, unfair and unconscionable sales acts and practices; (c) provide information and education to facilitate sound choice and the proper exercise of rights by the consumer; (d) provide adequate rights and means of redress; and (e) involve consumer representatives in the formulation of social and economic policies.

This law imposes rules to regulate such matters as: (a) consumer product quality and safety; (b) the production, sale, distribution and advertisement of food, drugs, cosmetics and devices as well as substances hazardous to the consumer's health and safety; (c) fair, honest consumer transactions and consumer protection against deceptive, unfair and unconscionable sales acts or practices; (d) practices relative to the use of weights and measures; (e) consumer product and service warranties; (f) compulsory labeling and fair packaging; (g) liabilities for defective products and services; (h) consumer protection against misleading advertisements and fraudulent sales promotion practices; and (i) consumer credit transactions.

The Consumer Act establishes quality and safety standards with respect to the composition, contents, packaging, labeling and advertisement of products and prohibits the manufacture for sale, offer for sale, distribution, or importation of products which are not in conformity with applicable consumer product quality or safety standards promulgated thereunder.

Local Government Code

The Local Government Code ("LGC") establishes the system and powers of provincial, city, municipal, and *barangay* governments in the country. The LGC general welfare clause states that every local government unit ("LGU") shall exercise the powers expressly granted, those necessarily implied, as well as powers necessary, appropriate, or incidental for its efficient and effective governance, and those which are essential to the promotion of the general welfare.

LGUs exercise police power through their respective legislative bodies. Specifically, the LGU, through its legislative body, has the authority to enact such ordinances as it may deem necessary and proper for sanitation and safety, the furtherance of the prosperity, and the promotion of the morality, peace, good order, comfort, convenience, and general welfare of the locality and its inhabitants. Ordinances can reclassify land, order the closure of business establishments, and require permits and licenses from businesses operating within the territorial jurisdiction of the LGU.

Other Regulatory Requirements

Governmental approval of the Company's products and services is generally not required. However, petroleum products refined at the Limay Refinery are subject to Philippine National Standards ("PNS") specifications. The DTI, through the Bureau of Products Standards, ensures that all products comply with the specifications of the PNS. The Oil Deregulation Law also requires the registration with the DOE of any fuel additive prior to its use in a product.

On September 7, 2010, the DENR issued Department Order No. 2010-23 on the Revised Emission Standards for Motor Vehicles Equipped with Compression Ignition and Spark Ignition Engines, mandating compliance of all new passenger and light duty motor vehicles with Euro IV (PH) emission limits subject to fuel availability, starting on January 1, 2016. Euro IV vehicle emission technology requires a more stringent fuel quality of 0.005% sulfur content for both diesel and gasoline.

Philippine government regulations also require the following: fire safety inspection certificates; certificates of conformance of facilities to national or accepted international standards on health, safety and environment; product liability insurance certificates or product certificate of quality; and the ECC issued by the DENR for service stations and for environmentally-critical projects. These certificates have to be submitted to the DOE for monitoring (not regulation) purposes. Reports to the DOE are required for the following activities/projects relating to petroleum products: (a) refining, processing, including recycling and blending; (b) storing/transshipment; (c) distribution/operation of petroleum carriers; (d) gasoline stations; (e) LPG refilling plant; (f) bunkering from freeports and special economic zones; and (g) importations of petroleum products and additives. In addition, importations of restricted goods require clearances from the proper governmental authorities.

Other Relevant Tax-related Regulations

Taxes and duties applicable to the oil industry have had periodic and unpredictable changes over the last several years. The import duty on crude oil was increased on January 1, 2005 from 3% to 5%, but was later reduced to 3% effective as of November 1, 2005.

Under Executive Order No. 527 dated May 12, 2006, upon certification by the DOE that the trigger price levels provided therein have been reached, the 3% import duty on crude oil shall be adjusted to 2%, 1% or 0%. Subsequently, Executive Order No. 850, which took effect on January 1, 2010, modified the rates of duty on certain imported articles in order to implement the Philippines' commitment to eliminate the tariff rates on certain products under the Common Effective Preferential Tariff Scheme for the ASEAN Free Trade Area ASEAN Trade in Goods Agreement ("ATIGA"). Under the ATIGA, crude oil and refined petroleum products imported from Association of Southeast Asian Nations ("ASEAN") Member States are levied zero rates. To address the tariff distortion between ASEAN and non-ASEAN Member States brought about by the implementation of the zero duty under Executive Order No. 850 and to provide a level playing field for local refiners to compete with importers, the President of the Philippines issued Executive Order No. 890, which also imposed zero duty effective as of July 4, 2010 for imported crude oil and refined petroleum products, except certain types of aviation gas, from Non-ASEAN Member States.

Republic Act No. 9337, also known as the "Expanded VAT Law", imposed a VAT of 10% on certain goods and services, including petroleum products and its raw materials, particularly the sale and importation thereof. The rate was further increased to 12% effective February 1, 2006. The Expanded VAT Law also limited the input VAT tax credit to only 70% of the output VAT. Subsequently, however, Republic Act No. 9361, which was approved on November 21, 2006, removed the 70% ceiling on the credit of input VAT to output VAT. As of November 1, 2005, the implementation date of the Expanded VAT Law, excise taxes on diesel, bunker fuel and kerosene were lifted and excise taxes for regular gasoline were lowered to ₱4.35 per liter of volume capacity. In February 2012, the BIR issued Revenue Regulation No. 2-2012 stating that VAT and excise taxes due on all petroleum and petroleum products that are imported and/or brought from abroad to the Philippines, including from the freeport and economic zones shall be paid by the importer to the Bureau of Customs.

Republic Act No. 9136, or the Electric Power Industry Reform Act of 2001, provides for parity tax treatment among imported oil and indigenous fuels. Prior to the enactment of this law, indigenous fuels were imposed with higher taxes due to royalties to the Philippine government.

MALAYSIA

Petroleum Development Act, 1974

The Petroleum Development Act, 1974 (the "PDA"), which came into force on October 1, 1974, and the Petroleum Regulation 1974, which was enacted pursuant to the PDA (the "Petroleum Regulation"), are the primary legislation governing downstream oil activities in Malaysia. Pursuant to the Petroleum Regulation, two government bodies are vested with powers to regulate all downstream activities, namely:

(a) the Ministry of International Trade and Industry ("MITI"), which is responsible for the issuance of licenses for the processing and refining of petroleum and the manufacture of petrochemical products; and

(b) the Ministry of Domestic Trade, Cooperative and Consumerism ("MDTCC"), which is responsible for regulating the marketing and distribution of petroleum products.

The Company has obtained specific licenses from the MITI for the production of the Company's products. Specific licenses are required pursuant to Section 6 of the PDA for the business of processing or refining petroleum or manufacturing petrochemical products from petroleum at the Port Dickson Refinery. Contravention of the provisions of the PDA or failure to comply with any term or condition of any permission granted thereunder is an offense and is subject to a fine not exceeding RM1 million or imprisonment for a term not exceeding five years or both.

Petroleum (Safety Measures) Act, 1984

The storage and handling of crude oil and oil products and the utilization of equipment and/or appliances used in the downstream oil industry in Malaysia are controlled and governed by the Petroleum (Safety Measures) Act, 1984 (the "PSMA") and the regulations made thereunder. The PSMA also regulates the transportation of petroleum by road, railway, water, air and pipeline. A unit of the MDTCC known as The Petroleum Safety Unit has been established to administer the PSMA.

Biofuel Industry Act, 2007

The Biofuel Industry Act, 2007 (the "MBIA") was enacted on July 18, 2007. The MBIA provides for the mandatory use of biofuel, the licensing of activities relating to biofuel and other matters connected and incidental thereto. The MBIA is designed to regulate the biofuel industry in Malaysia and to promote the mandatory use of Malaysia's domestic palm biodiesel, which is a blend of 5% POME and 95% diesel. The MBIA empowers the Minister of Plantation Industries and Commodities to prescribe (a) the percentage by volume of palm ole and/or methyl ester to be blended in any fuel or (b) the activities in which the use of (i) palm ole and/or methyl ester, (ii) palm ole and/or methyl ester blended with any other fuel or (iii) any other biofuel is to be made mandatory. The MBIA limits the percentage of POME that can be used in a biodiesel mix to a maximum of 5%. In October 2014, the Malaysian Government announced the implementation of the B7 programme (blending of 7% POME and 93% diesel) for the subsidized sector. Implementation was completed in the second quarter of 2015.

The use of B7 Bio-Diesel is expected to be implemented shortly for use in industrial sector, with an exception being given to power generation companies or other industries where the use of Bio-Diesel would not be possible due to mechanical specifications.

The Government has agreed to implement the sale of B10 Bio-Diesel (blending of 10% POME and 90% diesel) from the current B7 Bio-Diesel in service stations. However, the actual date of implementation is yet to be determined pending completion of discussions between the Malaysian government and various stakeholders including automobile manufacturers.

Sale and Pricing of Refined Petroleum Products

Control of Supplies Act, 1961

The Control of Supplies Act, 1961 (the "CSA") was enacted primarily to regulate, prohibit and control the movement of controlled articles in Malaysia. The CSA also regulates the distribution of any controlled article and limits the quantity of any controlled article that may be acquired or held by any person. Petrol, motor spirit, or motor gasoline of all grades, diesel fuel and LPG have all been classified as controlled articles under the CSA.

Pursuant to the Control of Supplies Regulations 1974, issued pursuant to the CSA, a license is required for any person to deal, by wholesale or retail, in any scheduled article (including petrol, motor spirit, or motor gasoline of all grades, diesel fuel and LPG) or to manufacture any scheduled article. A separate license is required for each place of business where the scheduled article is manufactured or sold. The Controller of Supplies has the authority to enforce the rules and regulations provided in the CSA and related regulations.

Price Control and Anti Profiteering Act, 2011

The Price Control and Anti Profiteering Act, 2011 (the "PCAPA") replaced the Price Control Act, 1946 and came into force on April 1, 2011. The PCAPA provides for the control of prices of goods, whereby the Malaysian government may, among other things, determine the maximum, minimum or fixed prices for the manufacture, production, wholesale or retail of goods.

The Malaysian government generally mandates fixed prices for (a) sales of formulated unleaded gasoline fuel with an octane index of 95 ("Mogas 95"), (b) diesel sales to retail customers, as well as to the commercial transportation and fisheries sectors, and (c) LPG sales to retail customers, to ensure that increases in international crude oil prices are not borne fully by consumers of such products in Malaysia. Subject to a quota, the Malaysian government subsidizes sales of these products using a formula known as the automatic pricing mechanism ("APM"). A subsidy is payable to the seller pursuant to the APM if the mandated price of the relevant product is less than the total built-up cost (as described below) of such product. Conversely, a duty is payable by the seller if the mandated price of the relevant product exceeds the total built-up cost of such product.

As of September 30, 2012, the total built-up cost is determined by aggregating the cost of the relevant product and certain predetermined government-specified amounts, as follows:

	Mogas 95	**Diesel**	**Retail LPG**
Cost of Product:	Based on Mean of Platts Singapore	Based on Mean of Platts Singapore	Based on Saudi CP
Alpha:	5 sen/liter	4 sen/liter	12.36 sen/kg
Freight, Distribution and Marketing Cost:	Peninsular Malaysia: 9.54 sen/liter Sabah: 8.98 sen/liter Sarawak: 8.13 sen/liter	Peninsular Malaysia: 9.54 sen/liter Sabah: 8.98 sen/liter Sarawak: 8.13 sen/liter	Peninsular Malaysia: 38.95 sen/kg Sabah: 53.10 sen/kg Sarawak: 52.26 sen/kg
Oil company margin	5 sen/liter	2.25 sen/liter	11.35 5 sen/kg
Dealer Margin:	12.19 sen/liter	7 sen/liter	Peninsular

Malaysia:

21.42 sen/kg

Sabah: 21.67 sen/kg

Sarawak: 21.67 sen/kg

The specified amounts for alpha, freight, distribution and marketing cost, oil company margin and dealer margin are fixed by the Malaysian government and subject to change. The Malaysian government has not changed the specified amounts since 2006, with the exception of the amount for dealer margin which was revised upwards in June 2008.

As of June 30, 2016, the Malaysian government-mandated prices for the products that are covered by the APM were RM 2.10 per liter for Mogas 97, RM 1.75 per liter for Mogas 95, RM 1.60 per liter for diesel and RM 1.90 per kilogram for LPG. The government-mandated price of RM 1.60 per liter for diesel applies to sales to the transport sector as well as retail sales. On December 1, 2014, the Malaysian government implemented a managed float system for determining the government mandated prices for Mogas 95 and diesel. Under the managed float system, the Malaysian government fixes the retail prices of Mogas 95 and diesel on a monthly basis based on the Mean of Platts Singapore for the previous month.

The amount of the subsidies or duties varies from month to month for Mogas 95 and diesel. There are no duties on LPG and no limit on the subsidies for retail LPG.

The sale of diesel in Malaysia is subject to a quota system to ensure that subsidized diesel is not sold illegally to industrial customers at unregulated, prices. Accordingly, the Company is required to manage its subsidized diesel sales on a monthly basis to ensure that such sales do not exceed the amount permitted under the approved quotas. The Company has a quota to sell diesel at all of its retail service stations in Malaysia. Customers in the selected transportation sectors are required to obtain their own quotas in order to be able to purchase diesel from the Company. The Company has also been licensed to supply distributors that are appointed by the Malaysian government to sell diesel to unbranded mini stations and to collect subsidies in respect of such sales.

The Company's quotas for subsidized diesel sales are provided and regulated by the MDTCC, which reviews the quotas on a quarterly basis. If the Company requires an increase in its approved quota during any quarter as a result of an increase in demand, it may apply to the MDTCC for a quota increase in respect of a specific month during that quarter. If the Company sells more subsidized diesel than is permitted under the approved quotas, it will not be eligible to receive a government subsidy in respect of the sales that exceed the approved quotas.

Environmental Laws

Environmental Quality Act, 1974

The Environmental Quality Act, 1974 (the "EQA") governs the prevention, abatement and control of pollution and enhancement of the environment in Malaysia and covers, among other things, oil spills and pollutants on land and in Malaysian waters. The EQA, which was introduced by the Malaysian government to promote environmentally sound and sustainable development restricts atmospheric, noise, soil and inland-water pollution without a license, prohibits the discharge of oil and waste into Malaysian waters without a license and prohibits open burning. The Department of Environment (the "MDOE") is the regulatory body with responsibility for administering the EQA and any regulations and orders made thereunder.

The MDOE will also have responsibility for monitoring the implementation of and compliance with Euro 4M and Euro 5M standards in Malaysia, which are the Malaysian equivalent of Euro IV and Euro V-standard fuels. The main change from the current Euro 2M standards to Euro 4M and Euro 5M standards for diesel and Mogas 95 will be the reduction in sulfur content, consistent with Euro IV and Euro V standards. The Malaysian government is considering the implementation of Euro 4M and Euro 5M fuels in phases: Euro 4M for RON 97 by September 1, 2015, Euro 4M for RON 95 by October 1, 2018, Euro 5M (sulfur specification only) for diesel by September 1, 2020, and Euro 5M for RON 95 and RON 97 by January 1, 2025.

While the Malaysian government has mandated that diesel sold in Malaysia must comply with Euro 5M specifications by September 1, 2020, in line with move by downstream oil companies in Malaysia to introduce the Euro 5M diesel earlier, Petron Malaysia plans to commence the supply of Euro 5M diesel in selected service stations commencing August 2016.

The facilities at the Port Dickson Refinery are currently being enhanced to comply with Euro 5M standards, and these enhancements are expected to be completed before Euro 5M standards come into force. The current configuration of the facilities will allow the Port Dickson Refinery to produce gasoline compliant with Euro 5M standards. The formulation of Euro 5M specifications was carried out by SIRIM Berhad in conjunction with other interested parties, including Malaysian oil companies, the Malaysian car manufacturers' association, and regulatory bodies, such as the MDTCC and the MDOE. SIRIM Berhad is a wholly-owned company of the Malaysian government incorporated under the Malaysian Ministry of Finance. The Port Dickson Refinery plans to implement Euro 5M by the fourth quarter of 2020.

Other Laws

Companies Act, 1965

The Companies Act which came into effect on April 15,1965, governs the incorporation and registration of companies in Malaysia. The agency that oversees such incorporation is the Companies Commission of Malaysia (Suruhanjaya Syarikat Malaysia) ("CCM").

