This Prospectus and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Prospectus constitute an offer to sell or the solicitation of an offer to buy any Bonds nor shall there be any offer, solicitation, or sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PETRON

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 ₱50,000,000,000

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

To be listed and traded on 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.

This Preliminary Prospectus is dated July 5, 2021.

PETRON CORPORATION
San Miguel Corporation Head Office Complex
40 San Miguel Avenue
Mandaluyong City, Philippines
Telephone number: (632) 8884-9200
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 Peso-denominated fixed rate bonds (the "**Bonds**") in the aggregate principal amount of up to ₱50,000,000,000.

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 offer and sale of the Bonds, including the terms and conditions for each tranche shall be at the sole discretion of the Company. The specific terms of the Bonds for each tranche will be determined by the Company considering the prevailing market conditions and shall be provided in a supplement to be circulated at the time of the offer of the relevant tranche (the "**Offer Supplement**").

For each tranche of the Bonds, the Company shall distribute an Offer Supplement along with this Prospectus. The relevant Offer Supplement will contain the final terms for an offer of the Bonds and must be read in conjunction with this Prospectus and other Bond Agreements (as defined in the relevant Offer Supplement). Full information on the Issuer and such offer of the Bonds is only available through this Prospectus, the relevant Offer Supplement, and the other Bond Agreements. All information contained in this Prospectus is deemed incorporated by reference in an Offer Supplement.

The use of proceeds for each tranche of the Offer will be set out in the relevant Offer Supplement.

On July 5, 2021, the Executive Committee of the Board of Directors authorized the sale and offer of the Bonds under such terms and conditions as the management of Petron may deem advantageous to it. On July 5, 2021, the Company filed an application with the 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 filed by the Company effective and a corresponding permit to offer securities for sale covering the initial tranche 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, Inc.

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 Bonds will be offered to the public through underwriters that may be engaged by the Company for each tranche of the Bonds (the "**Underwriters**").

The Company reserves the right to withdraw any offer and sale of the Bonds at any time, and the 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 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 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 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 19 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.

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 of Directors of the Company, (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. For a more detailed discussion on dividends and the dividend policy of the Company, see "*Dividends and Dividend Policy*" of this Prospectus.

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 Underwriters makes any representation as to the accuracy of such information.

This Prospectus is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by either the Issuer, the Underwriters or their respective affiliates or legal advisers that any recipient of this Prospectus should purchase the Bonds. Each person contemplating an investment in the Bonds should make his own investigation and analysis of the creditworthiness of Petron and his own determination of the suitability of any such investment. The risk disclosure herein 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, especially those high-risk securities. Investing in the Bonds involves a higher degree of risk compared to debt instruments. For a discussion of certain factors to be considered in respect of an investment in the Bonds, see the section on "*Risk Factors – Risks Relating to the Bonds*" starting on page 34.

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 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 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 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 Underwriters) or any other information provided by the Company in connection with the Bonds, their distribution or their future performance.

The Company owns land as identified in the section on "*Description of Property*" on page 68. In connection with the ownership of private land, 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 60.0% of whose capital is owned by such citizens. For as long as the percentage of Filipino ownership of the capital stock of the Company is at least 60.0% of (i) the total shares outstanding and voting, and (ii) the total shares outstanding, whether or not entitled to vote, the corporation shall be considered as a 100.0% Filipino-owned corporation.

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE 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 GIVEN AFTER THE EFFECTIVE DATE. AN INDICATION OF INTEREST IN RESPONSE HERETO INVOLVES NO OBLIGATION OR COMMITMENT OF ANY KIND. THIS PROSPECTUS 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 JUL 05 2021 in Mandaluyong City, affiant exhibiting to me his Passport No. P2247867B expiring on May 21, 2029 as competent evidence of identity.

Doc. No. : 183;
Page No. : 88;
Book No. : 11;
Series of 2021.

MARIA CRISSELDA N. TAMONDONG
Notary Public for Mandaluyong City
40 San Miguel Avenue, 1550 Mandaluyong City
Appointment No. 0582-21
Until December 31, 2022
Attorney's Roll No. 71094
PTR No. 4581638/1-07-2021/Mandaluyong
IBP No. 150820/1-13-2021/RSM
MCLE Compliance No. VI-0023071/4-24-2019

FORWARD-LOOKING STATEMENTS

All statements contained in this Prospectus that are not statements of historical fact 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 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;
- competition in the oil industry in the Philippines and Malaysia; and
- the historic and ongoing impact of the COVID-19 pandemic on the operations, financial condition, and cash flows of the Company, its facilities and other businesses.

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*."

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 encouraged to carefully review 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 and Underwriters undertake no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

TABLE OF CONTENTS

DEFINITION OF TERMS

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

APM	Malaysian automatic pricing mechanism.
ASEAN	Association of Southeast Asian Nations.
bbl	Barrel.
BIR	Philippine Bureau of Internal Revenue.
Black Products	Fuel oil and asphalts.
Bondholder	a person whose name appears, at any time, as a holder of the Bonds in the Registry of Bondholders
BSP	Bangko Sentral ng Pilipinas.
CODO	Company-owned-dealer-operated service stations.
CREATE Act	Corporate Recovery and Tax Incentives for Enterprises Act.
DENR..	Philippine Department of Environment and Natural Resources.
DENR-EMB..	DENR-Environment Management Bureau.
DODO	Dealer-owned-dealer-operated service stations.
DTI	Philippine Department of Trade and Industry. .
IMS	Integrated Management System.
Innospec	Innospec, Limited.
ISO	International Organization for Standardization.
KLIA	Kuala Lumpur International Airport.
LPG	Liquefied petroleum gas.
LPS	Loss prevention system.
mmbpd...	Million barrels per day.
MOPS	Mean of Platts Singapore. 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.
MNHPI	Manila North Harbour Port, Inc.
NVRC	New Ventures Realty Corporation.
Ovincor	Overseas Ventures Insurance Corporation Ltd.
PAHL	Petrochemical Asia (HK) Ltd.

PCERP	Petron Corporation Employees' Retirement Plan.
PDEx	the Philippine Dealing & Exchange Corp.
PDTC..	Philippine Depository & Trust Corp.
Permit to Sell..	the permit to sell securities issued by the SEC in connection with the Offer.
Pesos, Php or ₱	the lawful currency of the Philippines.
Petrogen	Petrogen Insurance Corporation.
Petron Bataan Refinery or Refinery...........	The Company's refinery located in Limay, Bataan, Philippines.
Petrophil	Petrophil Corporation.
PFC	Petron Freeport Corporation.
PFI	Petron Foundation Inc.
PFISB	Petron Fuel International Sdn. Bhd.
PFRS	Philippine Financial Reporting Standards.
Philippine DOE	Philippine Department of Energy.
Philippine SEC	The Securities and Exchange Commission of the Philippines.
Philippine SRC	The Securities Regulation Code of the Philippines.
Philippine Tax Code	Philippine National Internal Revenue Code of 1997, as amended.
PhilRatings	Philippine Rating Services Corporation.
PMC	Petron Marketing Corporation.
PMRMB	Petron Malaysia Refining & Marketing Berhad.
PNOC	Philippine National Oil Company.
POGI	Petron Oil & Gas International Sdn Bhd.
POGM	Petron Oil & Gas Mauritius Ltd.
Port Dickson Refinery	The Company's refinery located in Port Dickson, Malaysia.
POS	Point of sale.
PPI	Philippine Polypropylene Inc.
Prospectus	The prospectus dated July 5, 2021 and any amendments, supplements and addenda thereto for the offer and sale to the public of the Bonds.
PSE	The Philippine Stock Exchange, Inc.

PSTPL	Petron Singapore Trading Pte. Ltd.
Registrar and Paying Agent……………………..................................	Philippine Depository & Trust Corp., being the registrar appointed by the Company to maintain the Registry of Bondholders pursuant to the Registry and Paying Agency Agreement.
RM………………………………………………	the lawful currency of Malaysia or Malaysian Ringgit.
RMP-2	The second phase of the Company's Refinery Master Plan project.
Saudi Aramco	Saudi Arabian Oil Company.
Saudi CP	Saudi Aramco contract prices.
SEA BV	SEA Refinery Holdings B.V.
Shell	Pilipinas Shell Petroleum Corporation.
Shelf Period …………………………………..	the three-year period from the effective date of the Registration Statement.
SIRIM	Standard and Industrial Research Institute of Malaysia.
SMC	San Miguel Corporation.
SRC	SEA Refinery Corporation.
SSHE	Safety, security, health and the environment.
TCCs	Tax Credit Certificates.
TRAIN Law	Tax Reform for Acceleration and Inclusion.
Tranche	a tranche of the Fixed-Rate Bonds issued under the Bond Program.
Underwriters...	Underwriters that may be engaged by the Company for each tranche of the Bonds which may include co-lead underwriters, that may be engaged by the Company for each tranche of the Offer.
US$ or U.S. dollars..	The lawful 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 and unaudited 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 ("**Petron**" or the "**Company**", or the "**Issuer**") operates the only integrated oil refinery in the Philippines and is a leading oil marketing company. The Company had an overall market share of approximately 22.1%[1] of the Philippine oil market for the year ended December 31, 2020 in terms of sales volume based on Company estimates using its internal assumptions and calculations and industry data from the Philippine Department of Energy ("**DOE**"). Petron is also a leading player in the Malaysian market. The Company entered the Malaysian market in March 2012 through the purchase of ExxonMobil's downstream oil business in Malaysia. For the period ended March 31, 2021, the Company ranked third in the Malaysian retail market with more than 21% market share, based on Company estimates using its internal assumptions and calculations and industry data from a third-party market research consultant appointed by Malaysian retail market participants to compile industry data. Petron refines crude oil and markets and distributes refined petroleum products in the Philippines and Malaysia with a combined refining capacity of 268,000 barrels per day ("**bpd**").

The Company's Freeport Area of Bataan ("**FAB**")-registered Petron Bataan Refinery in Limay, Bataan in the Philippines, a full conversion refinery with a crude oil distillation capacity of 180,000 bpd, processes crude oil into a range of white petroleum products such as naphtha, gasoline, diesel, LPG, jet fuel, kerosene, and petrochemical feedstock such as benzene, toluene, mixed xylene and propylene.

From the Petron Bataan Refinery, the Company moves its products, mainly by sea, to terminals and airport installations situated throughout the Philippines, representing the most extensive distribution network for petroleum products in the Philippines. The network comprises 13 terminals in Luzon, seven in Visayas and eight in Mindanao, as well as four airport installations in Luzon, five in Visayas and three in Mindanao. Through this nationwide network, the Company supplies its various petroleum products such as gasoline, diesel, and LPG to its customers as well as jet fuel to international and domestic carriers.