Under the Companies Act, a corporation's existence does not have an expiration but may be terminated through dissolution by: (i) the winding up of the company, either voluntarily or pursuant to an order of the court; or (ii) the striking out by the Registrar, in the exercise of its discretionary powers, of the name of the company based on any of the grounds provided under the Companies Act.

The new Companies Act 2015 is expected to come into force in 2017. The new act will replace the 1965 Companies Act, largely taking into account new developments in Corporate Laws across the region.

Malaysian Corporate Governance Code ("MCGC")

MCGC is currently being updated with a 2016/2017 version. The revisions have just completed the public consultation process.

Other Regulatory Requirements

The Company has a general duty pursuant to the Occupational Safety and Health Act, 1994 and the regulations made thereunder to (a) provide and maintain plants and systems of work that are, to the extent practicable, safe and without risks to health, (b) provide information, instruction, training and supervision to ensure, to the extent practicable, the safety and health of the Company's employees at work and (c) provide a working environment that is, to the extent practicable, safe, without risk to health and adequate with respect to facilities related to employee welfare at work. The Company also has a duty to ensure, to the extent practicable, that other persons who are not employees of the Company are not affected by, and are not exposed to risks to their safety or health by, the conduct of the Company's business. As the Company employs more than 100 employees in Malaysia, it must employ a safety and health officer, who is tasked with ensuring the due observance of statutory obligations with respect to workplace health and safety and the promotion of safe work conduct at the workplace.

CORPORATE GOVERNANCE AND MANAGEMENT

Set out below are the name, position and year of appointment of members of the Board of the Company as of the date of this Prospectus.

Name	Position	Year Appointed
Eduardo M. Cojuangco, Jr.	Chairman	2009
Ramon S. Ang	President and Chief Executive Officer and Director	2009
Lubin B. Nepomuceno	General Manager and Director	2013
Eric O. Recto	Director	2008
Estelito P. Mendoza	Director	2009
Jose P. de Jesus	Director	2014
Ron W. Haddock	Director	2008
Aurora T. Calderon	Director	2010
Mirzan Mahathir	Director	2010
Ma. Romela M. Bengzon	Director	2010
Virgilio S. Jacinto	Director	2010
Nelly F. Villafuerte	Director	2011
Reynaldo G. David	Independent Director	2009
Artemio V. Panganiban	Independent Director	2010
Margarito B. Teves	Independent Director	2014

Certain information on the business and working experiences of the Directors for the last five (5) years is set out below.

Eduardo M. Cojuangco, Jr., Filipino, born 1935, has served as the Chairman of the Company since February 10, 2015 and a Director since January 8, 2009. He is also the Chairman of the Executive and Compensation Committees of the Company. He holds the following positions, namely: Chairman and Chief Executive Officer of San Miguel Corporation ("SMC"); Ginebra San Miguel, Inc. ("GSMI"); San Miguel Pure Foods Company, Inc. ("SMPFC"); Chairman of ECJ & Sons Agricultural Enterprises Inc., Eduardo Cojuangco Jr. Foundation Inc.; and Director of Caiñaman Farms Inc. Mr. Cojuangco was formerly a director of the Manila Electric Company, member of the Philippine House of Representatives (1970-1972), Governor of Tarlac Province (1967-1979) and Philippine Ambassador-Plenipotentiary. He also served as the President and Chief Executive Officer of United Coconut Planters Bank, President and Director of United Coconut Life Assurance Corporation and Governor of the Development Bank of the Philippines. He attended the College of Agriculture at the University of the Philippines – Los Baños and the California Polytechnic College in San Luis Obispo, U.S.A. and was conferred a post graduate degree in Economics, *honoris causa*, from the University of Mindanao, a post graduate degree in Agri-Business, *honoris causa*, from the Tarlac College of Agriculture, a post graduate degree in Humanities, *honoris causa*, from the University of Negros Occidental-Recoletos, and a post graduate degree in Humanities, *honoris causa*, from the Tarlac State University.

Of the companies in which Mr. Cojuangco currently holds directorships, Petron-affiliates SMC, GSMI and SMPFC are listed with the PSE.

Ramon S. Ang, Filipino, born 1954, has served as the Chief Executive Officer and an Executive Director of the Company since January 8, 2009 and the President of the Company since February 10, 2015. He is also a member of the Company's Executive Committee and Compensation Committee. He holds the following positions, among others: Chairman of Petron Malaysia Refining & Marketing Bhd. ("PMRMB"), New Ventures Realty Corporation (“NVRC”), and SEA Refinery Corporation (“SRC”); Chairman and Chief Executive Officer of Petron Marketing Corporation (“PMC”) and Petron Freeport Corporation (“PFC”); Chairman and President of Mariveles Landco Corporation, Petrochemical Asia (HK) Ltd. (“PAHL”), Philippine Polypropylene Inc. (“PPI”) and Robinson International Holdings Ltd.; Director of Petron Fuel International Sdn Bhd. (“PFISB”), Petron Oil (M) Sdn Bhd. (“POMSB”), Petron Oil & Gas Mauritius Ltd. (“POGM”) and Petron Oil & Gas International Sdn Bhd. (“POGI”); Vice Chairman, President and Chief Operating Officer of SMC; Chairman of San Miguel Brewery Inc. (“SMB”), San Miguel Foods, Inc., The Purefoods-Hormel Company, Inc., San Miguel Yamamura Packaging Corporation, South Luzon Tollway Corporation, Eastern Telecommunications Philippines Inc., Liberty Telecoms Holdings, Inc. (“Liberty Telecoms”), Manila North Harbour Port, Inc. (“MNHPI”) and Philippine Diamond Hotel & Resort Inc.; Chairman and Chief Executive Officer of SMC Global Power Holdings Corp.; Chairman and President of San Miguel Properties, Inc., Bell Telecommunication Philippines, Inc., Atea Tierra Corporation, Cyber Bay Corporation and Philippine Oriental Realty Development Inc.; Vice Chairman of GSMI SMPFC; President and CEO of Top Frontier Investment Holdings Inc. (“Top Frontier”); and Director of other subsidiaries and affiliates of SMC in the Philippines and the Southeast Asia Region. Previously, Mr. Ang was Chief Executive Officer of the Paper Industries Corporation of the Philippines and Executive Managing Director of Northern Cement Corporation, Aquacor Food Marketing, Inc., Marketing Investors Inc., PCY Oil Mills, Metroplex Commodities, Southern Island Oil Mills and Indophil Oil Corporation. Mr. Ang has a Bachelor of Science degree in Mechanical Engineering from the Far Eastern University.

Of the companies in which Mr. Ang currently holds directorships, SMC, Liberty Telecoms and Petron-affiliates GSMI, SMPFC and Top Frontier are also listed with the PSE.

Lubin B. Nepomuceno, Filipino, born 1951, has served as the Director of the Company since February 19, 2013, and the General Manager of the Company since February 10, 2015. He is also a member of the Company’s Executive Committee, Audit and Risk Management Committee and Compensation Committee. He holds the following positions, among others: President and Chief Executive Officer of PMC; Director and Chief Executive Officer of PMRMB; Director of POGI, PFISB, POMSB, LLCDC, NVRC, PFC, PPI, PAHL, Mariveles Landco Corporation, Robinson International Holdings, Ltd. and Petron Singapore Trading Pte. Ltd. (“PSTPL”); Chairman of Petrogen Insurance Corporation (“Petrogen”); Trustee of Petron Foundation, Inc. (“PFI”); Chairman of Overseas Ventures Insurance Corporation Ltd. (“OVINCOR”); Director of San Miguel Paper Packaging Corporation and Mindanao Corrugated Fibreboard Inc.; Director of MNHPI; and President of Archen Technologies, Inc. Mr. Nepomuceno has held various board and executive positions in the San Miguel Group. He started with SMC as a furnace engineer at the Manila Glass Plant in 1973 and rose the ranks to become the General Manager of the San Miguel Packaging Group in 1998. He was also formerly the Senior Vice President and General Manager of the Company (September 2009 to February 2013) and the President of the Company (February 2013 to February 2015). Mr. Nepomuceno holds a Bachelor of Science degree in Chemical Engineering and master’s degree in Business Administration from the De La Salle University. He also attended the Advanced Management Program at the University of Hawaii, University of Pennsylvania and Japan’s Sakura Bank Business Management.

Mr. Nepomuceno does not hold a directorship in any other company listed with the PSE.

Eric O. Recto, Filipino, born 1963, has served as a Director of the Company since July 31, 2008. He holds the following positions, among others: Chairman and Chief Executive Officer of PFI; Chairman of Philippine Bank of Communications (“PBCom”); Chairman and CEO of ISM Communications Corporation (“ISM”); Chairman and President of Bedfordbury Development Corporation; Chairman of Tabacalera, Inc.; Co-chairman of Rogue Media, Inc.; Vice Chairman of Atok-Big Wedge Corporation (“Atok”); President and Director of Q-Tech Alliance Holdings, Inc.; and member of the Board of Supervisors of Acentic GmBH. Mr. Recto was previously the President and Vice Chairman of the Company, the Chairman and Chief Executive Officer of PFI, and a Director of SMC, PMRMB, and MERALCO. He was formerly the Undersecretary of the Philippine Department of Finance, in charge of both the International Finance Group and the Privatization Office from 2002 to 2005. He also served as the President of the Company (2008-2013), Vice Chairman of the Company (2013-2014), Chairman of Petrogen and Senior Vice President and Chief Finance Officer of Alaska Milk Corporation (2000-2002) and Belle Corporation (1994-2000). Mr. Recto has a degree in Industrial Engineering from the University of the Philippines and a master's degree in Business Administration from the Johnson School, Cornell University.

Of the companies in which Mr. Recto currently holds directorships, PBCom, Atok, and ISM are also listed with the PSE.

Estelito P. Mendoza, Filipino, born 1930, served as a Director of the Company from 1974 to 1986, and thereafter since January 8, 2009. He is a member of the Nomination Committee and the Audit and Risk Management Committee. He is likewise a member of the Board of Directors of SMC, Philippine National Bank ("PNB") and Philippine Airlines, Inc.. He previously served as a Director of MERALCO. He has now been engaged in the practice of law for more than 60 years, and presently under the firm name Estelito P. Mendoza and Associates. He has been listed for several years as a "Leading Individual in Dispute Resolution" among lawyers in the Philippines in the following directories/journals: "The Asia Legal 500", "Chambers of Asia" and "Which Lawyer?" yearbooks. He has also been a Professorial Lecturer of law at the University of the Philippines and served as Solicitor General, Minister of Justice, Member of the *Batasang Pambansa* and Provincial Governor. He was also the Chairman of the Sixth (Legal) Committee, 31st Session of the UN General Assembly and the Special Committee on the Charter of the United Nations and the Strengthening of the Role of the Organization. He holds a Bachelor of Laws degree from the University of the Philippines (*cum laude*) and Master of Laws degree from Harvard University. He is the recipient on June 28, 2010 of a Presidential Medal of Merit as Special Counsel on Marine and Ocean Concerns and was also awarded by the University of the Philippines Alumni Association its 1975 "Professional Award in Law" and in 2013 its "Lifetime Distinguished Achievement Award".

Of the companies in which Atty. Mendoza currently holds directorships, SMC and PNB are also listed with the PSE.

Jose P. de Jesus, Filipino, born 1934, has served as a Director of the Company since May 20, 2014. He is the Chairman of Converge ICT Solutions Inc. and Metroworks ICT Construction Inc., and Director and Vice Chairman of Comclark Network and Technology Corporation. He is also a director of Citra Metro Manila Tollways Corporation, Private Infra Development Corporation and South Luzon Tollway Corporation. He is a Trustee of Bantayog ng mga Bayani Foundation, Kapampangan Development Foundation and Holy Angel University. He was the President and Chief Operating Officer of MERALCO (February 2009 to June 2010), the Secretary of the Department of Transportation and Communications (July 2010 to June 2011), the President and Chief Executive Officer of Manila North Tollways Corporation (January 2000 to December 2008), Executive Vice President of the Philippine Long Distance Telephone Company (1993 to December 1999) and the Secretary of the Department of Public Works and Highways (January 1990 to February 1993). He was *Lux in Domino Awardee* (Most Outstanding Alumnus) of the Ateneo de Manila University in July 2012. Mr. de Jesus earned his Bachelor of Arts degree in Economics and holds a Master of Arts in Social Psychology from the Ateneo de Manila University. He also finished Graduate Studies in Human Development from the University of Chicago.

Mr. de Jesus does not hold a directorship in any other company listed with the PSE.

Ron W. Haddock, American, born 1940, has served as a Director of the Company since December 2, 2008. He holds the following positions, among others: Chairman and Chief Executive Officer of AEI Services, L.L.C. and member of the board of Alon Energy USA. Mr. Haddock was formerly Honorary Consul of Belgium in Dallas, Texas. He also served as Chairman of Safety-Kleen Systems, Chairman and Chief Executive Officer of Prisma Energy International and FINA, and held various management positions in Exxon Mobil Corporation including as Manager of Baytown Refinery, Corporate Planning Manager, Vice President for Refining, and Executive Assistant to the Chairman; and Vice President and Director of Esso Eastern, Inc. He holds a degree in Mechanical Engineering from Purdue University.

Mr. Haddock does not hold any directorship in any other company listed with the PSE.

Aurora T. Calderon, Filipino, born 1954, has served as a Director of the Company since August 13, 2010. She is a member of the Audit and Risk Management Committee and the Compensation Committee. She holds the following positions, among others: Senior Vice President and Senior Executive Assistant to the President and Chief Operating Officer of SMC; Director of PMRMB, POGM, POGI, PMC, PFC, PSTPL, SRC, NVRC, LLCDC, Thai San Miguel Liquor Co., Ltd., SMC Global Power Holdings Corp., Rapid Thoroughfares Inc., Trans Aire Development Holdings Corp., Vega Telecom, Inc., Bell Telecommunications Company, Inc., A.G.N. Philippines, Inc. and various subsidiaries of SMC; and Director and Treasurer of Petron-affiliate Top Frontier. She has served as a Director of MERALCO (January 2009-May 2009), Senior Vice President of Guoco Holdings (1994-1998), Chief Financial Officer and Assistant to the President of PICOP Resources (1990-1998) and Assistant to the President and Strategic Planning at the Elizalde Group (1981-1989). A certified public accountant, Ms. Calderon graduated *magna cum laude* from the University of the East in 1973 with a degree in Business Administration major in Accounting and earned her master's degree in Business Administration from the Ateneo de Manila University in 1980. She is a member of the Financial Executives and the Philippine Institute of Certified Public Accountants.

Of the companies in which Ms. Calderon currently holds directorships, Petron-affiliate Top Frontier is also listed with the PSE.

Mirzan Mahathir, Malaysian, born 1958, has served as a Director of the Company since August 13, 2010. He is the Chairman and Chief Executive Officer of Crescent Capital Sdn Bhd, an investment holding and independent strategic and financial advisory firm based in Malaysia. He currently manages his investments in Malaysia and overseas while facilitating business collaboration in the region. He holds directorships in several public and private companies in South East Asia. He also serves as President of the Asian Strategy & Leadership Institute, Chairman of several charitable foundations and a member of the Wharton Business School Executive Board for Asia and the Business Advisory Council of United Nations ESCAP. He was formerly the Executive Chairman and President of Konsortium Logistik Berhad (1992-2007), Executive Chairman of Sabit Sdn Bhd (1990-1992), Associate of Salomon Brothers in New York, U.S.A. (1986-1990) and Systems Engineer at IBM World Trade Corporation (1982-1985). Mirzan graduated with a Bachelor of Science (Honours) degree in Computer Science from Brighton Polytechnic, United Kingdom and obtained his master's degree in Business Administration from the Wharton School, University of Pennsylvania, USA.

Mr. Mahathir does not hold any directorship in any other company listed with the PSE.

Ma. Romela M. Bengzon, Filipino, born 1960, has served as a Director of the Company since August 13, 2010. She holds the following positions, among others: Director of PMC; Managing Partner of the Bengzon Law Firm; and professor at the De La Salle University Graduate School of Business, Far

Eastern University Institute of Law MBA-JD Program, the Ateneo Graduate School of Business and Regis University. She was formerly a Philippine government Honorary Trade Ambassador to the European Union, and Chairperson of the Committee on Economic Liberalization and Deputy Secretary General of the Consultative Commission, both under the Philippine Office of the President. A Political Science graduate of the University of the Philippines in 1980 (with honors), she obtained her Bachelor of Laws from the Ateneo de Manila University in 1985.

Atty. Bengzon does not hold any directorship in any other company listed with the PSE.