Through its network of more than 2,000 retail service stations in the Philippines as of March 31, 2021, the Company sells gasoline, diesel, and kerosene to motorists and to the public transport sector. Approximately 38% of the Company's service stations are CODO while the remaining 62% are DODO. As of March 31, 2021, the Company's LPG distribution network includes more than 1,200 branch stores. Petron also sells its LPG brands "*Gasul*" and "*Fiesta Gas*" to households and other consumers through its extensive dealership network.

In Malaysia, the Company owns and operates the Port Dickson Refinery located in the state of Negeri Sembilan, which has a crude oil distillation capacity of 88,000 bpd, and produces a range of petroleum products, including LPG, naphtha, gasoline, jet fuel, diesel and low-sulfur waxy residue ("**LSWR**"). As of March 31, 2021, the Company had 10 product terminals, a Palm Oil Methyl Ester ("**PME**") production facility and a network of more than 720 retail service stations in Malaysia, of which about 59% are CODO and 41% are DODO.

While the Company's products are primarily sold to customers in the Philippines and Malaysia, the Company also exports various petroleum products and petrochemical feedstock, including LSWR, gasoline, diesel, LPG, molten sulfur, naphtha, mixed xylene, benzene, toluene and propylene, to other

[1] Market share is derived from Company estimates based on Company information and data from the Philippine Department of Energy for the year ended December 31, 2020. Company estimates exclude all direct imports of end users.

customers in the Asia-Pacific region such as China, Taiwan, Singapore, Thailand, Indonesia, Malaysia, Vietnam, Hong Kong, and India. The Company's revenues from these export sales amounted to ₱15,529 million, or 5% of total sales for the year ended December 31, 2020, and ₱5,065 million, or 6% of total sales in the first three months of 2021.

For the years ended December 31, 2018, 2019, 2020, and in the first three months of 2021, the Company's sales were ₱557,386 million, ₱514,362 million, ₱286,033 million, and ₱83,307 million, respectively, and net income/(loss) was ₱7,069 million, ₱2,303 million, (₱11,413 million), and ₱1,730 million, respectively.

Petron is a subsidiary of San Miguel Corporation ("**SMC**"), one of the largest and most diversified conglomerates in the Philippines, which has market-leading businesses in various sectors, including beverages, food, packaging, fuel and oil, energy, infrastructure and property, and investments in car distributorship and banking services. The Company's common shares are listed on the Philippine Stock Exchange under the symbol "PCOR" and the common shares of its subsidiary, Petron Malaysia Refining & Marketing BHD, are listed 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
- Logistically-advantaged supply position in the Philippines
- Operations in markets with favorable industry dynamics
- Expanded product offering driving non-fuel retail volumes
- Large customer loyalty card programs in the Philippines and successful rollout of the Petron App
- Focus on higher yield products at the integrated Petron Bataan Refinery
- Established position in the Malaysian downstream oil sector
- Experienced management team and employees and strong principal shareholder in San Miguel Corporation

Strategies

The Company's principal strategies are set out below:

- Maximize volume growth and further increase market share in the downstream oil markets in the Philippines and Malaysia
- Innovation as tool for customer retention and growth
- Maximize production of high margin refined petroleum products and petrochemicals
- Ensure reliability and efficiency of refinery operations
- Continue to evaluate possible selective synergistic acquisitions

Corporate Information

Petron was incorporated under the laws of the Philippines in 1966. 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) 8884-9200. The Company's primary website is www.petron.com. Information contained on the Company's website does not constitute a part of this Prospectus. The Company's common shares are listed and traded on the Philippine Stock Exchange, Inc. under the symbol "PCOR". Its preferred shares are listed and traded on the same exchange under the symbols "PRF2B", "PRF3A" and "PRF3B." The Company's US$500,000,000 and US$550,000,000 senior perpetual capital securities are listed on the Singapore Exchange Securities Trading Limited under the name "PETRON CORP US$500M4.6%PCS" and "PETRON CORP US$550M5.95%PCS", respectively. In Malaysia, the common shares of Petron Malaysia Refining & Marketing Berhad is listed in Bursa Malaysia under the symbol "PETRONM."

The COVID-19 Pandemic

COVID-19, an infectious disease that was first reported to have been transmitted to humans in late 2019, was declared as a pandemic by the World Health Organization and spread globally over the course of 2020. Countries have taken measures in varying degrees to contain the spread of COVID-19, including social distancing measures, community quarantine or lockdowns, the suspension of operations of non-essential businesses and travel restrictions.

For its part, the Government issued a series of directives and social distancing measures as part of its efforts to contain the outbreak in the Philippines. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months and an enhanced community quarantine ("**ECQ**") was imposed on the island of Luzon, including Metro Manila, which lasted through May 15, 2020 (the "**ECQ period**"). Under the ECQ guidelines, restrictions on movement outside of the residence were set in place (ranging from stay-at-home orders to total lockdowns), mass transport facilities were suspended, schools were closed and alternative work arrangements were implemented. The COVID-19 pandemic affected most daily activities and forced many businesses to suspend operations or shut down for the duration of the ECQ. Only essential businesses such as plants involved in manufacturing and processing basic food products, medicine, medical devices/equipment and essential products such as hygiene products, and delivery services transporting food, medicine and essential goods, as well as essential sectors such as hospitals, power and water utilities were allowed to operate, subject to certain conditions and limitations on operating capacity. Similarly, in Malaysia, a movement control order ("**MCO**") was instituted.

After the ECQ was lifted in certain areas, a modified ECQ ("**MECQ**"), general community quarantine ("**GCQ**") or modified GCQ ("**MGCQ**") was implemented. The graduated lockdown schemes from ECQ, MECQ, GCQ, and MGCQ impose varying degrees of restrictions on travel and business operations in the Philippines. The Government continues to calibrate the imposition of lockdown or community quarantine measures across the country depending on the situation in specific localities. On March 27, 2021, the Government placed Metro Manila and certain neighboring provinces under ECQ from March 29, 2021 until April 11, 2021. As of the date of this Prospectus, Metro Manila and certain neighboring provinces are currently under GCQ. While most of the Luzon island and other provinces have been placed on various levels of community quarantine, the government has commenced vaccination for those considered as high-risk individuals including healthcare workers, senior citizens, and individuals with comorbidities. The vaccination of health care workers in the country started on February 15, 2021 and to date, the Government continues its vaccination drive.

The ECQ, graduated quarantine measures and MCO restrictions significantly affected volumes of both Philippine and Malaysian operations as these reduced economic activities and restricted travel. As such, the operations of the Petron Bataan Refinery were suspended from May to August 2020, and from February to May 2021. The Port Dickson Refinery, on the other hand, continued operations during the MCO although production was reduced to minimum turn-down rate in line with reduced domestic demand. In addition, there was a scheduled 20-day shutdown in October 2020 for catalyst regeneration. The Company saw a gradual recovery in sales volumes starting the third quarter of 2020 with fuel consumption increasing, partly as a result of relaxing quarantine measures. Given the volatility in oil prices, however, particularly when global oil prices plunged in March 2020 coupled with modest gains after the easing of certain restrictions, the Company's consolidated sales for the year ended December 31, 2020 were substantially lower than for the year 2019 and resulted in a net loss.

The extent of the COVID-19 pandemic impact in the short-term will depend on future developments, including the timeliness and effectiveness of actions taken or not taken to contain and mitigate the effects of COVID-19 both in the Philippines and internationally by governments, central banks, healthcare providers, health system participants, other businesses and individuals, which are highly uncertain and cannot be predicted.

Measures Taken to Ensure Safety and Well-Being

To ensure a safe return to work, the SMC Group purchased polymerase chain reaction ("**PCR**") testing kits to cover the estimated 70,000 employees, consultants, partners and service providers in the SMC Group's system, including Petron's employees. The Company has been cautiously allowing employees to return to the workplace and has taken measures to ensure employee safety and well-being and to protect its facilities, which include, but are not limited to, checking the temperature of employees and other persons when they enter its offices and facilities, maintaining an adequate supply of alcohol and hand sanitizers for use at the premises, requiring employees to wear masks and other protective clothing as appropriate, minimizing in-person meetings, and implementing additional cleaning and sanitization routines.

The Company continues to review and will implement the necessary changes to its operations and business processes as well as its capital expenditure plans in view of the global and local economic factors as a result of the COVID-19 pandemic.

Together with SMC, Petron also continued to support health workers and underprivileged communities affected by the pandemic. Petron has donated free fuel, PPE, and other donations to medical frontliners, its scholars, and communities. Through SMC, Petron also provided fuel subsidy for the Department of Transportation ("**DOTr**") to help medical frontliners avail of free transport. Petron also partnered with Hyundai Philippines to help transport frontliners and locally stranded individuals. Petron recently pledged its support to the Ingat Angat program, a multi-sector campaign envisioned to rebuild consumer confidence in the new normal. Leveraging on its vast nationwide presence, Petron – which operates the widest petroleum retail network in the country – has displayed Ingat Angat collaterals at 900 of its service stations.

The CREATE Act

On March 26, 2021, Republic Act No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises bill (the "**CREATE Act**"), was signed into law by the President of the Republic of the Philippines. For further discussion, please refer to section on "Taxation" on page 136.

Under the CREATE Act, the Company shall be entitled to, among others: (i) lower regular corporate income tax from 30% to 25%; (ii) lower minimum corporate income tax rate from 2% to 1%; (iii) income tax exemption on dividends received from foreign subsidiaries which are at least 20% owned by a domestic corporation; and (iv) exemption of a local petroleum refinery from taxes and duties upon importation of crude oil, but will be subject to applicable taxes and duties upon lifting of refined petroleum products from the refinery.

Freeport Area of Bataan Registration

On December 28, 2020, the Authority of the Freeport Area of Bataan ("**AFAB**") and the Company entered into a Registration Agreement pursuant to which the Company's Petron Bataan Refinery complex was approved as a FAB-registered enterprise. The Company believes that the AFAB registration would result in a more level playing field among fuel and oil marketing and distribution companies. The Company's competitiveness has suffered vis-à-vis other players in the market which are not refiners because value-added tax ("**VAT**") is imposed on the Company's importation of crude oil while non-refiners pay VAT and excise tax upon importation and, in the case of non-refiners located in special economic zones, upon withdrawal, of finished products. There are generally 60 days between importation of crude and lifting of the finished products produced therefrom at the Petron Bataan Refinery, and another 15 days to sell at retail, so the Company is unable to pass on the VAT for a longer time compared to its non-refining competitors. Also, not all of the crude imported by the Company, for which VAT is imposed and paid, is refined into finished petroleum products and sold to consumers, again resulting to higher input VAT absorbed by the Company and adding to the disparity versus its non-refining competitors. As a FAB-registered enterprise, the Company will be entitled to: (i) tax- and duty-free importation of merchandise which include raw materials, capital equipment machineries and spare parts; (ii) exemption from export wharfage dues, export taxes, imposts, and fees; and (iii) VAT zero-rating of local purchases subject to compliance with BIR and AFAB requirements.

Petron subsidiary New Ventures Realty Corporation ("**NVRC**") also applied for the declaration of the Petron Bataan Refinery properties, its leased premises, as a FAB Expansion Area. On December 28, 2020, NVRC likewise entered into a FAB Expansion Area Agreement with the AFAB. Locators within NVRC's FAB Expansion Area will be entitled to the same incentives above.

Other Recent Developments

The Petron Bataan Refinery underwent a planned total plant shutdown from February 10 to May 22, 2021. Importation of products was done to continually serve demand. Opportunity maintenance works were done during the period. Refinery startup proceeded on May 23 and is currently operating stably.

On February 22, 2021, the Company executed an asset and purchase agreement with San Miguel Foods, Inc. and Foodcrave Marketing, Inc. (collectively, the "**San Miguel Food Group**") for the reacquisition by the Company of the *Treats* convenience store business for an aggregate purchase price of ₱64 million. The sale was completed on March 1, 2021.

On April 19, 2021, Petron issued US$550,000,000 Senior Perpetual Capital Securities with an initial rate of distribution of 5.95% per annum. On April 20, 2021, the Senior Perpetual Capital Securities were listed on the SGX-ST. The net proceeds were applied for the repayment of indebtedness and for general corporate purposes.

Construction of a new power plant in the Petron Bataan Refinery is currently ongoing to increase the capacity of its existing power plant from 140MW to 184MW. The power plant is designed to generate power and steam required by the Refinery, utilizing cheaper feedstock (petcoke) in lieu of more expensive fuel oil. Construction is expected to be completed in the second half of 2022.

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*", and agreements executed in connection with a particular offer of the Bonds as a whole. 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 the Bonds as a whole.

CAPITALIZATION OF THE COMPANY

The 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.

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 the 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

General Risk Warning

An investment in the Bonds involves a number of risks. 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 and there may be a large difference between the buying price and the selling price of the Bonds. The occurrence of any of the following events, or other events not currently anticipated, could have a material adverse effect on the business, financial condition, and results of operations of the Company and cause the market price of the Bonds to decline. All or part of an investment in the Bonds could be lost. Investors deal in a range of investments, each of which may carry a different level of risk.

The means by which the Company intends to address the risk factors discussed herein are principally presented under "The Company" beginning on page 39, "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 103, and "Management" on page 74 of this Prospectus.

The risk factors discussed in this section are of equal importance and are separated into categories for ease of reference only. The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materializing, of the potential significance of the risks or of the scope of any potential harm to the Company's business, results of operations, financial condition, and prospects

Prudence Required

The 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 these securities before commencing any trading activity. Investors may request publicly-available information on the Bonds and Petron from the SEC, PSE, and PDEX.

Professional Advice

An investor 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, especially high-risk securities.

Risk Factors

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 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.

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 business, financial condition, and results of operations of the Company could be materially and adversely affected by any of these risk factors.

RISKS RELATING TO THE COMPANY'S BUSINESS AND OPERATIONS

Volatility of the price 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 36%, 35% and 38% of the Company's total cost of goods sold in 2019, 2020, and in the first three months of 2021, 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, price wars among oil producers and other factors over which the Company has no control. In the second quarter of 2020, the COVID-19 pandemic triggered an unprecedented collapse in demand as most countries implemented lockdowns in March 2020 which significantly reduced global economic activity. The supply glut caused by the COVID-19 pandemic and the oil price war between Saudi Arabia and Russia in the first quarter of 2020 resulted in Dubai price plunging to as low as $13/bbl in April 2020 daily trading from $67/bbl in end-December 2019. Since then, OPEC+ members managed price volatility through production cuts of 9.7 mmbpd from April to June 2020 and 7.7 mmbpd from July to December 2020. While crude prices returned to pre-pandemic levels for the first time in February 2021, volatility risks continue due to the lingering impact of the COVID-19 pandemic.

Historically, 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. 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. 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. In addition, the Company's Malaysian operations are subject to government price controls. 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 product*s."

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.

To minimize the Company's risk of potential losses due to volatility of international crude and product prices, the Company enters into commodity hedging for crude and petroleum products. A hedging policy developed by the Company's Commodity Risk Management Department is in place. Hedges are intended to protect crude inventories from risks of downward price movements and margin contractions. Decisions are guided by the conditions set and approved by management.

The COVID-19 pandemic, or the future outbreak of any other highly infectious or contagious diseases, could materially and adversely affect the Company's business, results of operations and financial condition. Further, the continuing impacts of the COVID-19 pandemic are highly unpredictable and uncertain and have and will continue to cause disruptions in the Philippine and global economy and financial markets, and the Company's financial performance, among others.

The COVID-19 pandemic has created significant public health concerns as well as economic disruption, uncertainty, and volatility, all of which have impacted and may continue to impact the Company's businesses. While the Company has implemented numerous initiatives to mitigate the adverse impact of the pandemic, the duration and extent of the impact of the pandemic are beyond the control of the Company. As of the date of this Prospectus, quarantine restrictions are still in place in both the Philippines and Malaysia and may be made more stringent as COVID-19 cases continue to rise, with the entry of new COVID-19 variants that were first detected in the United Kingdom, South Africa and India, which caused spikes in infection worldwide.

Due to numerous uncertainties and factors beyond the Company's control, it may be difficult to predict the pandemic's long-term impact on the Company, its businesses, results of operations, cash flows, and financial condition. These factors and uncertainties include, but are not limited to:

- the severity and duration of the pandemic, including whether there are subsequent waves or other additional periods of increases or spikes in the number of COVID-19 cases in future periods in areas in which the Company operates;
- the extent and timeliness of the national and local government's response to the pandemic, including but not limited to quarantine restrictions as well as vaccination procurement and deployment programs;
- restrictions on business operations up to and including complete or partial closure of offices, plants and other facilities;
- economic measures, fiscal policy changes, or additional measures that have not yet been effected;
- the health of, and effect of the pandemic on, the Company's personnel and the Company's ability to maintain staffing needs to effectively sustain its operations;
- evolving macroeconomic factors, including general economic uncertainty, unemployment rates, and recessionary pressures;
- impacts – financial, operational or otherwise – on the Company's supply chain, including suppliers and third-party contractors;
- volatility in the credit and financial markets during and after the pandemic;
- the impact of any litigation or claims from customers, suppliers, regulators or other third parties relating to COVID-19 or the Company's actions in response thereto; and
- the pace of recovery considering the rebound in consumer confidence, driven by the economic response of the government and the private sector.

The above factors and uncertainties, or others of which the Company is not currently aware, may result in adverse impacts to the Company's businesses, results of operations, cash flows, and financial condition due to, among other factors:

- increased volatility in international crude and product prices and foreign exchange rates;
- decline in consumer demand due to the general decline in business activity and more permanent behavioral and work policy changes, such as increased use of online channels for shopping, payments and social gatherings and wider acceptance of work-from-home arrangements;
- further destabilization of the markets and decline in business activity negatively impacting customers' ability to pay for the Company's products and services;
- government moratoriums or other regulatory or legislative actions that limit changes in pricing;
- delays or inability to access equipment or the availability of personnel to perform planned and unplanned maintenance, which can, in turn, lead to disruption in operations;
- delay or inability to receive the necessary permits for the Company's development projects due to delays or shutdowns of government operations;
- deterioration of economic conditions, demand and other related factors resulting in impairments to goodwill or long-lived assets; and
- delay or inability in obtaining regulatory actions and outcomes that could be material to the Company's business.

The extent to which the COVID-19 pandemic will continue to impact the Company will depend on future developments, including the timeliness and effectiveness of actions taken or not taken to contain and mitigate the effects of COVID-19, in the Philippines, Malaysia and internationally by governments, central banks, healthcare providers, health system participants, other businesses and individuals, which are highly uncertain and cannot be predicted. To the extent the COVID-19 pandemic adversely affects the business and financial results of the Company, it may also have the effect of heightening many of the other risks described in this Prospectus.

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

The Company acquires crude oil for the Petron Bataan Refinery primarily through its arrangements with its wholly-owned subsidiary Petron Singapore Trading Pte. Ltd. ("**PSTPL**"), which in turn obtains crude oil from different sources, through a combination of term or spot purchase contracts. PSTPL has a term contract with Saudi Aramco for year 2021 to purchase various Saudi Arabian crude. The Monthly Official Selling Price is determined by Saudi Aramco through a formula that is linked to international industry benchmarks applicable to all its customers in the Far East. 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 the date of this Prospectus, neither the Company nor Saudi Aramco has terminated the contract.

The supply of crude oil by Saudi Aramco and several other suppliers on a spot basis is subject to a variety of factors beyond the Company's control, including geopolitical developments in and the stability of Saudi Arabia and the rest of the oil-producing countries, government regulations with respect to the oil and energy industry in those regions, weather conditions and overall global economic conditions.

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 Terengganu condensate with Exxon Mobil Exploration and Production Malaysia Inc. ("**EMEPMI**") for a period of 10 years until March 2022 (to be renewed), supplemented by other short-term supply contracts and spot crude purchases. The Port Dickson Refinery is able to source suitable crude oil blend to meet monthly optimal crude run. Currently, about 70% of the crude and condensate volume is sourced from EMEPMI, while the balance from other term and spot purchases. Productions are supplemented by imports and local purchases of finished products to meet domestic sales demand for LPG, gasoline and diesel through term and spot arrangements.

A disruption in the operations of Saudi Aramco, EMEPMI and/or other suppliers or a decision by any of them to amend or terminate their respective contracts with the Company, could impact the Company's crude oil supply. If the Company's supply of crude oil were disrupted, the Company would be required to meet any consequent supply shortfall through other suppliers or spot market purchases. Depending on market conditions at the time and timing of the disruption, such purchases from other suppliers or the spot market could be at higher prices than the Company's purchases from Saudi Aramco, EMEPMI or other suppliers, which would adversely affect the Company's financial condition and results of operations.

The Petron Bataan 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 ranging from light and sweet crude to heavier, more sour alternative crude, to provide additional value to the Company. The completion of the second phase of the Company's Refinery Master Plan project at the Petron Bataan Refinery ("**RMP-2**") has given the Petron Bataan 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 local as well as regional sweet crude oil. A new diesel hydrotreater process unit was completed in April 2021 and allows the Port Dickson Refinery to process other higher sulfur Malaysian and regional crude oils.

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 could be materially and adversely affected.

The Company maintains sufficient inventory that provides ample lead time to source for supply and meet the needs of its clients based on projected demand.

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 from a number of multinational and local competitors in the sale of petroleum and other related products in the markets in which it operates. 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. On the other hand, the Company's Malaysian operations are mostly subject to government price controls and quotas. As a result, competition in these market sectors is based primarily on product quality, operational cost efficiency, supply chain reliability and customer value creation. 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*."

The Company's competitiveness will depend on its ability to manage costs, improve the productivity of its service station network, 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, 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.