Virgilio S. Jacinto, Filipino, born 1956, has served as a Director of the Company since August 13, 2010. He is a member of the Governance Committee of the Company. He holds the following positions, among others: Corporate Secretary, Compliance Officer, Senior Vice President and General Counsel of SMC; Corporate Secretary and Compliance Officer of Top Frontier; Corporate Secretary of GSMI and the other subsidiaries and affiliates of SMC; and Director of various other local and offshore subsidiaries of SMC. Mr. Jacinto has served as a Director and Corporate Secretary of United Coconut Planters Bank, a Director of San Miguel Brewery Inc., a Partner of the Villareal Law Offices (June 1985-May 1993) and an Associate of Sycip, Salazar, Feliciano & Hernandez Law Office (1981-1985). Atty. Jacinto is an Associate Professor of Law at the University of the Philippines. He obtained his law degree from the University of the Philippines (*cum laude*) where he was the class salutatorian and placed sixth in the 1981 bar examinations. He holds a Master of Laws degree from Harvard University.

Atty. Jacinto does not hold any directorship in any other company listed with the PSE.

Nelly F. Villafuerte, Filipino, born 1937, has served as a Director of the Company since December 1, 2011. She is a member of the Governance Committee of the Company. She is also a Director of Top Frontier, another company listed with the PSE. She is a columnist for the Manila Bulletin and was a former Member of the Monetary Board of the Bangko Sentral ng Pilipinas from 2005 until July 2011. She is an author of business handbooks on microfinance, credit card transactions, exporting and cyberspace and a four (4)-volume series on the laws on banking and financial intermediaries (Philippines). Atty. Villafuerte has served as Governor of the Board of Investments (1998-2005), Undersecretary for the International Sector (Trade Promotion and Marketing Group) of the Department of Trade and Industry ("DTI") (July 1998-May 2000), and Undersecretary for the Regional Operations Group of the DTI (May 2000-2005). She holds a Masters degree in Business Management from the Asian Institute of Management ("AIM") and was a professor of international law/trade/marketing at the graduate schools of AIM, Ateneo Graduate School of Business and De La Salle Graduate School of Business and Economics. Atty. Villafuerte obtained her Associate in Arts and law degrees from the University of the Philippines and ranked in the top ten in the bar examinations.

Of the companies in which Atty. Villafuerte currently holds directorships, Petron-affiliate Top Frontier is also listed with the PSE.

Reynaldo G. David, Filipino, born 1942, has served as an Independent Director of the Company since May 12, 2009. He is the concurrent Chairman of the Audit and Risk Management Committee and the Nomination Committee and likewise a member of the Compensation Committee. He is also an Independent Director of SMC and Tiger Resort, Leisure & Entertainment, Inc. He has previously held among others, the following positions: President and Chief Executive Officer of the Development Bank of the Philippines; Chairman of NDC Maritime Leasing Corporation; and Director of DBP Data Center, Inc. and Al-Amanah Islamic Bank of the Philippines. Other past positions include: Independent Director of ISM and ATOK, Chairman of LGU Guarantee Corporation, Vice Chairman, Chief Executive Officer and

Executive Committee Chairman of Export and Industry Bank (September 1997-September 2004), Director and Chief Executive Officer of Unicorp Finance Limited and Consultant of PT United City Bank (concurrently held from 1993-1997), Director of Megalink Inc., Vice President and FX Manager of the Bank of Hawaii (April 1984-August 1986), various directorships and/or executive positions with The Pratt Group (September 1986-December 1992), President and Chief Operating Officer of Producers Bank of the Philippines (October 1982-November 1983), President and Chief Operation Officer of International Corporation Bank (March 1979-September 1982), and Vice President and Treasurer of Citibank N. A. (November 1964-February 1979). A Ten Outstanding Young Men awardee for Offshore Banking in 1977, he was also awarded by the Association of Development Financing Institutions in Asia & the Pacific as the Outstanding Chief Executive Officer in 2007. A certified public accountant since 1964, he graduated from the De La Salle University with a combined Bachelor of Arts and Bachelor of Science in Commerce degrees in 1963 and attended the Advanced Management Program of the University of Hawaii (1974). He was conferred with the title Doctor of Laws, *honoris causa*, by the Palawan State University in 2005 and the title Doctor of Humanities, *honoris causa*, by the West Visayas State University in 2009.

Of the companies in which Mr. David currently holds directorships, SMC is also listed with the PSE.

Artemio V. Panganiban, Filipino, born 1936, has served as an Independent Director of the Company since October 21, 2010. He is a member of the Audit and Risk Management Committee. He is a columnist for the Philippine Daily Inquirer and officer, adviser or consultant to several business, civic, educational and religious organizations. Director Panganiban was formerly the Chief Justice of the Supreme Court of the Philippines (2005-2006); Associate Justice of the Supreme Court (1995-2005); Chairperson of the Philippine House of Representatives Electoral Tribunal (2004-2005); Senior Partner of Panganiban Benitez Parlade Africa & Barinaga Law Office (1963-1995); President of Baron Travel Corporation (1967-1993); and professor at the Far Eastern University, Assumption College and San Sebastian College (1961-1970). He is an author of over ten books and has received various awards for his numerous accomplishments, most notably the "Renaissance Jurist of the 21st Century" conferred by the Supreme Court in 2006 and the "Outstanding Manilan" for 1991 by the City of Manila. Chief Justice Panganiban earned his Bachelor of Laws degree (*cum laude)* from the Far Eastern University in 1960 and placed sixth in the bar exam that same year, and holds honorary doctoral degrees in law from several universities.

Apart from Petron, he is an independent director of the following listed companies: MERALCO, First Philippine Holdings Corp., Philippine Long Distance Telephone Co., Metro Pacific Investment Corp., Robinsons Land Corp., GMA Network, Inc., GMA Holdings, Inc., Asian Terminals, Inc., and Non-Executive Director of Jollibee Foods Corporation.

Margarito B. Teves, Filipino, born 1943, has served as an Independent Director of the Company since May 20, 2014 and the Chairman of the Governance Committee of the Company since July 3, 2014. He is also an Independent Director of SMC and Atok. He is also the Managing Director of The Wallace Business Forum and Chairman of Think Tank Inc. He was the Secretary of the Department of Finance of the Philippine government from 2005 to 2010, and was previously the President and Chief Executive Officer of the Land Bank of the Philippines from 2000 to 2005, among others. He was awarded as "2009 Finance Minister of Year/Asia" by the London-based The Banker Magazine. He holds a Master of Arts degree in Development Economics from the Center for Development Economics, Williams College, Massachusetts and is a graduate of the City of London College, with a degree of Higher National Diploma in Business Studies which is equivalent to a Bachelor of Science in Business Economics.

Of the companies in which Mr. Teves currently holds directorships, SMC and Atok are also listed with the PSE.

Set out below are the name, position and year of appointment of the Executive Officers and senior management of the Company as of the date of this Prospectus.

Name	Position	Year Appointed
Ramon S. Ang	President and Chief Executive Officer	2015
Lubin B. Nepomuceno	General Manager	2015
Emmanuel E. Eraña	Senior Vice President and Chief Finance Officer	2009
Susan Y. Yu	Vice President, Procurement	2009
Albertito S. Sarte	Treasurer and Vice President, Treasurers	2009
Ma. Rowena O. Cortez	Vice President, Supply	2009
Freddie P. Yumang	Vice President, Refinery	2009
Archie B. Gupalor	Vice President, National Sales	2012
Joel Angelo C. Cruz	Vice President, General Counsel & Corporate Secretary / Compliance Officer	2010
Rodulfo L. Tablante	Vice President, Operations	2013
Julieta L. Ventigan	Vice President - Business Planning and Development	2015
Dennis S. Janson	Controller and Assistant Vice President, Controllers	2015

Certain information on the business and working experiences of the Executive Officers for the last five (5) years is set out below.

President & CEO

Ramon S. Ang, Filipino, 62 years old, has served as the Chief Executive Officer and an Executive Director of the Company since January 8, 2009 and the President of the Company since February 10, 2015. He is also a member of the Company's Executive and Compensation Committees. He holds the following positions, among others: Chairman of Petron Malaysia Refining & Marketing Bhd. ("PMRMB"), New Ventures Realty Corporation ("NVRC"), and SEA Refinery Corporation ("SRC"); Chairman and Chief Executive Officer of Petron Marketing Corporation ("PMC") and Petron Freeport Corporation ("PFC"); Chairman and President of Mariveles Landco Corporation, Petrochemical Asia (HK) Ltd. ("PAHL"), Philippine Polypropylene Inc. ("PPI") and Robinson International Holdings Ltd.; Director of Petron Fuel International Sdn. Bhd. ("PFISB"), Petron Oil (M) Sdn. Bhd. ("POMSB"), Petron Oil & Gas Mauritius Ltd. ("POGM") and Petron Oil & Gas International Sdn Bhd. ("POGI"); Vice Chairman, President and Chief Operating Officer of San Miguel Corporation ("SMC"); Chairman of San Miguel Brewery Inc. ("SMB"), San Miguel Foods, Inc., The Purefoods-Hormel Company, Inc., San Miguel Yamamura Packaging Corporation, South Luzon Tollway Corporation, Eastern Telecommunications Philippines Inc., Liberty Telecoms Holdings, Inc. ("Liberty Telecoms"), Manila North Harbour Port, Inc. ("MNHPI") and Philippine Diamond Hotel & Resort Inc.; Chairman and Chief Executive Officer of SMC Global Power Holdings Corp.; Chairman and President of San Miguel Properties, Inc., Bell Telecommunication Philippines, Inc., Atea Tierra Corporation, Cyber Bay Corporation and Philippine Oriental Realty Development Inc.; Vice Chairman of Ginebra San Miguel, Inc. and San Miguel Pure Foods Company, Inc.; and President and CEO of Top Frontier Investment Holdings Inc. ("Top Frontier"); Director of other subsidiaries and affiliates of SMC in the Philippines and the Southeast Asia Region. Previously, Mr. Ang was Chief Executive Officer of the Paper Industries Corporation of the Philippines and Executive Managing Director of Northern Cement Corporation, Aquacor Food Marketing, Inc., Marketing Investors Inc., PCY Oil Mills, Metroplex Commodities, Southern Island Oil Mills and Indophil Oil Corporation. Mr. Ang has a Bachelor of Science degree in Mechanical Engineering from the Far Eastern University.

General Manager

Lubin B. Nepomuceno, Filipino, 65 years old, has served as a Director of the Company since February 19, 2013 and the General Manager of the Company since February 10, 2015. He is also a member of the Company's Executive Committee, Audit and Risk Management Committee and Compensation Committee. He holds the following positions, among others: President and Chief Executive Officer of PMC; Director and Chief Executive Officer of PMRMB; Director of POGI, PFISB, POMSB, LLCDC, NVRC, PFC, PPI, PAHL, Mariveles Landco Corporation, Robinson International Holdings, Ltd. and Petron Singapore Trading Pte. Ltd. ("PSTPL"); Chairman of Petrogen Insurance Corporation ("Petrogen"); Trustee of Petron Foundation, Inc. ("PFI"); Chairman of Overseas Ventures Insurance Corporation Ltd. ("Ovincor"); Director of San Miguel Paper Packaging Corporation and Mindanao Corrugated Fibreboard Inc.; Director of MNHPI and President of Archen Technologies, Inc. Mr. Nepomuceno has held various board and executive positions in the San Miguel Group. He started with SMC as a furnace engineer at the Manila Glass Plant in 1973 and rose to the ranks to become the General Manager of the San Miguel Packaging Group in 1998. He was also formerly the Senior Vice President and General Manager of the Company (September 2009 to February 2013) and the President of the Company (February 2013 to February 2015). Mr. Nepomuceno holds a Bachelor of Science degree in Chemical Engineering and master's degree in Business Administration from the De La Salle University. He also attended the Advanced Management Program at the University of Hawaii, University of Pennsylvania and Japan's Sakura Bank Business Management.

Senior Vice President & Chief Finance Officer

Emmanuel E. Eraña, Filipino, 55 years old, has served as the Senior Vice President and Chief Finance Officer of the Company since January 2009. He holds the following positions, among others: President and Chief Executive Officer of Petrogen and NVRC; President of PFI; Chairman, President and Chief Executive Officer of Las Lucas Construction and Development Corporation; Deputy Chairman of Ovincor; and Director of PFC, POGM, PFISB, POMSB and MNHPI. Mr. Eraña held the following positions in the San Miguel Group: as the Vice President and Chief Information Officer (January 2008-December 2009), Executive Assistant to the Chief Financial Officer, Corporate Service Unit (December 2006-January 2008), Chief Finance Officer of SMFBIL/NFL Australia (May 2005-November 2006), Chief Finance Officer of SMPFC (July 2002-May 2005), and Finance Officer (January 2001-June 2002), Finance and Management Services Officer, San Miguel Food Group (2000-2001). Mr. Eraña has a Bachelor of Science degree in Accounting from the Colegio de San Juan de Letran.

Vice President, Procurement

Susan Y. Yu, Filipino, 40 years old, has served as the Vice President for Procurement of the Company since January 2009. She is also a Trustee of PFI, Director of Ovincor and Petron Singapore Trading Pte. Ltd. ("PSTPL"). Ms. Yu has served as the Treasurer of Petrogen, Assistant Vice President and Senior Corporate Procurement Manager of San Miguel Brewery Inc., Assistant Vice President and Senior Corporate Procurement Manager of SMC Corporate Procurement Unit (July 2003-February 2008), and Fuel Purchasing and Price Risk Management Manager of Philippine Airlines ("PAL") (May 1997-June

2003). She holds a commerce degree in Business Management from the De La Salle University and a master's degree in Business Administration from the Ateneo de Manila University, for which she was awarded a gold medal for academic excellence.

Vice President, Treasurers & Treasurer

Albertito S. Sarte, Filipino, 49 years old, has served as the Vice President and Treasurer of the Company since August 2009. He is also the Treasurer of most of the Company's subsidiaries. Mr. Sarte served as Assistant Vice President for SMC International Treasury until June 2009. He graduated from the Ateneo de Manila University in 1987 with a Bachelor of Science degree in Business Management and has attended the Management Development Program of the AIM in 1995.

Vice President, Supply

Ma. Rowena O. Cortez, Filipino, 51 years old, has served as the Vice President for Supply of the Company since September 2013, and concurrently the Director for PSTPL since June 2013. She is also a Director of PAHL, Robinson International Holdings Ltd., and Mariveles Landco Corporation. The various positions she has held in the Company include Vice President for Supply & Operations (July 2010 - August 2013), Vice President for Supply (June 2009 to June 2010) and various managerial and supervisory positions in the Marketing/Sales and Supply and Operations Divisions. Ms. Cortez also held various positions at the Philippine National Oil Company - Energy Research and Development Center from 1986 to 1993. She holds a Bachelor of Science degree in Industrial Engineering and a master's degree in Business Administration from the University of the Philippines, Diliman. She also took post graduate courses at the AI M and at the University of Oxford in Oxfordshire, UK. She has attended local and foreign trainings and seminars on leadership, market research, supply chain, risk management, petroleum, petrochemicals and energy.

Vice President, Refinery

Freddie P. Yumang, Filipino, 58 years old, has served as the Vice President for Refinery of the Company since September 2009. He is also a Director of PPI, Mariveles Landco Corporation, Robinson International Holdings Ltd. and PAHL. He is the lead of the Company's Refinery Master Plan – Phase 2 project and has held various positions in the Company, including Operations Manager and Technical Services Manager, and different managerial and supervisory positions at the Limay Refinery. Mr. Yumang is currently a director of the National Association of Mapua Alumni and was formerly National Director of the Philippine Society for Mechanical Engineers (2006-2007). He is a Mechanical Engineering graduate of the Mapua Institute of Technology and has earned units for a master's degree in Business Administration from the De La Salle University. He also attended the Basic Management and Management Development Programs of the AIM in 1992 and 2002, respectively, in which he received separate awards for superior performance.

Vice President, National Sales

Archie B. Gupalor, Filipino, 48 years old, has served as the Vice President for National Sales of the Company since March 2012. He holds the following positions, among others: President and Chief Executive Officer of PFC and Director of PMC, NVRC and LLCDC. Mr. Gupalor has been with the San

Miguel Group since 1991. Prior to his appointment in the Company, he held the position of Vice President and General Manager of San Miguel Integrated Sales of San Miguel Foods, Inc.. He earned his Bachelor of Science degree in Industrial Psychology at the University of San Carlos and attended several programs here and abroad, including the Executive Management Development Program of the Harvard Business Publishing.