The Company strengthens and expands its distribution network to improve its presence in both growing and high potential markets. In addition, the Company continues to invest in building brand equity to ensure consistent market recognition.

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, on April 22, 2019, about a week before its scheduled total plant maintenance shutdown, the Petron Bataan Refinery had an emergency total plant shutdown due to loss of power and steam when an earthquake triggered the safety interlock system of its Refinery Solid Fuel-Fired Boilers and caused power loss from the Luzon power grid. After power from the grid was restored and the boilers were restarted, the Petron Bataan Refinery continued to conduct safe shutdown activities and process unit preservations and proceeded with scheduled maintenance activities. In September 2019, a leak was discovered in an underwater valve of the crude SBM pipeline manifold co-owned with Hengyuan Refinery in Malaysia. The leak was discovered through a thin layer of oil sheen observed around the SBM and required 35 days of temporary outage for inspection and repair work. Quick response by suspending the operation of the SBM pipeline, followed by immediate investigation, prevented any major oil spill through the leak. The SBM outage resulted in Refinery shutdown for 25 days given no supply of crude can be discharged into the Refinery. The incident required the activation of the Company's business continuity plan, managing incoming crude supply and continued supply of petroleum products to customers, to ensure the reliable and continuous supply of finished products. Although Port Dickson Refinery underwent a temporary shutdown to facilitate investigations and repair works, there was no significant impact on product supply due to the activation of the Company's business continuity plan. No injury was recorded and the incident left minimal impact on the environment. 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

The Company has insurance policies that cover property damage, marine cargo, third-party liability, personal injury, accidental death and dismemberment, sabotage and terrorism, machinery breakdown and business interruption to mitigate the potential impact of these risks. However, these policies do not cover all potential losses, and insurance may not be available for all risks or on commercially reasonable terms. 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.

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 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. The Malaysian government may subsidize fuel prices so that increases in international crude oil and finished products prices are not borne fully by Malaysian consumers. Effective March 30, 2017, the Malaysian government implemented a managed float system under which the Malaysian government fixes the government-mandated retail prices of RON 95 and RON 97 petroleum and diesel on a weekly basis based on the Mean of Platts Singapore ("**MOPS**"). If government-mandated prices are lower than the fuel products' total built-up cost per the APM, the Company receives subsidies from the Malaysian government. Conversely, if government-mandated prices are higher than the fuel products' total built-up cost per the APM, 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 retail 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, corresponding to fuel demand growth, 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.

The Company keeps itself updated on government policies and regulations pertaining to the oil industry in Malaysia in order to identify potential regulatory risks and proactively respond to these risks.

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

The Company has incurred, and expects to continue to incur, operating costs to comply with applicable safety, health, environmental and zoning laws and regulations. Programs were recently implemented to comply with government-mandated health and safety regulatory guidelines, such as: (a) Project TRACIE (*Tracking and Recognizing All COVID-19 Infection in the workplace Environment*), which was launched as part of compliance with DOLE and DTI Interim Guidelines on Workplace Prevention and Control of COVID-19; (b) compliance by the Petron Bataan Refinery, terminal operations, and the Company's headquarters with Republic Act No. 11058 Occupational Safety and Health ("**OSH**") Compliance Binder; and (c) compliance with mandatory eight-hour OSH seminars, among others. 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. See "*Regulatory and Environmental Matters—Philippines*." Recently, technical discussions and public consultations have been completed between DENR-EMB and all stakeholders, including Petron Bataan Refinery, for reconsideration of removal/relaxation of specific effluent parameters initially covered under DAO 2016-08 (Water Quality Guidelines and General Effluent Standards of 2016). See *"Regulatory and Environmental Matters – Philippines – Philippine Clean Water Act of 2004."* Regulatory Agency (Environmental Management Bureau) has considered industry position on five parameters including Ammonia and Sulfate, which are the parameters of concern for Petron Bataan Refinery. EMB has prepared proposed DENR Administrative Order (DAO) on Revised General Effluent Standards endorsed by EMB Director to DENR on May 10, 2021 for review and approval. Petron is closely monitoring the status of the proposed DAO. 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, the mandatory compliance with Euro IV standards in the Philippines in 2016 and the implementation in Malaysia of various Euro 4M and Euro 5 compliant fuels in phases from 2015 through 2027 required the Company to incur additional capital expenditures in order to meet these standards. See "*Regulatory and Environmental Matters—Malaysia—Environmental Laws—Environmental Quality Act, 1974*." The Company has complied with the Euro IV standards in the Philippines and has recently completed the construction of a new diesel hydrotreater process unit in the Port Dickson Refinery to comply with Euro 5 diesel regulations, as mandated by the Malaysian government beginning April 1, 2021. 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.

The Company maintains a strong compliance culture and monitors government policies and regulations to enable the Company to identify potential regulatory risks and proactively respond to such risks.

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 compressed natural gas and electric vehicles for transport and liquefied natural gas for power. Additionally, increasing biofuels content in gasoline and diesel effectively displaces refinery-produced products.

For instance, the Philippine government pushed for the increase of coco methyl ester ("**CME**") content of biodiesel from 2% to 5% by 2020. Implementation, however, was delayed due to the COVID-19 pandemic. In addition, the government targets to increase ethanol content in gasoline from the current 10% to 20% by 2040.

In Malaysia, palm oil methyl ester content in diesel was increased from 10% to 20% in Labuan and Sarawak in 2021. Planned increase from 10% to 20% in Sabah and peninsular Malaysia was temporarily put on hold from previous timeline of June 2021 for Sabah and December 2021 for the Peninsula***.***

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.

To ensure adherence to government product substitution requirements, the Company monitors developments in government policies and coordinates with regulators.

The Company's business strategies require significant capital expenditures and financing, 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 depends upon the timely and successful completion of its planned capital expenditure projects. Specifically, the Company intends to (i) continue investment in the Petron Bataan Refinery facilities to (a) ensure reliability and efficiency of critical refinery processes, and (b) reduce costs with the construction of a new power plant which would replace some of its old generators and generate incremental power and steam; (ii) continue to build service stations in high-growth or high-volume sites and expand its retail network for its LPG and lubes segment; (iii) expand and upgrade its logistics capacity, and (iv) expand Malaysia operations with new service stations and facilities improvements in the Port Dickson Refinery and terminals in compliance with applicable regulations.

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 the Petron Bataan 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 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 indebtedness to finance its capital expenditure projects. 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.

The Company judiciously monitors its capital expenditure projects and ensures costs are within budget and progress is on track. The Company likewise practices prudent financial management.

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% VAT on the sale or importation of petroleum products in 2006.

On January 1, 2018, Republic Act No. 10963, also known as the Tax Reform for Acceleration and Inclusion Law, took effect (the "**TRAIN Law**"). The TRAIN Law is the first package under the comprehensive tax reform program of the Philippine government ("**CTRP**"). The TRAIN Law imposed a phased increase in excise taxes on petroleum products from 2018 to 2020. The schedule of increase for this three-year period was ₱2.65- ₱2-₱1 per liter ("/li") per year for premium unleaded gasoline, ₱2.50-₱2-₱1.50/li per year for diesel and fuel oil, ₱1- ₱1-₱1/kg per year for LPG, and ₱0.33-₱0-₱0/li per year for jet fuel. The incremental excise tax is further subject to 12% VAT. Higher excise taxes can potentially constrain demand growth, especially for LPG given there are substitutes such as charcoal, kerosene and electric, and gasoline with public transportation as alternative means of transportation. The TRAIN Law also mandates the implementation of a fuel marking program for diesel, gasoline and kerosene to help curb illicit trading of fuel products. The cost for the fuel marker was subsidized by the government in the initial year of implementation and eventually passed on to oil companies effective September 2020.

The second package of the tax reform program, also known as the CREATE Act, was passed by both the House of Representatives and Senate of the Philippines on February 3, 2021, and signed into law by the President of the Philippines on March 26, 2021 as Republic Act No. 11534. The CREATE Act took effect on April 12, 2021, fifteen (15) days after its publication in a newspaper of general circulation last March 27, 2021. In approving the CREATE Act, the President of the Philippines vetoed certain provisions including, among others, provisions relating to entitlement of domestic market enterprises with an investment capital of ₱500 million and domestic market enterprises engaged in activities that are classified as *"*critical*"* to a special corporate income tax. The CREATE Act lowers the corporate income tax and provides for rationalization of fiscal incentives that may be granted by investment promotion agencies (such as the Authority of the Freeport Area of Bataan) to qualified registered business enterprises. Under the CREATE Act, the corporate income tax rate for domestic corporations and resident foreign corporations shall be reduced to 25% effective July 1, 2020 and effective on January 1, 2021 for non-resident foreign corporations; domestic corporations, resident foreign corporations no longer have an option to be taxed at 15% on gross income; and the rate of the minimum corporate income tax ("**MCIT**") is lowered to 1% from July 1, 2020 to June 30, 2023.

As part of the rationalization of tax incentives, the CREATE Act provides that (i) any law to the contrary notwithstanding, the importation of petroleum products by any person shall be subject to the payment of applicable duties and taxes under the Customs Modernization and Tariff Act and the National Internal Revenue Code, respectively, upon importation into the Philippine customs territory and/or into free zones (as defined in the Customs Modernization and Tariff Act), subject to the right of the importer to file claims for refund of duties and taxes under applicable law; and (ii) the importation of crude oil that is intended to be refined at a local refinery, including the volumes that are lost and not converted to petroleum products when the crude oil actually undergoes the refining process, shall be exempt from payment of applicable duties and taxes, provided the applicable duties and taxes on the refined petroleum products shall be paid upon the lifting of the petroleum products produced from the imported crude oil in accordance with the rules and regulations that may be prescribed by the Bureau of Customs and the Bureau of Internal Revenue ("**BIR**") to ensure that crude oil shall not be lifted from the refinery without payment of appropriate duties and taxes.

On September 9, 2019, the House of Representatives approved House Bill No. 304 ("**HB 304**") entitled "Passive Income and Financial Intermediary Taxation Act", representing the fourth package of the CTRP. HB 304 has been transmitted to the Senate of the Philippines for its concurrence and remains pending with the Senate of the Philippines as of the date of this Prospectus. Based on the version of HB 304 approved by the House of Representatives, the proposed law includes the following tax reforms, among others: (a) revocation of tax exemption of long-term deposit or investment and (b) imposition of (i) a uniform final withholding tax rate of 15% on interest income on debt regardless of currency, maturity, issuer and other differentiating factors and (ii) a uniform rate of 15% on dividends and capital gains on sale of all types of securities.

The other tax reform packages that the government hopes to implement under the CTRP include tax amnesties (estate and general), as well as "sin" (*e.g.*, alcohol, gaming), property, passive income and financial intermediaries, and luxury taxes. The fourth package under the CTRP proposes to remove the transaction tax on listed and traded debt instruments by 2026, and exempt non-monetary documents from documentary stamp tax.