Vice President – General Counsel & Corporate Secretary/Compliance Officer

Joel Angelo C. Cruz, Filipino, 55 years old, has served as the Vice President of the Office of the General Counsel of the Company since March 2013 and the Corporate Secretary and Compliance Officer of the Company since April 2010. He holds the following positions, among others: Corporate Secretary and Compliance Officer of Petrogen, Corporate Secretary of LLCDC, NVRC, PMC, and PFC; Corporate Secretary of Petron Global Limited; and Assistant Corporate Secretary of MNHPI. Atty. Cruz was formerly the Assistant Vice President of the Office of the General Counsel, Assistant Corporate Secretary and Legal Counsel of the Company, Assistant Corporate Secretary of all the Company's subsidiaries and Trustee of PFI. He is a member of the Integrated Bar of the Philippines. Atty. Cruz holds a Bachelor of Arts degree in Economics from the University of the Philippines and a Bachelor of Laws degree from San Beda College. He attended the Basic Management Program of the AIM in 1997 as well as numerous local and foreign trainings and seminars.

Vice President, Operations and
Head, Corporate Technical and Engineering Services Group

Rodulfo L. Tablante, Filipino, 63 years old, has served as the Vice President for Operations of the Company since November 2013. He also serves as the head of the Corporate Technical Services Group. He was the Head of Corporate Technical and Engineering Services Group of the Company from 2009 to 2013. Mr. Tablante was College Instructor and Mechanical Engineering Reviewer in the Cebu Institute of Technology (1975-1978 and 1976-1977, respectively), Process Control Engineer, Operations Planning and Control Head and Plant Operation Superintendent of SMC Mandaue Brewery (1976-1979, 1979-1980 and 1980-1984, respectively), Engineering Manager and Project Manager of SMC Polo Brewery (1984-1989 and 1989-1992, respectively), Assistant Brewery Consultant, Assistant Vice President, Engineering Manager and Vice President and Engineering Manager of SMC – Corporate Technical Services (1992-2001, 2001-2004 and January 2005-2007, respectively). He was a consultant of SMC from 2007 until December 2009. Mr. Tablante has a Bachelor of Science degree in Mechanical Engineering from the Cebu Institute of Technology and earned units for a master's degree in Mechanical Engineering from the same institute.

Vice President, Business Planning & Development

Julieta L. Ventigan, Filipino, 56 years old, has served as the Vice President for Business Planning and Development of the Company since September 2015. She previously held the position of Assistant Vice President for Business Planning and Development from October 2010 until August 2015. The various positions she has held in the Company include Head of the Business Planning and Development (August 2010 – September 2010), Manager for Corporate Planning/Business Planning and Analysis (January 2010 – July 2010) and Manager for Corporate Planning/Strategic Planning (April 2003 – December 2009). She has a Bachelor of Science degree major in Agricultural Economics from the University of the

Philippines in Los Baños and a master's degree in Business Administration from the Ateneo Graduate of School of Business.

Assistant Vice President and Controller

Dennis S. Janson, Filipino, 56 years old, has served as the Assistant Vice President for Controllers and the Controller of the Company since September 2015. He is a Director of PSTPL and the Controller of various subsidiaries of Petron. Other positions he held include Assistant Controller of the Company (August 2014 – August 2015), Manager for Financial Analysis and Compliance Controller (March 2013 – July 2014; January 2010 – September 2011), Finance Head and Chief Finance Officer of Petron Malaysia (October 2011 – February 2013) and Manager for Financial Analysis Planning and Risk Management (November 2008 – December 2009). He is a certified public accountant with a Bachelor of Science degree in Accountancy from the University of San Carlos in Cebu.

Family Relationships

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among directors and/or executive officers of the Company.

Involvement in Certain Legal Proceedings

The Company is not aware that any one of the incumbent directors and executive officers and persons nominated to become a director and executive officer has been the subject of a bankruptcy petition or a conviction by final judgment in a criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses, or has been by final judgment or decree found to have violated securities or commodities law and enjoined from engaging in any business, securities, commodities or banking activities for the past five years until the date of this Prospectus.

Significant Employees

The Company has no significant employee or personnel who is not an executive officer but is expected to make a significant contribution to the business.

Committees of the Board

Pursuant to the Company's Revised Corporate Governance Manual, the Board created each of the following committees and appointed Board members thereto.

Audit and Risk Management Committee

The Audit and Risk Management Committee is responsible for the oversight of the Company's financial management functions and risk management framework, policies and processes. The Audit and Risk Management Committee reviews the Company's internal reports as well as other rules or regulations that may impact the Company's financial statements. The Audit and Risk Management Committee also reviews the Company's financial reports for compliance with internal financial management standards as well as applicable regulatory requirements and other relevant accounting standards. It likewise oversees and reviews the development and implementation of risk mitigation initiatives. The Audit and Risk Management Committee is composed of five Directors, two of whom (including the committee's chairman) are required to be independent. All members of the Audit and Risk Management Committee are required to have adequate financial and accounting expertise.

As of the date of this Prospectus, the chairman of the Audit and Risk Management Committee is Reynaldo G. David, and its members are Estelito P. Mendoza, Lubin B. Nepomuceno, Aurora T. Calderon and Artemio V. Panganiban. Ferdinand K. Constantino, a former Director, serves as an advisor to the Audit and Risk Management Committee.

Nomination Committee

The Nomination Committee is responsible for identifying and pre-screening individuals qualified to become members of the Company's Board. The Nomination Committee is composed of three Directors. As of the date of this Prospectus, the chairman of the Nomination Committee is Reynaldo G. David, and its members are Estelito P. Mendoza and Virgilio S. Jacinto.

Compensation Committee

The Compensation Committee is responsible for reviewing and modifying the salary structures of officers of the Company holding position of Vice President or higher. The Compensation Committee is composed of five Directors, one of whom is required to be independent. The Chairman and the President of the Company are also members but without voting rights. As of the date of this Prospectus, the non-voting chairman of the Compensation Committee is Eduardo M. Cojuangco, Jr., and its members are Ramon S. Ang (non-voting), Lubin B. Nepomuceno, Aurora T. Calderon and Reynaldo G. David. Ferdinand K. Constantino, a former Director, serves as an advisor to the Compensation Committee.

Executive Committee

The Executive Committee has been delegated the authority to exercise certain powers of the Board in the management of the business and affairs of the Company while the Board is not in session. As of the date of this Prospectus, the chairman of the Executive Committee is Eduardo M. Cojuangco, Jr., and its members are Ramon S. Ang, and Lubin B. Nepomuceno. Aurora T. Calderon and Virgilio S. Jacinto act as alternate members of the Executive Committee.

Governance Committee

The Governance Committee assists the Board in the development and implementation of the corporate governance policies, structures and systems of the Company, including the review of their adequacy and effectiveness. The Governance Committee also oversees the adoption and implementation of systems or mechanisms for the assessment and improvement of the performance of the Board, the directors and the board committees, and the evaluation of the compliance by the Company with the Revised Manual of Corporate Governance of the Company. The Governance Committee is composed of three Directors. As of the date of this Prospectus, the chairman of the Governance Committee is Margarito B. Teves, and its members are Virgilio S. Jacinto and Nelly F. Villafuerte.

Executive Compensation

The aggregate compensation paid or estimated to be paid to the executive officers and directors of the Company during the periods indicated below is as follows (in million pesos):

<table>
<tr><td colspan="5">Compensation of Executive Officers and Directors (In ₱ millions)</td></tr>
<tr><th>Name</th><th>Principal Position</th><th>Year</th><th>Salary</th><th>Bonus</th></tr>
<tr><td>Ramon S. Ang

Lubin B. Nepomuceno
Emmanuel E. Eraña

Freddie P. Yumang
Archie B. Gupalor</td><td>President & CEO
President
Senior Vice President
and Chief Finance
Officer
Vice President –
Refinery
Vice President –
National Sales</td><td>2016 (estimate)
2015
2014</td><td>82.10
79.87
71.86</td><td>13.73
28.56
42.35</td></tr>
<tr><td colspan="2">All other officers and Directors as a group unnamed</td><td>2016 (estimate)
2015
2014</td><td>62.70
58.03
50.81</td><td>8.05
14.87
19.55</td></tr>
</table>

Standard Arrangements

The Company's Executive Officers are also regular employees of the Company and are similarly remunerated with a compensation package comprising of 12 months base pay. They also receive whatever gratuity pay the Board extends to the managerial, supervisory and technical employees of the Company.

The members of the Board who are not Executive Officers are elected for a term of one year. They likewise receive remuneration for 12 months in Director's fees and gas allowance, in addition to compensation on a per meeting participation.

Other Arrangements

There are no other arrangements for which the Directors are compensated by the Company for services other than those provided as a Director.

Employment Contract

In lieu of an employment contract, the Directors are elected at the annual meeting of stockholders for a one year term. Any Director elected in the interim will serve for the remaining term until the next annual meeting.

Warrants or Options Outstanding

There are no warrants or options held by Directors or Executive Officers.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Petron Corporation has no transactions or proposed transactions with any of its directors or officers.

The major stockholders of the Company as of the date of this Prospectus are as follows:

• SEA Refinery Corporation	-	50.10%
• San Miguel Corporation	-	18.16%
• Petron Corporation Employees' Retirement Plan	-	7.80%

The basis of control is the number of the percentage of voting shares held by each.

Petron Corporation Employees' Retirement Plan

In July 2010, PCERP acquired from SEA BV 24.28% of the common shares in the Company. In January 2012, PCERP sold 7.4% of the Company's outstanding common shares to the public. In December 2012, PCERP sold 2.08% of the Company's outstanding common shares to Credit Suisse (Singapore) Limited. In March 2014, PCERP sold an additional 5.02% of the Company's common shares to the public. In August 2014, PCERP further sold an additional 4.05% of the Company's total outstanding shares to the public. In December 2014, PCERP acquired 2.08% of the Company's common shares held by Credit Suisse (Singapore) Limited through the PSE. PCERP to date holds common shares comprising 7.80% of the outstanding common stock of the Company.

A significant portion of the ₱20.8 billion advance from the Company to PCERP was used to fund the purchase of the common shares of the Company in July 2010. The advance bears interest at market rates.

The proceeds of the sales of the Company's common shares by PCERP were used to partially repay advances made by the Company in 2010.

San Miguel Corporation

SMC is a major stockholder of the Company. The Company has supply agreements with various SMC subsidiaries, under which the Company supplies the bunker fuel oil, diesel fuel, gasoline and lubricant requirements of selected SMC plants and subsidiaries. Generally, the pricing formulae under these agreements are based on Mean of Platts Singapore. The Company also currently leases office space from an SMC subsidiary pursuant to a lease agreement that was entered into on an arm's length basis.

New Ventures Realty Corporation

NVRC is a subsidiary of the Company 40%-owned by the Company and 60%-owned by a trustee bank of PCERP. The Company leases from NVRC certain parcels of land where the Limay Refinery and its service station sites, terminals and bulk plants are located. NVRC is also the holder of the lease over the site of the Limay Refinery of which the PNOC is the lessor.

There are no related party transactions apart from the foregoing and as disclosed in the financial statements of the Company.

MARKET PRICE OF AND DIVIDENDS ON THE ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

As of June 30, 2016, the Company has 9,375,104,497 common shares and 10,000,000 preferred shares issued and outstanding. The table below sets forth the Company's top 20 holders of common shares as of June 30, 2016:

	Stockholder Name	No. of shares	% to Total
1	SEA Refinery Corporation	4,696,885,564	50.10%
2	San Miguel Corporation	1,702,870,560	18.16%
3	PCD Nominee Corp. (Filipino)	1,322, 636,347	14.11%
4	Petron Corporation Employees' Retirement Plan	731,156,097	7.80%
5	PCD Nominee Corp. (Non-Filipino)	468,393,629	5.00%
6	Ernesto Chua Chiaco &/or Margaret Sy Chua Chiaco	6,000,000	0.06%
7	Ansaldo Godinez & Co. Inc. FAO Mark V. Pangilinan	5,000,000	0.05%
8	Sysmart Corp.	4,000,000	0.04%
9	Margaret S. Chua Chiaco	3,900,000	0.04%
10	Raul Tomas Concepcion	3,504,000	0.04%
11	Genevieve S. Chua Chiaco	2,735,000	0.03%
12	Ernesson S. Chua Chiaco	2,732,000	0.03%
13	Q – Tech Alliance Holdings, Inc.	2,648,500	0.03%
14	Genevieve S. Chua Chiaco	2,490,000	0.03%
15	Benedict Chua Chiaco	2,365,000	0.03%
16	Anthony Chua Chiaco	2,008,000	0.02%
17	Shahrad Rahmanifard	2,000,000	0.02%
18	Kristine Chua Chiaco	1,956,000	0.02%
19	Ching Hai Go &/or Martina Go	1,500,000	0.02%
20	Ernesson S. Chua Chiaco	1,450,000	0.02%
		8,966,230,697	**95.64%**

As at June 30, 2016, the Issuer had 148,864 shareholders of its common shares. The foreign ownership level of total outstanding voting shares in the Issuer was 5.06%.

The table below sets forth the Company's top 20 holders of Series 2 preferred shares as of June 30, 2016:

	Stockholder Name	No. of shares	% to Total
1	PCD Nominee Corp. (Filipino)	9,093,365	90.93%
2	San Miguel Corporation Retirement Plan - FIP	400,000	4.00%
3	San Miguel Brewery Inc. Retirement Plan	200,000	2.00%
4	San Miguel Corporation Retirement Plan - STP	60,000	0.60%
5	San Migue Foods Inc. Retirement Plan	50,000	0.50%
6	Knights of Columbus Fraternal Association of the Phils., Inc.	48,640	0.49%
7	San Miguel Yamamura Packaging Corp. Retirement Plan	40,470	0.40%
8	PCD Nominee Corp. (Non-Filipino)	38,220	0.38%
9	Marcelino R. Teodoro	12,500	0.13%
10	First Life Financial Co., Inc.	7,000	0.07%
11	Ben Tiuk Sy or Judy Y. Sy	6,400	0.06%
12	Alexander T. Solis &/or Gina T. Sinfuego	5,000	0.05%
13	Reynaldo Garcia Alejandro &/or Sylvia L. Alejandro	5,000	0.05%
14	Francisco S. Alejo &/or Cynthia Alejo &/or Anna Melissa A. Acop	3,000	0.03%
15	Antonio T. Chua	2,500	0.03%
16	R.M. Tiongco Holdings, Inc.	2,100	0.02%
17	Zenaida M. Postrado or Renato Postrado	2,000	0.02%
18	Lord Allan Jay Q. Velasco	2,000	0.02%
19	Enrique Dela Llan Yusingco	2,000	0.02%
20	Justiniano B. Panambo, Jr.	1,920	0.02%
		9,982,115	**99.82**%

As at June 30, 2016, the Issuer had 73 shareholders of its Series 2 preferred shares. The foreign ownership level of total Series 2 preferred shares of the Issuer was 0.38%.

Dividends and Dividend Policy

Subject to the requirements of the applicable laws and regulations and the absence of circumstances which may restrict the payment of such dividends, it is the policy of the Company to declare dividends when its retained earnings exceed 100% of its paid-in capital stock, except: (a) when justified by definite corporate expansion projects or programs approved by the Board, (b) when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent and such consent has not been secured, or (c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserve for probable contingencies.

On November 3, 2014, the Company issued 7,122,320 Series 2A Preferred Shares and 2,877,680 Series 2B Preferred Shares. The dividend on the Series 2A Preferred Shares is at the fixed rate of 6.30% per annum and on the Series 2B Preferred Shares at the fixed rate of 6.8583% per annum, each as calculated based on the offer price of ₱1,000 per share on a 30/360-day basis and payable quarterly in arrears, whenever approved by the Board of Directors. If the dividend payment date is not a banking day, dividends will be paid on the next succeeding banking day, without adjustment as to the amount of dividends to be paid. Cash dividends have been paid out on the Series 2 Shares since their listing in November 2014.

The preferred shares of the Company issued in 2010 were redeemed by the Company on March 5, 2015 (the "PPREF Shares"). The dividends for the PPREF Shares were fixed at the rate of 9.5281% per annum calculated in reference to the offer price of ₱100 per share on a 30/360-day basis and paid quarterly in arrears.

Dividend Declarations and Payments

2016

On March 15, 2016, the Board of Directors approved a cash dividend of ₱0.10 per share to common shareholders as of the March 31, 2016 record date with a pay-out date of April 14, 2016.