On June 1, 2018, the Malaysian government withdrew the Goods and Services Tax (GST). The GST was replaced with a Sales and Services Tax (SST) on September 1, 2018.

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 Malaysian Ringgit against the U.S. dollar.

The substantial majority of the Company's revenues are denominated in either Philippine Pesos or Malaysian Ringgit, while the substantial majority of its expenses, including crude oil purchases and foreign currency denominated debt service costs, are denominated in U.S. dollars. In the year ended December 31, 2019, 2020, and in the first three months of 2021, approximately 52%, 55% and 45%, respectively, of the Company's revenues were denominated in Philippine Pesos, approximately 34%, 32% and 38%, respectively, of its revenues were denominated in Malaysian Ringgit, while approximately 61%, 61% and 69%, respectively, of its cost of goods sold were denominated in U.S. dollars. In addition, as of March 31, 2021, 28% 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, 2018 to March 31, 2021, the value of the Peso against the U.S. dollar fluctuated from a low of ₱47.90 to a high of ₱54.41. In the same period, the value of the Malaysian Ringgit against the U.S. dollar fluctuated from a low of RM3.8510 per U.S. dollar to a high of RM4.4410 per U.S. dollar. See "*Exchange Rates*." 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 Malaysian Ringgit will not decline or continue to fluctuate significantly against the U.S. dollar, and any significant future depreciation of the Peso or the Malaysian Ringgit could have a material adverse effect on the Company's margins, results of operations and financial condition.

The Company undertakes hedging of foreign exchange risk to manage its exposure to foreign currency denominated liabilities and the risk posed by foreign exchange fluctuations in the cost of its imported petroleum products.

The Company depends on experienced, skilled and qualified personnel and management team, 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. Loss or shortage of such experienced, skilled or qualified personnel may lead to operating challenges and may incur additional costs in hiring and training new personnel given the high investment in technical trainings and long learning curve needed to train such personnel. Increasing competition in sourcing talents also poses an added challenge as companies vie to attract and employ people with the desired competencies. Inability to identify and train replacement employees (including the transfer of significant internal historical knowledge and expertise to new employees), the limited qualified talent in the labor market, 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, if not well-managed, may disrupt and affect the entire Company's operations, outputs, and financials.

In addition, the Company significantly relies on, and will likely continue to rely on, the continued individual expertise and collective contributions of its management team. The Company recognizes that these key personnel may separate from the Company at any point (*e.g.*, by retirement or resignation, among others); thus, a sound management succession plan is in place. However, the inability to retain and engage members of its management team or failure of the succession plan to materialize could have a material adverse effect on the overall operation of its business.

To mitigate this risk, the Company ensures that its compensation and benefit packages for its management, officers, staff and rank-and-file are comprehensive, relevant, and at par with industry standards. Promotions and pay raises are given to select employees as a recognition of their outstanding work performance. In addition, performance appraisals are conducted regularly to ensure the alignment of employees' outputs towards the Company's corporate objectives and targets.

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

San Miguel Corporation ("**SMC**"), directly and indirectly, holds 68.26% of the Company's outstanding common equity as of March 31, 2021. See "*Ownership and Capitalization – List of Top 20 Stockholders*." SMC is not obligated to provide the Company with financial support. The interests of SMC may differ from those of the Bondholders. SMC may direct the Company in a manner that is contrary to the interests of the Bondholders. There can be no assurance that conflicts of interest among SMC, its shareholders and the Bondholders will be resolved in favor of the Company's shareholders or Bondholders. 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.

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**"); expansion of its sales network and logistics capability, 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 interruptions 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 Petron Bataan Refinery for material damages and machinery breakdown. All insurance policies relating to the Company's Philippine operations are written by Petrogen Insurance Corporation ("**Petrogen**"), formerly a wholly-owned subsidiary. In January 2021, SMC made a ₱3.0 billion equity investment in Petrogen, enabling Petrogen to expand its insurance business. 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.

The Company regularly reviews and updates its insurance policies to ensure it is reasonably protected from foreseeable events and risks.

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 "*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 Company's business, financial position, results of operations and cash flows. With respect to the ongoing legal cases, 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. In certain cases, the Company has made provisions in its financial statements for possible liabilities arising from adverse results of these legal proceedings.

Changes in applicable accounting standards may impact the Company's businesses, financial condition and results of operations.

The PFRS Council issues, from time to time, new standards and amendments to existing standards and interpretations. There can be no assurance that the Company's financial condition, results of operations or cash flows will not appear to be materially worse under the new standards. Furthermore, any failure to successfully adopt the new standards may adversely affect the Company's results of operations or financial condition.

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 2020 and in the first three months of 2021, the Company derived approximately 65% and 62%, respectively, of its sales from its Philippine operations and approximately 35% and 38%, 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 Malaysian Ringgit, 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 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, including acts of political violence. In the last few decades, there has been political instability in the Philippines, including extra-judicial killings, alleged electoral fraud, impeachment proceedings against two former presidents, two chief justices of the Supreme Court of the Philippines, and public and military protests arising from alleged misconduct by previous administrations. In addition, a number of officials of the Philippine government are currently under investigation or have been indicted on corruption charges stemming from allegations of misuse of public funds, extortion, bribery, or usurpation of authority. There can be no assurance that acts of political violence will not occur in the future and any such events could negatively impact the Philippine economy.

No assurance can be given that the future political or social environment in the Philippines will be stable or that current and future governments will adopt economic policies conducive for sustaining economic growth. An unstable political or social environment, whether due to the 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 business, operations, and financial condition of Petron.

The Philippines has also been subject to a number of terrorist attacks and the Armed Forces of the Philippines has been in conflict with groups which 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. For example, in May 2017, the city of Marawi in Lanao del Sur, Mindanao, was assaulted by the Maute Group, terrorists which were inspired by pledged allegiance to the Islamic State of Iraq and Syria ("**ISIS**"). Due to the clash between the Government forces and the terrorists and the risk of the armed conflict spilling over to other parts of

Mindanao, martial law was declared in the entire island of Mindanao, Philippines. In October 2017, the city was declared liberated from the terrorists. Despite this, the Philippine Congress extended the imposition of martial law in Mindanao until the end of 2019, citing persistent threats of terrorism and rebellion and to ensure the total eradication of ISIS-inspired terrorists in the country. The martial law in Mindanao was lifted on January 1, 2020, however certain areas in Mindanao remain under a state of emergency and law enforcement groups are in heightened security as a measure against potential terror threats. An increase in the frequency, severity or geographic reach of these terrorist acts could destabilize the Philippines, and adversely affect the country's economy. These armed conflict and terror attacks could lead to further injuries or deaths by civilians and members of the military, which could destabilize parts of the country and adversely affect the country's economy.

Territorial and other disputes with neighboring states may disrupt the Philippine economy and business environment.

Competing and overlapping territorial claims by the Philippines, China and several Southeast Asian nations (such as Vietnam, Brunei and Malaysia) over certain islands and features in the West Philippine Sea (South China Sea) have for decades been a source of tension and conflicts. China claims historic rights to nearly all of the West Philippine Sea based on its so-called "nine-dash line" and in recent years dramatically expanded its military presence in the sea which has raised tensions in the region among the claimant countries. In 2013, the Philippines became the first claimant country to file a case before the Permanent Court of Arbitration, the international arbitration tribunal based at the Hague, Netherlands to legally challenge claims of China in the West Philippine Sea and to resolve the dispute under the principles of international law as provided for under the United Nations Convention on the Law of the Sea (UNCLOS). In July 2016, the tribunal rendered a decision stating that the Philippines has exclusive sovereign rights over the West Philippine Sea (in the South China Sea) and that the "nine-dash line" claim of China is invalid. The Philippine government, under the Duterte administration, has taken action to de-escalate tensions concerning the territorial dispute with China.

There is no guarantee that the territorial dispute between the Philippines and other countries, including China, would end or that any existing tension will not escalate further, as China has taken steps to exercise control over the disputed territory. In such event, the Philippine economy may be disrupted and its business and financial standing may be adversely affected.

Any deterioration in the Philippine economy as a result of these territorial disputes, including a significant depreciation of the Philippine Peso or increase in interest rate, may adversely affect consumer sentiment and lead to a reduction in consumer spending generally. This, in turn, could materially and adversely affect Petron's financial condition and results of operations, and its ability to implement its business strategy and expansion plans.

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 range of major natural or man-made catastrophes, 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. There can be no assurance that the insurance coverage that the Company 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 in 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 the Philippines upon such persons or to enforce against them judgments obtained in courts or arbitral tribunals outside the Philippines.

While the Philippines is a party to the United Nations Convention on the Enforcement and Recognition of Arbitral Awards, it 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 and (iv) such judgment was not contrary to public policy, public order, law, morals or good customs 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 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 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**"). These policies 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 the 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 capital, divestment proceeds, profits, dividends, rental, fees and interest arising from investment in Malaysia, subject to the applicable reporting requirements and any withholding tax. Repatriation, however, must be made in a 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. 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, including its obligations under the Bonds, which could materially and adversely affect its financial condition and results of operations.

RISKS RELATING TO THE BONDS

Liquidity Risk

The Philippine debt securities markets, particularly the market for corporate debt securities, are substantially smaller, less liquid and more concentrated than other securities markets. The Company cannot guarantee whether an active trading market for the Bonds will develop or if the liquidity of the Bonds will be sustained throughout its life. 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, adverse business developments in the Company and the overall market for debt securities among other factors. There is no assurance that the Bonds may be easily disposed at prices and volumes at instances best deemed appropriate by their holders.

Pricing Risk

The market price of the Bonds will be subject to market and interest rate fluctuations, which may result in the investment being appreciated or reduced in value. The Bonds when sold in the secondary market will be worth more if interest rates decrease since the Bonds will have a higher interest rate, relative to similar debt instruments being offered in the market, further increasing demand for Bonds. However, if interest rates increase, the Bond might be worth less when sold in the secondary market. Thus, a Bondholder could face possible losses if he decides to sell in the secondary market.

Reinvestment Risk

Prior to the relevant Maturity Dates, the Issuer shall have the option, but not the obligation, to redeem in whole (and not in part), the outstanding Bonds on the relevant Early Redemption Dates (see *"Description of the Offer Bonds – Redemption and Purchase (a) Early Redemption Option"*). 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.

Retention of Ratings Risk

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.

Repayment Risk

Upon maturity, the Issuer will be required to redeem all of the Bonds. At such event, 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 robust 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.

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 Company is notarized, such that no other loan or debt facility to which the Company is a party 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 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 Company shall at the Company's option, either procure a waiver of the preference created by such notarization or equally and ratably extend such preference to the Bonds.

RISKS ASSOCIATED WITH THE PRESENTATION OF CERTAIN INFORMATION IN THIS PROSPECTUS

Certain information contained herein is derived from unofficial publications.