On the same date, the Board of Directors also approved cash dividends of (i) ₱15.75 per share to the shareholders of the Series 2A Preferred Shares for the second and third quarters of 2016 with record dates of April 15, 2016 and July 15, 2016, respectively, and pay-out dates of May 3, 2016 and August 3, 2016, respectively, and (ii) ₱17.14575 per share to the shareholders of the Series 2B Preferred Shares for the second and third quarters of 2016 also with record dates of April 15, 2016 and July 15, 2016, respectively, and pay-out dates of May 3, 2016 and August 3, 2016, respectively.

On August 8, 2016, the Board of Directors approved cash dividends of (i) ₱15.75 per share to the shareholders of the Series 2A Preferred Shares for the fourth quarter of 2016 and first quarter of 2017 with record dates of October 14, 2016 and January 13, 2017, respectively, and pay out dates of November 3, 2016 and February 3, 2017, respectively, and (ii) ₱17.14575 per share to the shareholders of the Series 2B Preferred Shares for the fourth quarter of 2016 and the first quarter of 2017 with record dates of October 14, 2016 and January 13, 2017, respectively, and pay out dates of November 3, 2016 and February 3, 2017, respectively.

2015

On March 17, 2015, the Board of Directors approved a cash dividend of ₱0.05 per share to common shareholders as of the April 1, 2015 record date with a pay-out date of April 16, 2015.

On the same date, the Board of Directors also approved cash dividends of (i) ₱15.75 per share to the shareholders of the Series 2A Preferred Shares for the second and third quarters of 2015 with record dates of April 17, 2015 and July 20, 2015, respectively, and pay-out dates of May 4, 2015 and August 3, 2015, respectively, and (ii) ₱ 17.14575 per share to the shareholders of the Series 2B Preferred Shares for the second and third quarters of 2015 with record dates of April 17, 2015 and July 20, 2015, respectively, and pay-out dates of May 4, 2015 and August 3, 2015, respectively.

On August 10, 2015, the Board of Directors approved cash dividends of (i) ₱15.75 per share to the shareholders of the Series 2A Preferred Shares for the fourth quarter of 2015 and the first quarter of 2016 with record dates of October 16, 2015 and January 18, 2016, respectively, and pay-out dates of November 3, 2015 and February 3, 2016, respectively, and (ii) ₱17.14575 per share to the shareholders of the Series 2B Preferred Shares for the fourth quarter of 2015 and the first quarter of 2016 with record dates of October 16, 2015 and January 18, 2016, respectively, and pay-out dates of November 3, 2015 and February 3, 2016, respectively.

2014

In 2014, the Board of Directors approved on March 24, 2014 a cash dividend of ₱0.05 per share to common shareholders as of the April 8, 2014 record date with a pay-out date of April 23, 2014. On May 6, 2014, the Company declared cash dividends of ₱ 2.82 per share to shareholders of the PPREF Shares as of the record date of May 21, 2014 with a pay-out date of June 5, 2014. On August 6, 2014, the Company declared cash dividends of ₱ 2.82 per share to shareholders of the PPREF Shares as of the record date of August 22, 2014 with a pay-out date of September 5, 2014.

On November 7, 2014, the Board of Directors approved cash dividends of (i) ₱2.82 per share to the shareholders of the PPREF Shares for the fourth quarter of 2014 and the first quarter of 2015, with respective record dates of November 24, 2014 and February 18, 2015 and pay-out dates of December 5, 2014 and March 5, 2015, (ii) ₱15.75 per share to the shareholders of the Series 2A Preferred Shares as of record date of January 20, 2015 with a pay-out date of February 3, 2015, and (iii) ₱17.14 per share to the shareholders of the Series 2B Preferred Shares as of the record date of January 20, 2015 with a pay-out date of February 3, 2015.

As of date, the Company's subsidiaries have not established any specific dividend policy. The table below sets forth the dividends declared by the subsidiaries for the past three (3) years:

Subsidiary	**2015 (in Millions)**	**2014 (in Millions)**	**2013 (in Millions)**
Overseas Ventures Insurance Corporation Ltd	421	-	349
Petron Marketing Corporation	-	-	100
Petron Freeport Corporation	200	120	-
Petron Singapore Trading Pte Ltd	3,077	-	-

Market Price of the Issuer's Equity

The Company's common and preferred shares are principally traded at the PSE. As of June 30, 2016, the closing price of the Company's common shares was ₱11.14 and the closing prices of the Company's Series 2A and Series 2B Preferred shares were ₱ 1,065.00 and ₱ 1,160.00, respectively.

The high and low prices of the common shares for each quarter of the last two fiscal years and the first two quarters of 2016 are indicated in the table below:

	2016		2015		2014	
(in ₱)	**Highest Close**	**Lowest Close**	**Highest Close**	**Lowest Close**	**Highest Close**	**Lowest Close**
1st Quarter	10.96	5.36	10.62	9.04	14.30	11.70
2nd Quarter	11.88	9.86	10.02	8.45	12.82	11.78
3rd Quarter	NA	NA	10.00	6.86	12.80	11.60
4th Quarter	NA	NA	8.36	6.75	12.04	9.60

The high and low prices of the Series 2A Preferred Shares for each quarter of the last two fiscal years and the first two quarters of 2016 are indicated in the table below:

	2016		2015		2014	
(in ₱)	**Highest Close**	**Lowest Close**	**Highest Close**	**Lowest Close**	**Highest Close**	**Lowest Close**
1st Quarter	1,084.00	1,020.00	1,085.00	1,005.00	NA	NA
2nd Quarter	1,079.00	1,000.00	1,160.00	1,050.00	NA	NA
3rd Quarter	NA	NA	1,120.00	1,040.00	NA	NA
4th Quarter	NA	NA	1,080.00	1,050.00	1,048.00	1,016.00

The high and low prices of the Series 2B Preferred Shares for each quarter of the last two fiscal years and the first two quarters of 2016 are indicated in the table below:

	2016		2015		2014	
(in ₱)	**Highest Close**	**Lowest Close**	**Highest Close**	**Lowest Close**	**Highest Close**	**Lowest Close**
1st Quarter	1,100.00	1,056.00	1,100.00	1,016.00	NA	NA
2nd Quarter	1,160.00	1,030.00	1,170.00	1,070.00	NA	NA
3rd Quarter	NA	NA	1,149.00	1,075.00	NA	NA
4th Quarter	NA	NA	1,141.00	1,050.00	1,050.00	1,012.00

Recent Sales of Unregistered or Exempt Securities Including Recent Issuances of Securities Constituting an Exempt Transaction

Under the Code and the Amended Implementing Rules and Regulations of the Securities Regulation Code (the "Amended SRC Rules"), securities are not permitted to be sold or offered for sale or distribution within the Philippines unless such securities are approved for registration by the SEC or are otherwise exempt securities under Section 9 of the Code or sold pursuant to an exempt transaction under Section 10 of the Code.

The securities discussed below were either offered in the Philippines to institutional lenders not exceeding 19 or to not more than 19 non-qualified buyers and/or to any number of qualified buyers as defined in the Code. Thus, their offer and sale qualified as an exempt transaction pursuant to Sections 10.1 (k) and 10.1(l) of the Code and Rule 10.1 of the Amended SRC Rules. In the case of the subject exempt transactions, a confirmation of exemption from the SEC that the offer and sale of the securities in the Philippines qualify as an exempt transaction under the Code was not required to be, and had not been, obtained. Nevertheless, in compliance with the Amended SRC Rules, notices of exemption were filed after the issuance of the securities qualifying as exempt transactions.

The securities discussed below were not registered with the SEC under the Code. Any future offer or sale thereof is subject to registration requirements under the Code, unless such offer or sale qualifies as an exempt transaction.

Fixed Rate Corporate Notes

Fixed Rate Corporate Notes in 2011

1) On October 25, 2011, the Company issued Fixed Rate Corporate Notes totaling ₱3.6 billion, broken down into the following series:
    a) Series A Notes amounting to ₱0.69 billion and having a maturity of seven (7) years from the issue date; and
    b) Series B Notes amounting to ₱2.91 billion and having a maturity of 10 years from the issue date.
2) The arranger was ING Bank NV Manila Branch. The notes were sold to primary institutional lenders not exceeding 19.
3) The offer price was at 100%.
4) As the notes described herein were offered to not more than 19 non-qualified buyers and to any number of qualified buyers in the Philippines, such notes were considered exempt securities and no confirmation of exemption from the registration requirements of the Code was required to be filed with the SEC.

₱20 billion 7.0% Peso-Denominated Notes Due 2017 Payable in U.S. Dollars

1) On November 10, 2010, the Company issued ₱20 billion 7.0% Peso-Denominated Notes Due 2017 Payable in U.S. Dollars.
2) The arrangers were Credit Suisse, Deutsche Bank, The Hongkong and Shanghai Banking Corporation Limited and Standard Chartered Bank. The notes were sold to various investors.
3) The offer price was at 100%.
4) The Company shall ensure that its ratio of Consolidated Gross Debt to Consolidated Net Worth shall not exceed 2.75 to 1 (as each of the terms is defined in the facility).
5) As the notes described herein were offered to not more than 19 non-qualified buyers and to any number of qualified buyers in the Philippines, the sale of such notes was considered an exempt transaction and no confirmation of exemption from the registration requirements of the Code was required to be filed with the SEC. But, in compliance with the requirements of the Amended SRC Rules, a notice of exemption for the transaction was filed on November 22, 2010. The subject notes were listed on the Singapore Exchange on November 11, 2010.

US$750 Million Undated Subordinated Capital Securities

1) On February 6, 2013, the Company issued US$500 million undated subordinated capital securities (the "February 6 Issuance"). On March 11, 2013, the Company further issued US$250 million undated subordinated capital securities, which were consolidated and formed a single series with, the February 6 Issuance (the "March 11 Issuance").
2) The joint lead managers were Deutsche Bank AG, Singapore Branch, Standard Chartered Bank, The Hongkong and Shanghai Banking Corporation Limited, and UBS AG, Hong Kong Branch.
3) The offer price for the February 6 Issuance was at 100% and for the March 11 Issuance was at 104.25% plus an amount corresponding to accrued distributions on the capital securities from, and including, February 6, 2013 to, but excluding, March 11, 2013.
4) The aggregate principal amount of US$750 million will receive an initial rate of distribution of 7.50% per annum, payable semi-annually in arrears on February 6 and August 6 of each year, commencing on August 6, 2013.
5) As the capital securities described herein were offered to qualified buyers in the Philippines, the sale of such securities was considered an exempt transaction and no confirmation of exemption from the registration requirements of the Code was required to be filed with the SEC. In compliance with the requirements of the Amended SRC Rules, however, notices of exemption for the transactions were filed on February 12, 2013 for the February 6 Issuance and on March 18, 2013 for the March 11 Issuance. The capital securities were listed at the Stock Exchange of Hong Kong Limited on February 7, 2013 in relation to the February 6 Issuance and on March 12, 2013 in connection with the March 11 Issuance.

Apart from the foregoing, there are no recent sales of unregistered or exempt securities, including recent issuances of securities constituting an exempt transaction. The Company has no registered debt securities.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Record and Beneficial Owners

As at June 30, 2016, the following are the owners of the Issuer's common stock in excess of 5% of total outstanding shares:

Title of Class	Name & address of record owner & relationship with Company	Name of beneficial owner & relationship with record owner	Citizenship	No. of shares held	Percentage of Ownership
Common	SEA Refinery Corporation SMC Head Office Complex 40 San Miguel Avenue, Mandaluyong	SEA Refinery Corporation	Filipino	4,696,885,564	50.10%

	City Shareholder				
Common	San Miguel Corporation SMC Head Office Complex 40 San Miguel Avenue, Mandaluyong City Shareholder	San Miguel Corporation	Filipino	1,702,870,560	18.16%
Common	PCD Nominee Corporation (Filipino) 37th Floor Tower 1 The Enterprise Center 6766 Ayala Avenue corner Paseo de Roxas, Makati City Shareholder	PCD Nominee Corporation	Filipino	1,322, 636,347	14.11%
Common	Petron Corporation Employees' Retirement Plan SMC Head Office Complex 40 San Miguel Avenue, Mandaluyong City Shareholder	Petron Corporation Employees' Retirement Plan	Filipino	731,156,097	7.8%

Security Ownership of Management

The security ownership of directors and executive officers as of June 30, 2016 is as follows:

Title of Class	Name of Record Owner	Citizenship	Amount and Nature of Beneficial Ownership	Direct (D) or Indirect (I)	Percentage of Ownership
Directors					
Common	Eduardo M. Cojuangco, Jr.	Filipino	1,000	D	0.00%

Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Ramon S. Ang	Filipino	1,000	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Estelito P. Mendoza	Filipino	1,000	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Lubin B. Nepomuceno	Filipino	5,000	D	0.00%
Series 2A Preferred			2,500	I	0.00%
Series 2B Preferred			-	-	N.A.
Common	Eric O. Recto	Filipino	1	D	0.00%
Series 2A Preferred			14,000	I	0.00%
Series 2B Preferred			-	-	N.A.
Common	Jose P. De Jesus	Filipino	500 / 225,000	D / I	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Mirzan Mahathir	Malaysian	1,000	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Ron W. Haddock	American	1	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Romela M. Bengzon	Filipino	1,000	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Aurora T. Calderon	Filipino	1,000	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Virgilio S. Jacinto	Filipino	1,000	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.

Common	Nelly Favis-Villafuerte	Filipino	1,000	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Reynaldo G. David	Filipino	1,000	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Artemio V. Panganiban	Filipino	1,000	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Margarito B. Teves	Filipino	500	D	0.00%
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.

Title of Class	Name of Record Owner	Citizenship	Amount and Nature of Beneficial Ownership	Direct (D) or Indirect (I)	Percentage of Ownership
Executive Officers					
Common	Emmanuel E. Eraña	Filipino	-	-	0.00%
Series 2A Preferred			2,000	I	0.00%
Series 2B Preferred			-	-	N.A.
Common	Susan Y. Yu	Filipino	335,000	I	0.00%
Series 2A Preferred			10,500	I	0.00%
Series 2B Preferred			-	-	N.A.
Common	Albertito S. Sarte	Filipino	940,000	I	0.00%
Series 2A Preferred			5,000	I	0.00%
Series 2B Preferred			-	-	N.A.
Common	Rowena O. Cortez	Filipino	8,580	D	0.00%
Series 2A Preferred			600	I	0.00%
Series 2B Preferred			-	-	N.A.
Common	Freddie P. Yumang	Filipino	73,600	I	0.00%
Series 2A Preferred			3,000	I	0.00%
Series 2B Preferred			-	-	N.A.
Common	Archie B. Gupalor	Filipino	3,000	D	0.00%
Series 2A			-	-	N.A.

Preferred					
Series 2B Preferred			-	-	N.A.
Common	Joel Angelo C. Cruz	Filipino	-	-	N.A.
Series 2A Preferred			400	I	0.00%
Series 2B Preferred			-	-	N.A.
Common	Rodulfo L. Tablante	Filipino	-	-	N.A.
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Dennis S. Janson	Filipino	163 / 15,000	D / I	N.A.
Series 2A Preferred			-	-	N.A.
Series 2B Preferred			-	-	N.A.
Common	Julieta L. Ventigan	Filipino	2,100	D	N.A.
Series 2A Preferred			1,000	-	N.A.
Series 2B Preferred			-	-	N.A.
Directors and Executive Officers as a Group		Common	**1,618,445**		**0.00%**
		Series 2A Preferred	**39,000**		**0.55%**
		Series 2B Preferred	**0**		**0.00%**

Voting Trust Holders of 5% or More

The Company is not aware of any person holding 5% or more of the Company's outstanding voting shares under a voting trust or any similar agreement.

Change in Control

The Company is not aware of any change in control or arrangement that may result in a change in control of the Company since the beginning of its last fiscal year.

WARRANTS AND OPTIONS

As of the date of this Prospectus, there is no existing or planned stock options / stock warrant offerings.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Prospective investors should read the following discussion and analysis of the Company's financial position and results of operations together with the consolidated financial statements of the Company and the notes thereto included elsewhere in this Prospectus.

Overview

The Company refines crude oil and markets and distributes refined petroleum products in the Philippines and Malaysia. In the Philippines, the Company is the largest integrated oil refining and marketing company, with an overall market share of 32.8% of the Philippine oil market for the year ended December 31, 2015 in terms of sales volume per Company estimates based on its internal assumptions and calculations and data from the DOE. The Company entered the Malaysian market in March 2012 through the purchase of ExxonMobil's downstream business in Malaysia. The Company had a [17.7]% share of the Malaysian retail market for the [first quarter of 2016] per Company estimates based on Company information and data from Fahrenheit Research. In the Philippines, the Company's IMS-certified Limay Refinery processes crude oil into a full range of petroleum products including gasoline, diesel, LPG, jet fuel, kerosene, naphtha and petrochemical feedstock such as benzene, toluene, mixed xylene and propylene. Through its network of approximately 2,225 retail service stations in the Philippines as of June 30, 2016, the Company sells gasoline, diesel, kerosene and auto-LPG (in some stations) to motorists and to the public transport sector. The Company also sells its LPG brands "*Gasul*" and "*Fiesta Gas*" to households and other consumers through an extensive dealership network. The Company manufactures lubricants and greases through its blending plant in Pandacan in the Philippines. The Company also supplies jet fuel to international and domestic carriers at key airports in the Philippines.

Factors affecting results of operations

The Company's financial condition and results of operations are affected by a variety of factors. Set out below is a discussion of the most significant factors that have affected the Company's results in the past and that the Company expects to affect its financial results in the future. Factors other than those set out below could also have a significant impact on the Company's financial condition and results of operations in the future.

Crude Oil Prices

Crude oil generally accounts for a large portion of the Company's total cost of goods sold. In the six months ended June 30, 2016, crude oil accounted for approximately 47% of the Company's total cost of goods sold. Because of the commodity nature of oil products, competition in the Philippine and international markets for refined petroleum products is based primarily on price, as adjusted to account for differences in product specifications and transportation and distribution costs. Therefore, the prices of the Company's principal products are highly dependent on international crude oil prices.

The Company is exposed to fluctuations in the price of crude oil, which is subject to volatile price movement caused by a number of factors beyond the Company's control, including changes in global supply and demand for crude oil, international economic conditions, global conflicts or acts of terrorism, weather conditions and domestic and foreign governmental regulation. The Company holds approximately two months and approximately three weeks of crude oil and finished petroleum products inventory in the Philippines and Malaysia, respectively. The prices at which the Company sells its products generally rise and fall in line with international crude oil prices.

Accordingly, since the Company accounts for its inventory using the first-in-first-out method, a sharp drop in crude oil prices would adversely affect the Company, as it would require the Company to sell its refined petroleum products produced with higher-priced crude oil at lower prices. See "*Risk Factors—Risks Relating to the Company's Business and Operations—Volatility of the prices of crude oil and petroleum products may have a material adverse effect on the Company's business, results of operations and financial condition*" on page [21] of this Prospectus. Furthermore, a sharp rise in oil prices would increase the Company's requirements for short-term financing for working capital and may result in higher financing costs for the Company.

The Company enters into commodity swaps and options to manage the price risks of crude oil and finished petroleum products. In 2013, the Company also started implementing measures to shorten the pricing cycle gap between its crude oil purchases and finished petroleum product sales. However, volatile crude oil prices could still adversely affect the Company, as the Company may not be able to pass on the effects of crude oil price changes to consumers in a timely manner.

Governmental Regulation of Fuel Prices

As in many countries, the fuel business in Malaysia is regulated by the government. The Malaysian government regulates the pricing structure through the managed float system, which took effect in December 2014, and the automatic pricing mechanism ("APM"), pursuant to which it mandates (i) the prices of certain refined petroleum products, (ii) diesel quotas and (iii) certain fixed amounts for marketing, transportation and distribution costs in relation to the subsidy structure. See "*Regulatory and Environmental Matters—Malaysia—Sale and Pricing of Refined Petroleum Products—Price Control and Anti Profiteering Act, 2011*" starting on page [92] of this Prospectus. The Malaysian government may subsidize fuel prices so that increases in international crude oil prices are not borne fully by Malaysian consumers. In such instances, the Company's financial condition depends to a significant degree on the Malaysian government's prompt payment of these fuel subsidies. The Malaysian government has publicly stated that the country's fuel prices will eventually be deregulated and set on a free market basis, as the current subsidy system is unsustainable. However, no firm timeline has been provided for this deregulation. There can be no assurance that the Malaysian government will not decide to decrease or eliminate its subsidies or narrow their application in the future without a corresponding commensurate increase in or elimination of the price ceiling. A substantial portion of the Company's revenue is derived from sales of refined petroleum products in Malaysia that are subject to price controls. Accordingly, if international crude oil prices are high and the Malaysian government decreases or eliminates the refined petroleum product subsidies without increasing or eliminating the mandated refined petroleum product price ceilings, the Company's financial condition and results of operations would be materially and adversely affected.

With respect to the Philippines, the Philippine government passed Republic Act No. 8479, otherwise known as the Downstream Oil Industry Deregulation Act of 1998, to liberalize and deregulate the downstream oil industry in order to ensure a truly competitive market. See "*Regulatory and Environmental Matters—Philippines—Downstream Oil Industry Deregulation Law*." However, the Philippine government has historically intervened from time to time to restrict increases in the prices of petroleum products. For example, on October 2, 2009, then-President Gloria Macapagal-Arroyo declared a state of national calamity in view of the devastation caused by typhoons "Ondoy" and "Pepeng." President Arroyo subsequently issued Executive Order 839 mandating that prices of petroleum products in Luzon be kept at October 15, 2009 levels effective October 23, 2009. As a result of this price freeze, the Company was unable to raise prices for its refined petroleum products, which adversely affected its profitability during the period until the price freeze was lifted on November 16, 2009. There can be no assurance that the Philippine government will not invoke similar measures or reinstate price regulation in the future, which may adversely affect the Company's results of operations.

Competition

The Company faces intense competition in the sale of petroleum and other related products in the markets in which it operates. The Company competes with a number of multinational, national, regional and local competitors in the oil industry. In the oil industry, competitive factors generally include price, product quality, customer service, operational efficiency and distribution network. The Company's sales and results of operations will be affected by its ability to manage costs, increase and maintain efficiency at its refineries, effectively hedge against fluctuations in crude oil prices, maximize utilization of its assets and operations and to comply with and obtain quota from the Malaysian government.

Foreign Exchange Rates

A substantial portion of the Company's revenues is denominated in either Philippine Pesos or Ringgit Malaysia, while a substantial portion of its expenses, including crude oil purchases and foreign currency denominated debt service costs, is denominated in U.S. dollars. In 2015 and the six-month period ended June 30, 2016, approximately 54% and 55%, respectively, of the Company's revenues were denominated in Philippine Pesos, approximately 32% and 30%, respectively, of its revenues were denominated in Ringgit Malaysia, while approximately 80% and 76%, respectively, of its cost of goods sold were denominated in U.S. dollars. In addition, as of June 30, 2016, 29% of the Company's outstanding debt was denominated in U.S. dollars. The Company's financial reporting currency is the Peso, and therefore depreciation of the Peso relative to the U.S. dollar would result in increases in the Company's foreign currency denominated expenses as reflected in its Peso financial statements, and could also result in foreign exchange losses resulting from the revaluation of foreign currency denominated assets and liabilities, including increases in the Peso amounts of the Company's U.S. dollar denominated debt obligations, thereby adversely affecting the Company's results of operations and financial condition. In addition, there can be no assurance that the Company could increase its Peso- or Ringgit-denominated product prices to offset increases in its crude oil or other costs resulting from any depreciation of the Peso or the Ringgit, as applicable. From January 1, 2013 to June 30, 2016, the value of the Peso against the U.S. dollar fluctuated from a low of ₱ 40.55 per U.S. dollar on March 13, 2015 to a high of ₱ 48.049 per U.S. dollar on January 26, 2016. In the same period, the value of the Ringgit Malaysia against the U.S. dollar has fluctuated from a low of RM 2.9625 per U.S. dollar on May 8, 2013 to a high of RM 4.4570 per U.S. dollar on September 29, 2015.[5] While the Company uses a combination of natural hedges, which involve holding U.S. dollar-denominated assets and liabilities, and derivative instruments to manage its exchange rate risk exposure, its exchange rate exposures are not fully protected. There can be no assurance that the value of the Peso or the Ringgit Malaysia will not decline or continue to fluctuate significantly against the U.S. dollar, and any significant future depreciation of the Peso or the Ringgit Malaysia could have a material adverse effect on the Company's margins, results of operations and financial condition.

Regulatory Environment

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[5] According to Bloomberg historical rates of the Philippine Peso Spot Currency and Malaysian Ringgit Spot Currency

The Company's operations are subject to various taxes, duties and tariffs. The tax and duty structure of the oil industry in the Philippines has undergone some key changes in recent years. For example, import duties for crude oil and petroleum products were increased on January 1, 2005 from 3% to 5%, and these duties were subsequently reduced to 0% with effect from July 4, 2010 (except for certain types of aviation gas). Furthermore, the Philippine government imposed an additional 12% VAT on the sale or importation of petroleum products in 2006. In 2012, in an effort to eradicate the problem of smuggling and illegal trading of petroleum products, the Philippine government issued a regulation stating that VAT and excise taxes due on imported petroleum products, including from entities in the free port and economic zones, must be paid by the importer through the Bureau of Customs.In Malaysia, the system of import duties and sales taxes was replaced by a goods and service tax effective April 1, 2015. There can be no assurance that any future tax changes in the Philippines or Malaysia would not have a material and adverse effect on the Company's financial condition and results of operations.

In addition, the Company is subject to a number of national and local laws and regulations, including safety, health, environmental and zoning laws and regulations. Compliance with, and changes in, laws and regulations, including interpretations thereto, could result in substantial compliance costs and have other significant effects on the Company's business and operations. For example, in 2015, the Company spent approximately ₱ 190 million and RM 1.5 million for treatment of wastes, monitoring and compliance, permits and personnel training at the Limay Refinery and Port Dickson Refinery, respectively.

Economic and Political Conditions in the Philippines and Malaysia

The Company derives substantially all of its revenues and operating profits from sales of its products in the Philippines and Malaysia. As a result, the Company's business, financial condition, results of operations and prospects are substantially influenced by the economic and political conditions in those countries. Although the Philippine and Malaysian economies have both experienced stable growth in recent years, both economies have in the past experienced periods of slow or negative growth, high inflation, significant devaluation of the Philippine Peso or the Ringgit Malaysia, as applicable, and the imposition of exchange controls. Also, in the last few years, there has been political instability in the Philippines, including impeachment proceedings against two former presidents and the chief justice of the Supreme Court of the Philippines, hearings on graft and corruption issues against various government officials, and public and military protests arising from alleged misconduct by previous administrations. Sales of the Company's products are directly related to the strength of the Philippine and Malaysian economies (including overall growth levels and interest rates) and tend to decline during economic downturns. Any downturn in the Philippine or Malaysian economies may negatively affect consumer sentiment and general business conditions in the Philippines or Malaysia, as applicable, which may lead to a reduction in demand for the Company's products.

Capital Expenditure Projects and Financing

The Company's business is capital intensive and requires substantial capital expenditures. The Company has upgraded the Limay Refinery and expanded its retail service station network in the Philippines over the past several years and intends to continue to increase investments in these areas to optimize operational efficiency, reduce costs and widen market reach. The Company will also continue to invest in its Malaysian operations to support retail expansion and improve operational efficiency. Specifically, the Company intends to (i) continue investment in the Limay Refinery to support the increased utilization from RMP-2 and improve refinery operations, (ii) continue the expansion of its retail service station, LPG and lubes network in the Philippines, (iii) expand and upgrade its logistics capacity, and (iv) expand Malaysia operations with new service station additions and facilities improvement in Port Dickson Refinery to enable it to produce Euro 5M-standard fuels. See "*The Company —Capital Expenditures Plan*" on page [64] of this Prospectus for more information about the Company's capital expenditure plans. If the Company fails to complete its planned capital expenditure projects on time or within budget or at all, or to operate its facilities at their designed capacity, it may be unable to increase its sales and profits or to capture additional market share as planned, and its business, results of operations and financial condition could be adversely affected.

In addition, the Company has incurred a substantial amount of indebtedness to finance its capital expenditure projects, a significant portion of which is due in five years or less. As of June 30, 2016, the Company had outstanding long-term debt (net of current portion of long-term debt) of ₱68.1 billion. The Company's ability to complete its planned capital expenditure projects and meet its debt servicing obligations will depend in part on its ability to generate sufficient cash flows from its operations and obtain adequate additional financing. Failure by the Company to finance and successfully implement its planned capital expenditure projects could adversely affect its business, financial condition and results of operations.

Restatement of Audited Consolidated Financial Statements

Petron adopted the amendments to PAS 19 Employee Benefits on January 1, 2013. The amendments to PAS 19 require actuarial gains and losses to be recognized immediately in other comprehensive income. This change removed the "corridor approach", whereby Petron recognized actuarial gains and losses in profit or loss over the remaining working lives of the employees participating in the plan when the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting year exceeded the greater of 10% of the present value of the defined benefit obligation or the fair value of the plan assets.

Investments in an Associate

In January 2011, the Company entered into a Share Sale and Purchase Agreement with MNHPI for the purchase of 35% of the outstanding capital stock of MNHPI.

In December 2014 and February 2015, the Company advanced ₱ 175 million and ₱ 525 million, respectively, as deposit for future subscription of MNHPI's shares.

Following the approval of the increase in the authorized capital stock of MNHPI by the SEC, Petron was issued stock certificate for 7,000,000 shares in December 2015, representing 35% of the increase in the authorized capital stock of MNHPI.

The cost of investment in MNHPI amounted to ₱ 1.405 billion and ₱ 880 million as of December 31, 2015 and 2014, respectively.

As the Company owns a minority equity interest in MNHPI, MNHPI entity is reflected in the Company's consolidated financial statements under the equity method of accounting.

Acquisitions of Subsidiaries

In March 2010, the Company made a 40% investment in PAHL, the ultimate parent company of PPI, which was diluted to 33% when PAHL issued new shares to another investor in June 2010. In December

2012, the Company converted certain loans it had extended to PAHL to additional equity, increasing its stake in PAHL to 45.9%. Since January 2013, PAHL has been consolidated into the Company's consolidated financial statements. PAHL's subsidiary PPI operated a polypropylene plant located in Mariveles, Bataan in the Philippines until the Company purchased its polypropylene business in July 2014 and took over the operations of the polypropylene plant. On July 25, 2016, the Company increased its stake in PAHL to 100%.

In March 2012, the Company acquired 100% of the voting shares in each PFI Malaysia (formerly known as ExxonMobil Malaysia Sdn. Bhd.) and POM (formerly known as ExxonMobil Borneo Sdn. Bhd.) from Mobil International Petroleum Corporation and ExxonMobil International Holdings Inc., respectively.

In March 2012, the Company acquired 65% of the voting shares of PMRMB (formerly known as Esso Malaysia Berhad) from ExxonMobil International Holdings Inc. The Company subsequently acquired an additional 8.4% of the voting shares of PMRMB in May 2012 pursuant to a mandatory takeover offer.

As the Company wholly-owns PFI Malaysia and POM and holds 73.4% of the voting shares of PMRMB, these entities have been consolidated into the Company's consolidated statements of income since the second quarter of 2012.

Significant Accounting Policies

The preparation of the Company's consolidated financial statements in accordance with PFRS requires the Company's management to make estimates and assumptions that affect the amounts reported in the Company's consolidated financial statements and the related notes. Actual results may differ from those estimates and assumptions. For a description of the Company's significant accounting policies, see note 3 to the Company's audited consolidated financial statements as of and for the year ended December 31, 2015 included elsewhere in this Prospectus.

Results of Operations

YTD June 2016 vs YTD June 2015

For the first half of 2016, Petron Corporation posted a consolidated net income of ₱ 5.28 billion, 55% higher than previous year's ₱ 3.41 billion earnings on the back of higher sales volume supported by the aggressive network expansion and participation in key industrial accounts, as well as improved cost from production efficiencies coming from the commercial operation of RMP2. The increase in crude prices sustained during the first semester from its lowest level in January 2016 also resulted in net inventory gains vis-à-vis the net inventory loss reported a year ago. All these improvements, however, were partly offset by the decline in average refinery cracks year-on-year.