Certain information in this Prospectus relating to the Philippines, Malaysia and the industry in which the Company's business operates, including statistics relating to market size and market share, is derived from various internal surveys, market research, government data, private publications and/or the Company's internal assumptions and estimates. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable. However, there is no assurance that such information is accurate, complete, up-to-date or consistent with information compiled within or outside the Philippines or Malaysia. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and neither the Company nor the Underwriters make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

USE OF PROCEEDS

The intended use of proceeds for the particular tranche of the Bonds being offered shall be set out in the relevant Offer Supplement under "*Use of Proceeds*".

No amount of the proceeds is to be used to reimburse any officer, director, employee, or shareholder for services rendered, assets previously transferred, money loaned or advanced, or otherwise.

The Company undertakes that it will not use the net proceeds from the Offer for any purpose, other than as discussed in the Offer Supplement. The Company's cost estimates may also change as these plans are developed further, and actual costs may be different from budgeted costs. For these reasons, timing and actual use of the net proceeds may vary from the foregoing discussion and the Company's management may find it necessary or advisable to alter its plans. In the event of any substantial deviation, adjustment or reallocation in the planned use of proceeds, the Company shall inform the SEC, the PDEx, and the holders of the Bonds in writing at least 30 days before such deviation, adjustment or reallocation is implemented. Any material or substantial adjustments to the use of proceeds, as indicated above, should be approved by the Board or the Executive Committee, and disclosed to the PDEx.

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 the Bonds shall be set out in the relevant Offer Supplement.

THE COMPANY

OVERVIEW

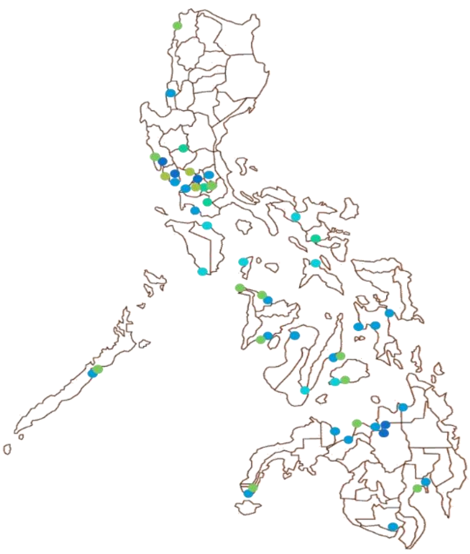
Petron operates the only integrated oil refinery in the Philippines and is a leading oil marketing company. The Company had an overall market share of approximately 22.1%[2] of the Philippine oil market for the year ended December 31, 2020 in terms of sales volume based on Company estimates using its internal assumptions and calculations and industry data from the Philippine DOE. Petron is also a leading player in the Malaysian market. The Company entered the Malaysian market in March 2012 through the purchase of ExxonMobil's downstream oil business in Malaysia. For the period ended March 31, 2021, the Company ranked third in the Malaysian retail market with more than 21% market share, based on Company estimates using its internal assumptions and calculations and industry data from a third-party market research consultant appointed by Malaysian retail market participants to compile industry data. Petron refines crude oil and markets and distributes refined petroleum products in the Philippines and Malaysia with a combined refining capacity of 268,000 bpd.

The Company's FAB-registered Petron Bataan Refinery in Limay, Bataan in the Philippines, a full conversion refinery with a crude oil distillation capacity of 180,000 bpd, processes crude oil into a range of white petroleum products such as naphtha, gasoline, diesel, LPG, jet fuel, kerosene, and petrochemical feedstock such as benzene, toluene, mixed xylene and propylene.

From the Petron Bataan Refinery, the Company moves its products, mainly by sea, to terminals and airport installations situated throughout the Philippines, representing the most extensive distribution network for petroleum products in the Philippines. The network comprises 13 terminals in Luzon, seven in Visayas and eight in Mindanao, as well as four airport installations in Luzon, five in Visayas and three in Mindanao. Through this nationwide network, the Company supplies its various petroleum products such as gasoline, diesel, and LPG to its customers as well as jet fuel to international and domestic carriers.

The map below presents the geographic reach of the Company's terminals, airport installations, and manufacturing plants in the Philippines as of July 1, 2021.

LOGISTICS NETWORK



4	**Third Party / Import Facilities** SLHBTC, SL PanAsia, SL PHIVIDEC, Subic
20	**Bulk Terminals** Navotas, Rosario, Poro, Limay, Batangas, Palawan, Mandaue, Ormoc, Isabel, Iloilo, Bacolod, Tacloban, Roxas, Tagoloan, Nasipit, Iligan, Jimenez, Zamboanga, Bawing, Davao
7	**Sales Offices** Pasacao, Calapan, Masbate, San Jose, Odiongan, Amlan, Tagbilaran
4	**Dedicated LPG Facilities** Pasig, San Fernando, Legazpi, San Pablo, and 12 Allied Refilling Plants
12	**Into-Plane Operations** Laoag, NAIA, Clark, Puerto Princesa, Caticlan, Kalibo, Mactan, Iloilo, Panglao, Zamboanga, Davao, Laguindingan
3	**Manufacturing Plants** Pandacan Grease Plant, Harbor Center Lube Oil Blending Plant, Subic Additive Plant

[2] Market share is derived from Company estimates based on Company information and data from the Philippine Department of Energy for the year ended December 31, 2020. Company estimates exclude all direct imports of end users.

Through its network of more than 2,000 retail service stations in the Philippines as of March 31, 2021, the Company sells gasoline, diesel, and kerosene to motorists and to the public transport sector. Approximately 38% of the Company's service stations are CODO while the remaining 62% are DODO. As of March 31, 2021, the Company's LPG distribution network includes more than 1,200 branch stores. Petron also sells its LPG brands "*Gasul*" and "*Fiesta Gas*" to households and other consumers through its extensive dealership network.

In Malaysia, the Company owns and operates the Port Dickson Refinery located in the state of Negeri Sembilan, which has a crude oil distillation capacity of 88,000 bpd, and produces a range of petroleum products, including LPG, naphtha, gasoline, jet fuel, diesel and low-sulfur waxy residue ("**LSWR**"). As of March 31, 2021, the Company had 10 product terminals, a Palm Oil Methyl Ester ("**PME**") production facility and a network of more than 720 retail service stations in Malaysia, of which about 59% are CODO and 41% are DODO.

While the Company's products are primarily sold to customers in the Philippines and Malaysia, the Company also exports various petroleum products and petrochemical feedstock, including LSWR, gasoline, diesel, LPG, molten sulfur, naphtha, mixed xylene, benzene, toluene and propylene, to other customers in the Asia-Pacific region such as China, Taiwan, Singapore, Thailand, Indonesia, Malaysia, Vietnam, Hong Kong and India. The Company's revenues from these export sales amounted to ₱15,529 million, or 5% of total sales for the year ended December 31, 2020, and ₱5,065 million, or 6% of total sales in the first three months of 2021.

For the years ended December 31, 2018, 2019, 2020, and the first three months of 2021, the Company's sales were ₱557,386 million, ₱514,362 million, ₱286,033 million and ₱ 83,307 million respectively, and net income/loss was ₱7,069 million, ₱2,303 million, (₱11,413 million) and ₱1,730 million, respectively**.**

Petron is a subsidiary of San Miguel Corporation ("**SMC**"), one of the largest and most diversified conglomerates in the Philippines, which has market-leading businesses in various sectors, including beverages, food, packaging, fuel and oil, energy, infrastructure and property, and investments in car distributorship and banking services. The Company's common shares are listed on the Philippine Stock Exchange under the symbol "PCOR" and the common shares of its subsidiary, Petron Malaysia Refining & Marketing BHD, are listed on the Bursa Malaysia under the symbol "PETRONM."

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%.

RECENT DEVELOPMENTS

The COVID-19 Pandemic

COVID-19, an infectious disease that was first reported to have been transmitted to humans in late 2019, was declared as a pandemic by the World Health Organization and spread globally over the course of 2020. Countries have taken measures in varying degrees to contain the spread of COVID-19, including social distancing measures, community quarantine or lockdowns, the suspension of operations of non-essential businesses and travel restrictions.

For its part, the Government issued a series of directives and social distancing measures as part of its efforts to contain the outbreak in the Philippines. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months and an enhanced community quarantine ("**ECQ**") was imposed on the island of Luzon, including Metro Manila, which lasted through May 15, 2020 (the "**ECQ period**"). Under the ECQ guidelines, restrictions on movement outside of the residence were set in place (ranging from stay-at-home orders to total lockdowns), mass transport facilities were suspended, schools were closed and alternative work arrangements were implemented. The COVID-19 pandemic affected most daily activities and forced many businesses to suspend operations or shut down for the duration of the ECQ. Only essential businesses such as plants involved in manufacturing and processing basic food products, medicine, medical devices/equipment and essential products such as hygiene products, and delivery services transporting food, medicine and essential goods, as well as essential sectors such as hospitals, power and water utilities were allowed to operate, subject to certain conditions and limitations on operating capacity. Similarly, in Malaysia, a movement control order ("**MCO**") was instituted.

After the ECQ was lifted in certain areas, a modified ECQ ("**MECQ**"), general community quarantine ("**GCQ**") or modified GCQ ("**MGCQ**") was implemented. The graduated lockdown schemes from ECQ, MECQ, GCQ, and MGCQ impose varying degrees of restrictions on travel and business operations in the Philippines. The Government continues to calibrate the imposition of lockdown or community quarantine measures across the country depending on the situation in specific localities. As of the date of this Prospectus, Metro Manila and certain neighboring provinces are currently under GCQ. While most of the Luzon island and other provinces have been placed on various levels of community quarantine, the government has commenced vaccination for those considered as high-risk individuals including healthcare workers, senior citizens, and individuals with comorbidities. The vaccination of health care workers in the country started on February 15, 2021 and to date, the Government continues its vaccination drive.

The ECQ, graduated quarantine measures and MCO restrictions significantly affected volumes of both Philippine and Malaysian operations as these reduced economic activities and restricted travel. As such, the operations of the Petron Bataan Refinery were suspended from May to August 2020 and from February to May 2021. The Port Dickson Refinery, on the other hand, continued operations during the MCO although production was reduced to minimum turn-down rate in line with reduced domestic demand. In addition, there was a scheduled 20-day shutdown in October 2020 for catalyst regeneration. The Company saw a gradual recovery in sales volumes starting the third quarter of 2020 with fuel consumption increasing, partly as a result of relaxing quarantine measures. Given the volatility in oil prices, however, particularly when global oil prices plunged in March 2020 coupled with modest gains after the easing of certain restrictions, the Company's consolidated sales for the year ended December 31, 2020 were substantially lower than for the year 2019 and resulted in a net loss.

The extent of the COVID-19 pandemic impact in the short-term will depend on future developments, including the timeliness and effectiveness of actions taken or not taken to contain and mitigate the effects of COVID-19 both in the Philippines and internationally by governments, central banks, healthcare providers, health system participants, other businesses and individuals, which are highly uncertain and cannot be predicted.

Measures Taken to Ensure Safety and Well-Being

To ensure a safe return to work, the SMC Group purchased polymerase chain reaction ("**PCR**") testing kits to cover the estimated 70,000 employees, consultants, partners and service providers in the SMC Group's system, including Petron's employees. The Company has been cautiously allowing employees to return to the workplace and has taken measures to ensure employee safety and well-being and to protect its facilities, which include, but are not limited to, checking the temperature of employees and other persons when they enter its offices and facilities, maintaining an adequate supply of alcohol and hand sanitizers for use at the premises, requiring employees to wear masks and other protective clothing as appropriate, minimizing in-person meetings, and implementing additional cleaning and sanitization routines.

The Company continues to review and will implement the necessary changes to its operations and business processes as well as its capital expenditure plans in view of the global and local economic factors as a result of the COVID-19 pandemic.

Together with SMC, Petron also continued to support health workers and underprivileged communities affected by the pandemic. Petron has donated free fuel, PPE, and other donations to medical frontliners, its scholars, and communities. Through SMC, Petron also provided fuel subsidy to the Department of Transportation ("**DOTr**") to help medical frontliners avail of free transport. Petron also partnered with Hyundai Philippines to help transport frontliners and locally stranded individuals. Petron recently pledged its support to the Ingat Angat program, a multi-sector campaign envisioned to rebuild consumer confidence in the new normal. Leveraging on its vast nationwide presence, Petron – which operates the widest petroleum retail network in the country – has displayed Ingat Angat collaterals at 900 of its service stations.

The CREATE Act

On March 26, 2021, Republic Act No. 11534, otherwise known as the CREATE Act, was signed into law by the President of the Republic of the Philippines. For further discussion, please refer to section on "Taxation" on page 136.

Under the CREATE Act, the Company shall be entitled to, among others: (i) lower regular corporate income tax rate from 30% to 25%; (ii) lower minimum corporate income tax rate from 2% to 1%; (iii) income tax exemption on dividends received from foreign subsidiaries which are at least 20% owned by a domestic corporation; and (iv) exemption of a local petroleum refinery from taxes and duties upon importation of crude oil, but will be subject to applicable taxes and duties upon lifting of refined petroleum products from the refinery.

Freeport Area of Bataan Registration

On December 28, 2020, the AFAB and the Company entered into a Registration Agreement pursuant to which the Company's Petron Bataan Refinery complex was approved as a FAB-registered enterprise. The Company believes that the AFAB registration would result in a more level playing field among fuel and oil marketing and distribution companies. The Company's competitiveness has suffered vis-à-vis other players in the market which are not refiners because VAT is imposed on the Company's importation of crude oil while non-refiners pay VAT and excise tax upon importation and, in the case of non-refiners located in special economic zones, upon withdrawal of finished products. There are generally 60 days between importation of crude and lifting of the finished products produced therefrom at the Petron Bataan Refinery, and another 15 days to sell at retail, so the Company is unable to pass on the VAT for a longer time compared to its non-refining competitors. Also, not all of the crude imported by the Company, for which VAT is imposed and paid, is refined into finished petroleum products and sold to consumers, again resulting to higher input VAT absorbed by the Company and adding to the disparity versus its non-refining competitors. As a FAB-registered enterprise, the Company will be entitled to: (i) tax- and duty-free importation of merchandise which include raw materials, capital equipment machineries and spare parts; (ii) exemption from export wharfage dues, export taxes, imposts, and fees; and (iii) VAT zero-rating of local purchases subject to compliance with BIR and AFAB requirements.

Petron subsidiary New Ventures Realty Corporation ("**NVRC**") also applied for the declaration of the Petron Bataan Refinery properties, its leased premises, as a FAB Expansion Area. On December 28, 2020, NVRC likewise entered into a FAB Expansion Area Agreement with the AFAB. Locators within NVRC's FAB Expansion Area will be entitled to the same incentives above.

Other Recent Developments

The Petron Bataan Refinery underwent a planned total plant shutdown from February 10 to May 22, 2021. Importation of products was done to continually serve demand. Opportunity maintenance works were done during the period. Refinery startup proceeded on May 23 and is currently operating stably.

On February 22, 2021, the Company executed an asset and purchase agreement with San Miguel Foods, Inc. and Foodcrave Marketing, Inc. (collectively, the "**San Miguel Food Group**") for the reacquisition by the Company of the *Treats* convenience store business for an aggregate purchase price of ₱64 million. The sale was completed on March 1, 2021.

On April 19, 2021, Petron issued US$550,000,000 Senior Perpetual Capital Securities with an initial rate of distribution of 5.95% per annum. On April 20, 2021, the Senior Perpetual Capital Securities were listed on the SGX-ST. The net proceeds were applied for the repayment of indebtedness and for general corporate purposes.

Construction of a new power plant in the Petron Bataan Refinery is currently ongoing to increase the capacity of its existing power plant from 140MW to 184MW. The power plant is designed to generate power and steam required by the Refinery, utilizing cheaper feedstock (petcoke) in lieu of more expensive fuel oil. Construction is expected to be completed in the second half of 2022.

CORPORATE HISTORY AND MILESTONES

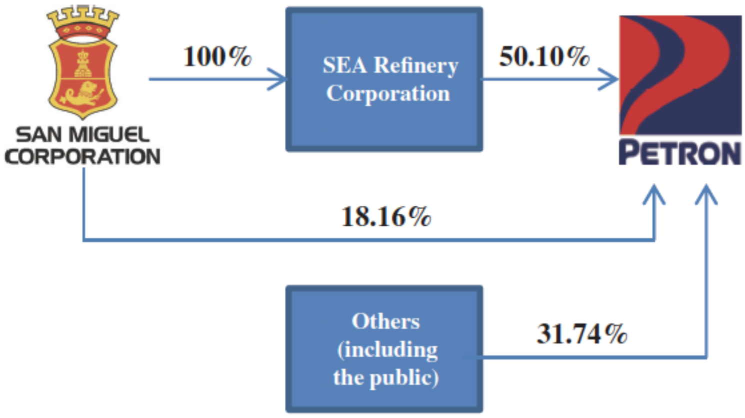
Certain key dates and milestones for the Company's business are set forth below.

1957	Standard Vacuum Oil Company was granted a concession to build and operate the Petron Bataan Refinery in Limay, Bataan owned by Bataan Refining Corporation.
1961	The Petron Bataan Refinery commenced commercial operations with a capacity of 25,000 bpd.
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 Petron Bataan Refinery commenced operations, marking the Company's entry into the petrochemicals market.
2008	The petrofluidized catalytic cracking ("**PetroFCC**") unit in the Petron Bataan 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 Petron Bataan 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 Petron Bataan Refinery commenced operations, enabling the Company to produce benzene and toluene.
2010	The Company acquired a 40% stake in PAHL, the ultimate parent company of 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 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 second phase of the Refinery Master Plan ("**RMP-2**"), a US$2 billion project designed to enable the Petron Bataan 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 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 Berhad." The Company's acquisition of ExxonMobil's downstream oil business in Malaysia extended 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%.
2013	The Company sold to SMC Powergen Inc. the cogeneration power plant located in the Petron Bataan Refinery.
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, 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%. The Company acquired from SMC Powergen Inc. the cogeneration power plant.
2017	In March 2017, the Company introduced Blaze 100 Euro 6 gasoline. Petron Blaze is the first premium plus gasoline in the Philippines with 100 octane and the first local fuel to surpass Euro 6 fuel standards. In October 2017, the Company completed the sale of its 10,449,000 shares in MNHPI (equal to 34.83% of MNHPI's outstanding shares) to International Container Terminal Services, Inc.
2020	In September 2020, the Company sold all its shares in Petrofuel Logistics, Inc. to San Miguel Integrated Logistics Services, Inc. In December 2020, the Company entered into a Registration Agreement with the AFAB pursuant to which the Petron Bataan Refinery complex was approved as a FAB registered enterprise. In the same month, NVRC also entered into a FAB Expansion Area Agreement with the AFAB.
2021	In February 2021, the Securities and Exchange Commission approved the increase in the capital stock of Petrogen from ₱750 million to ₱2.25 billion, out of which 1,494,973 shares were issued to SMC, making Petrogen 25.06%-owned by Petron and 74.94%-owned by SMC. In March 2021, the Company acquired from San Miguel Foods, Inc. and Foodcrave Marketing, Inc. the *Treats* convenience store business for an aggregate purchase price of ₱64 million.

OWNERSHIP AND CORPORATE STRUCTURE

The Company is a publicly listed company jointly owned by SEA Refinery, SMC and others, including the general public. The chart below sets forth the ownership structure of the Company's common shares as of March 31, 2021.



SEA Refinery is a Philippine company wholly-owned by SMC.

SUBSIDIARIES, ASSOCIATES AND HOLDING COMPANIES

The table below sets forth the Company's equity interest in its primary operating subsidiaries, associates and holding companies as of the date of this Prospectus, as well as their principal businesses and places of incorporation. As of March 31, 2021, the Company had an insurance subsidiary, Ovincor, which was established to support the insurance requirements of the Company and its allied business partners, including contractors, suppliers, haulers and dealers. Petrogen was a subsidiary of the Company until February 2021 when the Company's interest in Petrogen decreased from 100% to 25.06% while SMC's interest totaled 74.94% following SMC's infusion of a ₱3,000 million equity investment into Petrogen. The Company also has marketing and trading subsidiaries and interests in realty companies to support its core business.

Name of Company	Place (Date) of Incorporation/ Form of Organization	Company's Equity Interest	Principal Business
Overseas Ventures Insurance Corporation Ltd. ("**Ovincor**")	Bermuda (1995)/exempt company	100%	Reinsurance
Petron Freeport Corporation ("**PFC**")	Philippines (2003)/company	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 (2010)/company	100%	Procurement of crude oil, trading of petroleum and petrochemical products, vessel chartering and risk management
Petron Oil & Gas International Sdn Bhd ("**POGI**")	Malaysia (2011)/company	100% indirect interest	Investment holding
Petron Malaysia Refining & Marketing Bhd ("**PMRMB**")	Malaysia (1960)/company	73.4% indirect interest (the other	Manufacturing and marketing of petroleum

Name of Company	Place (Date) of Incorporation/ Form of Organization	Company's Equity Interest	Principal Business
		26.6% is owned by the public)	products in Peninsular Malaysia
Petron Fuel International Sdn. Bhd. ("**PFISB**")	Malaysia (1961)/company	100% indirect interest	Marketing of petroleum products in Peninsular Malaysia
Petron Oil (M) Sdn. Bhd. ("**POMSB**")	Malaysia (1969)/company	100% indirect interest	Marketing of petroleum products in East Malaysia
New Ventures Realty Corporation ("**NVRC**")	Philippines (1995)/company	85.55% (the other 14.45% is owned by PCERP)	Purchase and sale of properties suitable for use as service station sites, bulk plants or sales offices

For the years ended December 31, 2018, 2019, 2020, and in the first three months of 2021, the Company's subsidiaries' contribution to total revenue were ₱206,008 million or 37%, ₱199,578 million or 39%, ₱111,622 million or 39%, and ₱ 38,827 million or 47%, respectively.