			Variance- Fav (Unfav)	
(In Million Pesos)	**2016**	**2015**	**Amt**	**%**
Sales	161,863	186,051	(24,188)	(13)
Cost of Goods Sold	144,109	171,133	27,024	16
Gross Margin	17,754	14,918	2,836	19

Selling and Administrative Expenses	6,275	6,042	(233)	(4)
Non-operating Charges	4,007	4,122	115	3
Net Income	5,279	3,408	1,871	55
EBITDA	16,225	11,131	5,094	46
Sales Volume (MB)	51,759	47,389	4,370	9
Earnings per Share (₱)	0.30	0.10	0.20	high
Return on Sales (%)	3.3	1.8	1.5	

Earnings before interest, taxes, depreciation and amortization (EBITDA) went up by 46% to **₱ 16.23 billion** from ₱ 11.13 billion during same period in 2015.

Earnings per share increased to **₱** 0.30 while **return on sales** improved to **3.3%**.

The main factors that contributed to the first semester's strong performance compared to the same period in 2015 were as follows:

- **Consolidated Sales volume** jumped by 9% to **51.8 million barrels (MMB)** from 47.4 MMB during the first half of 2015. The 4.4 MMB surge in volume was contributed by both the Philippine and Malaysian markets. In the Philippines, industrial sales grew by 14% with increased participation in key industries such as aviation and power-generation. The company sustained a 6% growth year-on-year on its retail business maintaining its leadership in the segment with about 2,230 service stations nationwide and hundreds more in various stages of development. Its lubricants and LPG businesses also posted an 18% and 12% increase, respectively. On a per product basis, increases were contributed by Diesel, Gasoline, Kero/Jet and LPG. Meanwhile, Malaysian operations recorded a substantial 9% growth in its domestic sales largely due to higher gasoline sales.

- **Net sales** dipped by 13% (**₱** 24.19 billion) to **₱ 161.86 billion** traced to lower selling price per liter as crude and regional market prices of finished products stood lower compared to last year. The decline in revenues from the lower selling prices was partly mitigated by the growth in sales volume.

- **Cost of Goods Sold (CGS)** plunged more by 16% or **₱** 27.02 billion to **₱ 144.11 billion** from last year's **₱** 171.13 billion, owing to the cheaper cost of crude and imported products. During the period, reference crude Dubai averaged US$37/bbl and registered a 35% drop from the US$57/bbl average in 1H2015. The effect of lower product cost was toned down by the cost of the incremental volume sold.

- Meanwhile, **Selling and Administrative Expenses (OPEX)** of **₱ 6.28 billion** went up by 4% or **₱** 233 million mainly due to higher accrual of retirement expense, increased storage and terminal fees and service stations' related expenses.

- **Net Financing Costs and Other Charges** decreased by 3% to **₱ 4.01 billion** from **₱** 4.12 billion a year ago, on account of the marked-to-market (MTM) gain on outstanding commodity hedge positions booked during the period (vs. loss in 2015), lower financing costs on the back of lower average borrowing level and interest rate, tempered by the absence of capitalized interest from RMP2 project financing.

- **Income tax expense** amounted to **₱ 2.19 billion**, 63% higher than prior year's ₱ 1.35 billion brought about by the increase in operating income and the dividends received from foreign subsidiaries, partly offset by the recognition of income tax holiday from RMP2 facilities.

2015 vs 2014

Despite the continued decline in global oil prices, Petron Corporation posted a consolidated net income of ₱6.27 billion in 2015, more than double the previous year's ₱3.01 billion mainly due to surge in sales volumes, improved margins and effective risk management.

Consolidated Sales volume surged by 13% to 98.0 million barrels (MMB) from previous year's 86.5 MMB. Bulk of the growth came from the Philippine operations where total sales reached 62.0 MMB, 20% ahead of last year. Sales to domestic customers grew by 12%, mainly on account of the 11% growth in the Retail Trade, 16% in the LPG business, and substantial increase in Supply sales. The surge in Exports market also contributed to the growth. On a per product basis, gasoline and diesel sales exhibited the most significant improvement.

Net sales plunged by 25% or ₱122.36 billion to ₱360.18 billion prompted by the drop in selling prices as benchmark regional market prices of finished products fell along with the slump in global crude oil prices. During the year, reference crude Dubai averaged US$50.9/bbl, almost half of US$96.6/bbl in 2014. The decline in revenues from the lower selling prices was partially tempered by the increase in sales volume.

Cost of Goods Sold (CGS) fell more by 29% to ₱328.44 billion from last year's ₱463.10 billion, also attributed to the cheaper cost of crude and imported products. Gross margins improved due to lower inventory losses and strong product cracks, especially for gasoline. Part of the CGS was refinery expenses and fuel amounting to ₱ 12.53 billion. This was 6% or ₱858 million lower than previous year's ₱13.39 billion due to cheaper refinery fuel amid higher production run.

Meanwhile, Selling and Administrative Expenses (OPEX) of ₱13.61 billion exceeded the ₱11.83 billion incurred in 2014 due to the accrual of retirement expense, depreciation and real property taxes of depots and new service stations, 3rd party terminalling fees with the move-out from Pandacan, increased promotions/advertising activities, higher LPG cylinder purchases as well as increased CSR projects.

Net Financing Costs and Other Charges significantly increased to ₱8.21 billion from ₱3.79 billion a year ago mainly due to marked-to-market (MTM) losses on outstanding commodity hedge positions during the year versus MTM gains in 2014, coupled with the higher cost of foreign currency swap hedges.

Income tax expense grew four-fold to ₱3.66 billion as against ₱804 million in the previous year resulting from higher taxable income in 2015.

2014 vs 2013

Amid the collapse of crude and finished product prices in the second half of 2014, Petron Corporation posted a better-than-expected consolidated net income of ₱3.0 billion, down by 41% or ₱2.1 billion from last year's ₱5.1 billion. Higher sales volume, the completion of strategic projects, and pro-active risk-management cushioned the impact of higher priced inventory being sold at lower prices in the second half of the year. The price of benchmark Dubai crude fell by 44% from an average of US$108 per barrel in June to an average of only US$60 per barrel in December. This extraordinary development had a negative effect on oil companies around the world.

Combined sales from both Philippine and Malaysian operations increased by 6% to 86.5 million barrels in 2014 versus 81.7 million the previous year. As a result, Revenues grew by 4% from ₱463.64 billion to ₱482.54 billion. In the Philippine market, sales volumes surged by nearly 9% to 51.5 million barrels as the company made headway in major market segments. Backed by the most extensive network in the country, retail volumes rose by 6%. LPG volumes likewise grew by 5% supported by higher retail and industrial sales.

Accordingly, Cost of Goods Sold (CGS) climbed to ₱ 463.10 billion from last year's ₱ 440.48 billion on account of the 4.8 MMB growth in sales volume tempered by lower cost per liter. The reduction in cost was driven by the cheaper cost of crude and imported products partly offset by the depreciation of the Philippine peso relative to the US dollar from an average of ₱42.46 in 2013 to ₱44.40 in 2014. For the Philippine operations, Refinery Expenses including Refinery Fuel, that went into CGS, amounted to ₱ 13.39 billion exceeding prior year's ₱ 11.34 billion by 18% or ₱ 2.05 billion mainly due to increased fuel consumption with the higher production run.

Selling & Administrative Expenses (OPEX) escalated by 3% from ₱ 11.48 billion to ₱ 11.83 billion due to increases in rent and insurance expense and higher depreciation due to new stations in the Philippines and Malaysia and rebranded service stations in Malaysia.

Net Financing Costs & Other Income decreased by ₱0.95 billion or 20% to ₱3.79 billion traced primarily to unrealized commodity hedging gain versus loss last year; partly offset by the lower interest income with the partial collection of advances to a related party.

Considering the foregoing, Income tax expense was reduced to ₱0.80 billion vis-à-vis last year's ₱1.85 billion due to the significant decline in income before income tax.

Financial Position

June 2016 vs. December 2015

Petron ended the first half of 2016 with **total assets** of **₱ 297.25 billion**, **1%** higher than the ₱ 294.27 billion level as of end-December 2015 due mainly to the increase in Inventories partly offset by the reduction in Cash and cash equivalents.

Cash and cash equivalents decreased by 27% to **₱ 13.87 billion** as funds generated from operations were used to pay short-term and long-term loans, cash dividends and distributions. A portion was also spent for capital projects during the first half of 2016.

Financial assets at fair value through profit or loss increased from ₱ 509 million to **₱ 927 million** due to higher marked-to-market gain on outstanding currency forwards transaction.

Inventories grew considerably to **₱ 38.79 billion** from ₱ 30.82 billion principally triggered by the increase in price of crude and finished products as of end June 2016 vis-à-vis end December 2015.

Available-for-sale financial assets (current and non-current) of **₱ 466 million** went down from ₱ 621 million as at end of 2015 due to the maturity of corporate bonds held by an insurance subsidiary.

Investment property-net dropped by 18% from ₱ 112 million to **₱ 92 million** due to the sale of a parcel of land owned by a real estate subsidiary.

The appreciation of the Philippine Peso vis-à-vis the Malaysian Ringgit **year-on-year** resulted in the increases of **Deferred tax assets (DTA)-net** from ₱ 211 million to **₱ 224 million** and **Goodwill-net** from ₱ 7.69 billion to **₱ 8.12 billion**.

Derivative liabilities declined by more than half from ₱ 603 million to **₱ 267 million** driven by lower unrealized losses from both commodity and currency hedge positions.

Income tax payable dipped to **₱ 127 million** from ₱ 183 million traced largely to higher tax liability of Petron Malaysia.

Retirement benefits liability went up by 5% or ₱ 265 million to **₱ 5.77 billion** with the accrual of employee retirement expenses.

Deferred tax liabilities-net climbed by 27% from ₱ 4.64 billion to **₱ 5.89 billion** due mainly to PP's higher temporary difference on inventory valuation and the application of previous years' minimum corporate income tax to the income tax due.

Other non-current liabilities surged by 6% to **₱ 961 million** attributed to the increase in LPG cylinder deposits.

Retained earnings (attributable to the Parent Company) reached **₱ 43.62 billion**, 5% more than last year's ₱ 41.71 billion traced to the ₱ 5.08 billion net income realized during the period, partly reduced by the cash dividends declared and distributions paid aggregating ₱ 3.17 billion.

The negative balance of **other reserves** was trimmed down to **₱ 4.54 billion** or by 18% owing mainly to unrealized currency translation gains on the net assets of foreign subsidiaries.

Non-controlling interests climbed to **₱ 1.34 billion** from end-December 2015 level of ₱ 471 million due to the share in foreign exchange translation gains during the period and share in premium from the additional investment infused by the Parent Company to a foreign subsidiary during the period.

2015 vs 2014

Petron's consolidated resources as of December 31, 2015 stood at ₱ 294.27 billion, 25% or ₱ 97.06 billion lower than end-December 2014 level of ₱ 391.32 billion primarily due to the reduction in cash and cash equivalents, inventories and trade and other receivables.

Cash and cash equivalents decreased by 79% (₱ 71.72 billion) to ₱ 18.88 billion level traced to the net settlement of loans, payments to vendors, redemption of preferred shares issued by the parent company and a subsidiary, disbursement for interest expense, distributions and dividends.

As the value of outstanding commodity hedges declined amid the slump in global crude oil prices, financial assets at fair value through profit or loss also went down by 69% from ₱ 1.63 billion to ₱ 509 million.

Trade and other receivables - net fell to ₱ 30.75 billion or by 36% against end-December 2014 level of ₱ 48.34 billion due mainly to the collection of value-added tax (VAT) claims.

Inventories-net aggregated ₱ 30.82 billion, 42% or ₱ 22.36 billion less than the ₱ 53.18 billion at the end of 2014 attributed to lower volume and price of crude and finished products.

Other current assets rose from ₱ 24.85 billion to ₱ 34.53 billion on account of the collected VAT credit certificates of Petron Philippines (PP), partly offset by the lower input tax on imported crude and finished products due to cheaper prices.

Available-for-sale financial assets (current and non-current) amounted to ₱ 621 million, 30% lower than the ₱ 881 million balance in December 2014 primarily brought about by the maturity of government securities.

Property, plant and equipment – net went up by 5% or ₱ 7.95 billion to reach ₱ 161.60 billion essentially due to the additional spending on the RMP-2 Project.

Investment in an associate increased to ₱ 1.81 billion or by 56% (₱ 652 million) with the Company's additional investment and share in income of its lone associate - Manila North Harbour Port, Inc. (MNHPI).

The unutilized Net Operating Loss Carry-Over (NOLCO) of a subsidiary was reversed during the period which largely contributed to the 13% or ₱ 31 million drop in deferred tax assets from ₱ 242 million to ₱ 211 million.

The weakening of the Malaysian Ringgit (MYR) against the Philippine Peso resulted in the decrease in Goodwill from ₱ 8.92 billion to ₱ 7.69 billion.

Other noncurrent assets - net declined to ₱ 6.73 billion, 13% or ₱ 1.03 billion below the December 2014 level of ₱ 7.76 billion due to the usage of catalysts and amortization of prepayments.

Short-term loans and liabilities for crude oil and petroleum product importation ended lower by 26% or ₱ 41.67 billion to close at ₱ 115.75 billion due to settlement of loans coupled with the drop in volume and prices of crude and finished product importations.

Trade and other payables were significantly reduced by 76% (₱ 29.79 billion) to ₱ 9.35 billion resulting from payments made to various contractors and suppliers.

Derivative liabilities climbed to ₱ 603 million from the ₱ 98 million level in December 2014 driven by marked-to-market losses on both outstanding commodity hedges and foreign currency forwards.

Income tax payable more than doubled from ₱ 73 million to ₱ 183 million due mainly to PM's higher income during the period.

Retirement benefits liability increased to ₱ 5.51 billion from ₱ 2.27 billion as the value of plan assets incurred temporary marked-to-market re-measurement losses.

Deferred tax liabilities rose to ₱ 4.64 billion from ₱ 3.47 billion largely from recognizing the timing differences of capitalized RMP-2 pre-commissioning expenses.

Asset retirement obligation moved up by 9% to ₱ 1.81 billion from ₱ 1.66 billion contributed by provisions for additional RMP2 facilities.

Other noncurrent liabilities were down by ₱ 467 million or 34% to end at ₱ 906 million mainly due to the release of a customer's cash bond as settlement to its outstanding trade obligations to the Parent Company.

Reserve for retirement plan's negative balance increased from ₱ 1.02 billion to ₱ 3.20 billion due to the MTM re-measurement losses on plan assets.

The negative balance of other reserves soared to ₱ 5.56 billion from end-2014's level of ₱ 2.15 billion due to the impact of foreign exchange translation loss on investment in foreign subsidiaries.

During the year, the Parent 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 resulted to the ₱ 15.89 billion drop in Non-controlling interests from end-2014's level of ₱ 16.36 billion to ₱ 471 million.

2014 vs 2013

The consolidated assets of Petron by the end of 2014 amounted to ₱ 391.32 billion, 9% or ₱ 33.87 billion higher than end-December 2013 level of ₱ 357.46 billion mainly due to the increases in cash and cash equivalents and property, plant and equipment partly offset by the reduction in other non-current assets and trade and other receivables.

Cash and cash equivalents increased by 80% or ₱ 40.2 billion to ₱ 90.6 billion sourced from collection of receivables and proceeds from issuance of preferred shares.

Financial assets at fair value through profit or loss surged by ₱ 826 million to ₱ 1.63 billion, traced to higher marked-to-market gain on outstanding commodity hedges.

Trade and other receivables-net stood lower at ₱ 48.34 billion (by ₱ 14.50 billion or 23%), brought about by the collection of receivables from the government of Malaysia and various airline accounts.

Other current assets of ₱ 24.85 billion registered a 40% hike from December 2013 level emanated from PP's additional excess input VAT on imported raw materials and advance payment of excise taxes.

Property, plant and equipment – net reached ₱ 153.65 billion in December 2014, ₱ 12.0 billion higher than December 2013's ₱ 141.65 billion mark. The 8% increase was attributed to PP's RMP-2 project and network expansion program as well as the refurbishment and rebranding of service stations in Malaysia.

Investment in associates surged to ₱ 1.16 billion triggered by the additional investment to Manila North Harbour Port, Inc., and the corresponding share in its net income during the year.

Deferred tax assets escalated by 49% (₱ 80 million) and settled at ₱ 242 million on account of temporary differences of PM.

Goodwill decreased by 5% (₱ 465 million) to ₱ 8.92 billion prompted by the depreciation of the ringgit vis-à-vis the US dollar.

Other noncurrent assets-net significantly declined by 63% from ₱ 20.85 billion to ₱ 7.76 billion driven by the partial collection of advances to Petron Corporation Employees Retirement Plan as well as the remeasurement in pension asset value.

Short-term loans and liabilities for crude oil and petroleum product importation amounted to ₱ 157.42 billion and posted a 13% increase from ₱ 138.78 billion in December 2013 as a result of the additional loan availed by PP, partly reduced by the decline in prices of crude and finished product importations of both PP and PM.

Trade and other payables of ₱ 39.14 billion increased by 34% from the ₱ 29.29 billion level as at end of 2013 with the transfer of the maturing retention payable to current liabilities and increased payables to various contractors.

Derivative liabilities of ₱ 98 million went lower from the ₱ 152 million level as at end of 2013 influenced mainly by the lower loss on outstanding transactions with embedded derivatives.

Long-term debt inclusive of current portion increased by 9% (₱ 5.94 billion) principally due to the newly availed loan of PM and PP to refinance maturing and other long-term obligations.

Income taxes payable of ₱ 73 million dipped by 62% from ₱ 194 million in December 2013 traced from lower taxes payable of Petron Malaysia.

Retirement benefits liability substantially increased to ₱ 2.27 billion as a result of the remeasurement reversal of PP's retirement plan asset into liability.

Deferred tax liabilities-net dropped by ₱ 1.13 billion (25%) to ₱ 3.47 billion due largely from the reversal of net pension asset into liability in addition to the provision from the resulting net operating loss and payment of minimum corporate income tax.

Asset Retirement Obligation (ARO) moved-up to ₱ 1.66 billion from ₱ 1.0 billion in December 2013 due to the recognition of ARO of the Refinery.

Other noncurrent liabilities declined by 70% to ₱ 1.37 billion with the reclassification of maturing retention payable to current liabilities partly offset by the increases in dealers' cash bond and cylinder deposit.

Additional paid-in capital of ₱ 19.65 billion more than doubled the ₱ 9.76 billion in previous year with the issuance of Series 2 preferred shares in November 2014. Net proceeds will be used in March 2015 to redeem the outstanding preferred shares issued in 2010.

Reserve for retirement plan resulted in negative value of ₱ 1.02 billion due to the recognition of actuarial losses in the remeasurement of PP's plan asset.

The negative ₱ 2.15 billion Other reserves as of end-December 2014 almost tripled the negative ₱ 721 million level as of end December 2013 brought about by the increase in translation loss on equity in foreign subsidiaries.

Non-controlling interests ended lower by ₱ 1.56 billion from ₱ 17.92 billion to ₱ 16.36 billion prompted by PGL and PMRMB's payment of dividends to preferred and common stockholders, respectively.

Cash Flows

June 2016

The Company's internally generated funds from operations and reduction of working capital partly offset by the payment of interest expenses resulted to a net cash inflow of ₱ 13.21 billion during the first six months of 2016. Capital expenditures contributed bulk of the ₱ 1.53 billion net cash outflow from investing activities while payments of loans, dividends and distributions used up ₱ 16.59 billion of cash during the period.

In Million Pesos	June 30, 2016	June 30, 2015	Change
Operating inflows (outflows)	13,209	(5,259)	18,468
Investing outflows	(1,526)	(8,144)	6,618
Financing outflows	(16,592)	(56,333)	39,741

2015 vs 2014

The internally generated cash from operations amounting to ₱ 21.72 billion was more than sufficient to cover working capital requirements, interests and taxes. On the other hand, investing and financing activities used up cash of ₱ 14.59 billion and ₱ 66.34 billion, respectively, reducing the cash balance to ₱ 18.88 billion as of end-December 2015. Capital expenditures on RMP-2 project accounted mostly for the net outflow in investing while financing activities included payment of loans, dividends and distributions and redemption of preferred shares.

2014 vs 2013

In 2014, funds generated from operations were not enough to support the company's working capital requirements and interest payments. Meanwhile, net investing outflows were largely due to capital expenditures at the Refinery and in Malaysia tempered by the partial collection of advances to PCERP. On the other hand, financing activities provided cash inflows of ₱ 44.49 billion sourced from proceeds from net availment of loans and issuance of preferred shares partly reduced by the payment of dividends and distributions.

Key Performance Indicators

The Company's key performance indicators are set out below.

	As of December 31			As of June 30
	2013	**2014**	**2015**	**2016**
Current ratio	1.0	1.1	0.9	0.9
Debt to equity ratio	2.2	2.4	2.5	2.4
Return on equity (%)	5.4	2.7	6.4	12.4
Interest rate coverage ratio	3.2	2.8	4.0	4.4
Assets to equity ratio	3.2	3.4	3.5	3.4

The manner by which the Company calculates the above performance indicators are set out below.

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, the higher the current ratio, the greater the "cushion" between current obligations and a company's ability to pay them.

Debt to Equity Ratio - Total liabilities divided by 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 - 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 at least 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.

The Company has no known direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation. There were no contingent liabilities or assets in the Company's balance sheet. The Company has no off-balance sheet transactions, arrangements, obligations during the reporting year as at balance sheet date.

There are no known trends, events, material changes, seasonal aspects or uncertainties that are expected to affect the Company's continuing operations.

There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Issuer's liquidity increasing or decreasing in any material way. The Issuer does not anticipate having any cash flow or liquidity problems within the next twelve months.

There are no significant elements of income or loss arising outside of the Issuer's continuing operations.

The Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement.

INDEPENDENT AUDITORS AND COUNSEL

LEGAL MATTERS

All legal matters in connection with an offer of the Bonds shall be passed upon by counsels as may be identified in the relevant Offer Supplement under "*Legal Matters*".

INDEPENDENT AUDITORS

The consolidated financial statements of Petron as at December 31, 2014 and 2015 and for the years ended December 31, 2013, 2014 and 2015 have been audited by R.G. Manabat & Co., a member firm of KPMG, independent auditors, in accordance with Philippine Standards on Auditing as set forth in their report thereon appearing elsewhere in this Prospectus. The interim condensed consolidated financial statements as at June 30, 2016 and for the six-month periods ended June 30, 2015 and 2016 have been reviewed by R.G. Manabat & Co. in accordance with Philippine Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.

The Company's Audit and Risk Management Committee of the Board reviews and approves the scope of audit work of the independent auditors and the amount of audit fees for a given year. The financial statements will then be presented for approval by the stockholders in the annual meeting. As regards to services rendered by the external auditor other than the audit of financial statements, the scope of and amount for the same are subject to review and approval by the Audit and Risk Management Committee.

The Company's audit fees for each of the last two fiscal years for professional services rendered by the external auditor were ₱4.9 million and ₱5.2 million for 2014 and 2015, respectively.

There is no arrangement that experts shall receive a direct or indirect interest in the Company or was a promoter, co-manager, voting trustee, director, officer, or employee of the Company.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS

The Company has not had any changes in or disagreements with its independent accountants/auditors on any matter relating to financial or accounting disclosures.

TAXATION

The following is a discussion of the material Philippine tax consequences of the acquisition, ownership and disposition of the Bonds. This general description does not purport to be a comprehensive description of the Philippine tax aspects of the Bonds and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing of the Bonds under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding and disposing of the Bonds in such other jurisdictions. This discussion is based upon laws, regulations, rulings, and income tax conventions (treaties) in effect at the date of this Prospectus.

The tax treatment applicable to a holder of the Bonds may vary depending upon such holder's particular situation, and certain holders may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to a holder of the Bonds.

PROSPECTIVE PURCHASERS OF THE BONDS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF THE BONDS, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS.

As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen of the Philippines; a "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien doing business in the Philippines." A non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not doing business in the Philippines." A "resident foreign corporation" is a non-Philippine corporation engaged in trade or business within the Philippines; and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business within the Philippines. The term "dividends" under this section refers to cash or property dividends. "Tax Code" means the Philippine National Internal Revenue of 1997, as amended.

TAXATION OF INTEREST

The Tax Code provides that interest-bearing obligations of Philippine residents are Philippine sourced income subject to Philippine income tax. Interest income derived by Philippine citizens and alien resident individuals from the Bonds is thus subject to income tax, which is withheld at source, at the rate of 20% based on the gross amount of interest. Generally, interest on the Bonds received by non-resident aliens engaged in trade or business in the Philippines is subject to a 20% final withholding tax while that received by non-resident aliens not engaged in trade or business is subject to a final withholding tax rate of 25%. Interest income received by domestic corporations and resident foreign corporations from the Bonds is subject to a final withholding tax rate of 20%. Interest income received by non-resident foreign corporations from the Bonds is subject to a 30% final withholding tax.

The foregoing rates are subject to further reduction by any applicable tax treaties in force between the Philippines and the country of residence of the non-resident owner. Most tax treaties to which the Philippines is a party generally provide for a reduced tax rate of 15% in cases where the interest which arises in the Philippines is paid to a resident of the other contracting state. However, most tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the interest who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected with such permanent establishment.

Given the above, all Bondholders are required to provide the Issuer through the Paying Agent their validly issued Tax Identification numbers issued by the Philippine Bureau of Internal Revenue.

TAX-EXEMPT STATUS OR ENTITLEMENT TO PREFERENTIAL TAX RATE

An investor who is exempt from or is not subject to final withholding tax on interest income, or is entitled to be taxed at a preferential rate may claim such exemption or avail itself of such preferential rate by submitting the following requirements to the Registrar, subject to acceptance by the Issuer, [the Registrar and the Paying Agent] as being sufficient in form and substance;

(i) a current and valid BIR-certified true copy of the tax exemption certificate, ruling or opinion addressed to the relevant applicant or Bondholder, confirming its exemption or preferential rate, as required under BIR Revenue Memorandum Circular No. 8-2014 including any clarification, supplement or amendment thereto;

(ii) with respect to tax treaty relief, a copy of the duly filed tax treaty relief application with the International Tax Affairs Division of the BIR as required under the BIR Revenue Memorandum Order No. 72-2010[6]; including any clarification, supplement or amendment thereto and, once available, a BIR-certified certificate, ruling or opinion addressed to the relevant applicant or Bondholder confirming its entitlement to the preferential tax rate under the applicable treaty;

(iii) a duly notarized undertaking executed by (1) the corporate secretary or any authorized representative of such applicant or Bondholder, who has personal knowledge of the exemption based on his official functions, if the applicant purchases, or the Bondholder holds, the Bonds for its account, or (2) the trust officer, if the applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Bonds pursuant to its management of tax-exempt entities (i.e. Employee Retirement Fund, etc.), declaring and warranting such entities' tax-exempt status or preferential rate entitlement, undertaking to immediately notify the Issuer, the Registrar and the Paying Agent of any suspension or revocation of the tax exemption certificate, certificate, ruling or opinion issued by the BIR, executed using the prescribed form, with a declaration and warranty of its tax exempt status or entitlement to a preferential tax rate, and agreeing to indemnify and hold the Issuer, the Registrar and the Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding or incorrect withholding of the required tax; and

(iv) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities which for purposes of claiming tax treaty withholding rate benefits, shall include evidence of the applicability of a tax treaty and consularized proof of the

[6] On 23 June 2016, the BIR issued BIR Revenue Memorandum Order No. 27-2016 ("RMO 27-2016"), which amends BIR Revenue Memorandum Order No. 72-2010. RMO 27-2016 provides that in lieu of filing a tax treaty relief application, preferential treaty rates for dividends, interests and royalties shall be granted outright by withholding final taxes at the applicable treaty rate. As of the date of this Prospectus, the effectivity of RMO 27-2016 has been suspended.

Bondholder's legal domicile in the relevant treaty state, and confirmation acceptable to the Issuer that the Bondholder is not doing business in the Philippines; provided that the Issuer, the Registrar and the Paying Agent shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the Bondholder on the interest payments to such Bondholder; provided further that, all sums payable by the Issuer to tax exempt entities shall be paid in full without deductions for taxes, duties, assessments or government charges, subject to the submission by the Bondholder claiming the benefit of any exemption of the required documents and of additional reasonable evidence of such tax-exempt status to the Registrar;

The foregoing requirements shall be submitted, (i) in respect of an initial issuance of Bonds, to the underwriters or selling agents who shall then forward the same with the application to purchase to the Registrar; or (ii) in respect of a transfer from a Bondholder to a purchaser, to the Registrar within three days from settlement date.

VALUE-ADDED TAX

Gross receipts arising from the sale of the Bonds in the Philippines by dealers in securities shall be subject to a 12% value-added tax. The term "gross receipt" means gross selling price less acquisition cost of the Bonds sold.

GROSS RECEIPTS TAX

Bank and non-bank financial intermediaries performing quasi-banking functions are subject to gross receipts tax on gross receipts derived from sources within the Philippines in accordance with the following schedule:

On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

Maturity period is five years or less	5%
Maturity period is more than five years	1%

Non-bank financial intermediaries not performing quasi-banking functions doing business in the Philippines are likewise subject to gross receipts tax. Gross receipts of such entities derived from sources within the Philippines from interests, commissions and discounts from lending activities are taxed in accordance with the following schedule based on the remaining maturities of the instruments from which such receipts are derived:

Maturity period is five years or less	5%
Maturity period is more than five years	1%

In case the maturity period of the instruments held by banks, non-bank financial intermediaries performing quasi-banking functions and non-bank financial intermediaries not performing quasi-banking functions is shortened through pre-termination, then the maturity period shall be reckoned to end as of the date of pretermination for purposes of classifying the transaction and the correct rate shall be applied accordingly.

Net trading gains realized within the taxable year on the sale or disposition of the Bonds by banks and nonbank financial intermediaries performing quasi-banking functions shall be taxed at 7%.

DOCUMENTARY STAMP TAX

A documentary stamp tax is imposed upon the issuance of debt instruments issued by Philippine companies, such as the Bonds, at the rate of P1.00 for each P200, or fractional part thereof, of the issue price of such debt instruments; provided that, for debt instruments with terms of less than one year, the documentary stamp tax to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to 365 days.

The documentary stamp tax is collectible wherever the document is made, signed, issued, accepted, or transferred, when the obligation or right arises from Philippine sources, or the property is situated in the Philippines. Any applicable documentary stamp taxes on the original issue shall be paid by the Issuer for its own account.

TAXATION ON SALE OR OTHER DISPOSITION OF THE BONDS

Income Tax

Any gain realized from the sale, exchange or retirement of bonds will, as a rule, form part of the gross income of the sellers, for purposes of computing the relevant taxable income subject to the regular rates of 32%, 25%, or 30%, as the case may be. If the bonds are sold by a seller, who is an individual and who is not a dealer in securities, who has held the bonds for a period of more than 12 months prior to the sale, only 50% of any capital gain will be recognized and included in the sellers' gross taxable income.

However, under the Tax Code, any gain realized from the sale, exchange or retirement of bonds, debentures and other certificates of indebtedness with an original maturity date of more than five years (as measured from the date of issuance of such bonds, debentures or other certificates of indebtedness) shall not be subject to income tax.

Moreover, any gain arising from such sale, regardless of the original maturity date of the bonds, may be exempt from income tax pursuant to various income tax treaties to which the Philippines is a party, and subject to procedures prescribed by the Bureau of Internal Revenue for the availment of tax treaty benefits.

Estate and Donor's Tax

The transfer by a deceased person, whether a Philippine resident or a non-Philippine resident, to his heirs of the Bonds shall be subject to an estate tax which is levied on the net estate of the deceased at progressive rates ranging from 5% to 20%, if the net estate is over P200,000. A Bondholder shall be subject to donor's tax based on the net gift on the transfer of the Bonds by gift at either (i) 30%, where the donee or beneficiary is a stranger, or (ii) at progressive rates ranging from 2% to 15% if the net gifts made during the calendar year exceed P100,000 and where the donee or beneficiary is not a stranger. For this purpose, a stranger is a person who is not a: (a) brother, sister (whether by whole or half-blood), spouse, ancestor or lineal descendant; or (b) relative by consanguinity in the collateral line within the fourth degree of relationship.

The estate or donor‘s taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor.

The estate tax and the donor‘s tax, in respect of the Bonds, shall not be collected (a) if the deceased, at the time of death, or the donor, at the time of the donation, was a citizen and resident of a foreign country which, at the time of his death or donation, did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (b) if the laws of the foreign country of which the deceased or donor was a citizen and resident, at the time of his death or donation, allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in the foreign country.

In case the Bonds are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the Bonds exceeded the value of the consideration may be deemed a gift and may be subject to donor‘s taxes.

Documentary Stamp Tax

No documentary stamp tax is imposed on the subsequent sale or disposition of the Bonds, trading the Bonds in a secondary market or through an exchange. However, if the transfer constitutes a renewal of the Bonds, documentary stamp tax is payable anew.

ANNEXES

PETRON CORPORATION AND SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2016

PETRON CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2015, 2014, AND 2013