None of the foregoing subsidiaries has been a party to any bankruptcy, receivership or similar proceedings and has not undergone or entered into any material classification, merger, consolidation (except as disclosed elsewhere in this Prospectus), purchased or sold a significant amount of assets outside the ordinary course of business.

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 22.1%[3] of the Philippine oil market in the year ended December 31, 2020 in terms of sales volume based on Company estimates using 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.

The Company has more than 2,000 retail service stations in the country as of March 31, 2021, retailing gasoline, diesel, and kerosene to motorists and the public transport sector. Its wide range of world-class fuels includes *Blaze 100 Euro 6*, *XCS*, *Xtra Advance*, *Turbo Diesel* and *Diesel Max*. The Company also sells its LPG brands, *Gasul* and *Fiesta Gas*, to households and other consumers through its extensive dealership network, numbering more than 1,200 branch stores as of March 31, 2021. The Company also manufactures lubricants and greases through its blending plant in Manila and sells these products through its service stations and various lubes outlets.

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.

Logistically-advantaged supply position in the Philippines

In the Philippines, the Company transports its products from the Petron Bataan Refinery to fuel import terminal facilities and airport installations situated throughout the Philippines. Since the closure of the only other operating petroleum refinery in the second half of 2020, the Petron Bataan Refinery remains as the only petroleum refinery in the country. The Petron Bataan Refinery has a total crude oil distillation capacity of 180,000 bpd.

[3] Market share is derived from Company estimates based on Company information and data from the Philippine Department of Energy for the year ended December 31, 2020. Company estimates exclude all direct imports of end users.

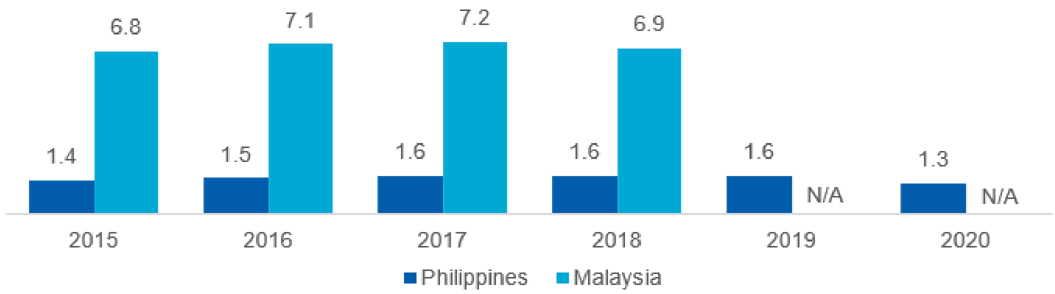
The Company's extensive logistics network (see "*Logistics Network*" map on page 39) includes 28 terminals and 12 airport installations and reaches most key points in the Philippines. Given the challenges of distribution across the Philippine archipelago, this capability plays a significant role in securing the Company's leading position in the Philippines. From Bataan, products are moved mainly by sea to terminals located across the archipelago. Through its robust distribution network, the Company fuels strategic industries such as power generation, manufacturing, mining, agribusiness, among others. Petron also supplies jet fuel to international and domestic carriers at key airports in the Philippines.

The President of the Philippines recently signed the CREATE Act into law last March 26, 2021. Under the CREATE Act, local petroleum refineries shall be exempted from paying taxes and duties upon crude importation, but will be subject to applicable taxes and duties on finished petroleum products upon lifting of refined petroleum products from the refinery. The Company believes that the CREATE Act allows it to be more competitive as domestic petroleum refineries are now taxed on finished products, similar to importers of refined fuel which only pay after sales tax.

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. The IMF projects GDP growth of 6.9% for the Philippines in 2021 and 6.5% in 2022 and 2023, which provides a favorable economic environment to support energy and petroleum products demand growth in the country. In addition, the Philippines has one of the lowest per capita car ownership in the region, and consequently, among the lowest fuel consumption in the region, at 1.6 bbl and 1.3 bbl per capita in 2019 and 2020, respectively. The Company believes this presents potential room for growth that Philippine fuel retailers can capitalize upon.

Figure 1: Per Capita Fuel Consumption in the Philippines and Malaysia (bbl)

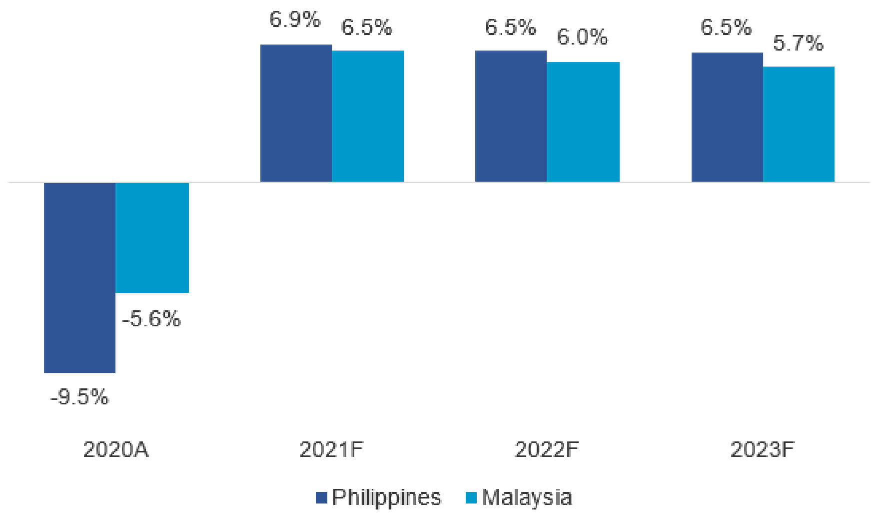


Source: DOE and Malaysia Energy Information Hub. No available MY data for 2019 onwards

For Malaysia, the IMF projects GDP growth of 6.5% in 2021, 6.0% in 2022 and 5.7% in 2023. Malaysia has a significantly higher per capita car ownership than the Philippines and had a per capita fuel consumption of 6.9 bbl in 2018.

The Philippines operates in a deregulated market, with movements in regional prices and foreign exchange reflected in the pump prices on a weekly basis. Malaysia, on the other hand, operates under a regulated environment and implements an automatic pricing mechanism ("**APM**") that provides stable returns to fuel retailers.

Figure 2: Real GDP Growth (2020A to 2023F)



Source: IMF World Economic Outlook (April 2021)

Expanded product offering driving non-fuel 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.

Currently, San Miguel Corporation is also utilizing selected Petron *Treats* convenience stores around the city for the company's new online ordering system. Customers may simply order San Miguel products through the website and pick them up at the selected service stations.

In Malaysia, the Company's retail business markets fuel, LPG and Lubes through a dealer network comprising more than 720 retail service stations located throughout Peninsular and East Malaysia as of March 31, 2021. The Company has approximately 300 *Treats* convenience stores, generating non-fuel income and improving traffic in the service stations.

Since 2013, the Company has partnered with the Royal Malaysia Police to set up Go-To Safety Points ("**GTSPs**") at selected Petron stations in Malaysia. The GTSPs are set up at strategically located service stations to allow the public to seek temporary shelter, increasing safety and security awareness among Petron customers. Motorists can enjoy Petron products and services in a safer and more secure environment.

Large customer loyalty card programs in the Philippines and successful rollout of the Petron App

The Company also offers loyalty programs that complement its retail business, such as the Petron Value Card in the Philippines and the Petron Miles Privilege Card **("PMILES**") in Malaysia. The Company continues to upgrade existing loyalty programs and offer new and diverse programs to cater to the unique needs of customers. Some of the benefits of the Petron Value Card program include 24-hour free towing and roadside assistance, reward points for every purchase and complimentary annual personal accident insurance coverage. PMILES is a loyalty card aimed at ensuring customers enjoy better value, privileges and benefits. PMILES goes beyond fuel, as customers are able to use promocodes and achieve rewards and discounts across a wide range of products and services. Some of PMILES loyalty program partners include BookDoc, Bungkusit, Bawiq, Zalora, The Kuala Lumpur Journal, Escape Parks and AXA among others.

As of March 31, 2021, approximately 5.7 million Petron Value Cards (including Petron Super Driver Cards) have been issued in the Philippines and approximately 12 million PMILES have been issued in Malaysia.

In 2016, the Company launched the Petron mobile application (the "**Petron App**") as a companion for the everyday Filipino motorist. In addition to monitoring Petron loyalty card points earned from transactions at Petron stations, the Petron App also allows customers to track details of fuel spend, locate Petron service stations and car care centers and stay updated on the latest Petron news and promotions. The Petron App also sends customers reminders of the details of services that are available to Petron loyalty cardholders, such as free towing and roadside assistance and personal accident insurance.

With the extensive network of its loyalty card program and the Petron App, the Company believes that it has been able to foster brand loyalty to strengthen its position in both markets in the Philippines and Malaysia. Furthermore, the Company has made informed marketing decisions to cater to the needs of its customers.

Using transactional data, post campaign analyses were conducted to categorize cardholders into segments based on their purchase behaviors to launch strategic promotional activities, product offerings, and targeted loyalty programs with the objective of increasing throughput, up-selling higher value products, and reactivating dormant accounts. Historical carded volume is used in projecting baseline numbers to implement customer programs, forecast incremental sales and gain insights on actual campaign results.

Focus on higher yield products at the integrated Petron Bataan Refinery

Over the years, the Company has developed and maintained a strong core base of petroleum products and has managed to consistently make significant investments in upgrading its facilities. The Company has also focused on increasing production of higher margin White Products and petrochemicals while minimizing production of low margin fuel products. In the Philippines, the investment in RMP-2 allowed the Company to produce Euro IV-standard fuels and convert black products into white products.

The Company is also currently constructing a new power plant to replace some of its old generators and generate incremental power and steam. With the new power plant, products previously used as Refinery fuel will be converted to high-value products. The power plant is expected to be completed by the second half of 2022. In addition, the Company invested in the expansion of its polypropylene plant to capitalize on petrochemical margins. The expansion at the polypropylene plant is expected to be completed by the end of 2021 and will increase its production capacity from 160,000 MT to 225,000 MT annually.

Established position in the Malaysian downstream oil sector

The Company has an established position in the Malaysian downstream oil sector that provides geographic diversification to its portfolio, an additional platform to expand its business and stability to its operations.

The Company's network of service stations and distribution infrastructure in Malaysia facilitate the capture of a growing share of the market. It includes more than 720 service stations, approximately 300 convenience stores, and 10 product terminals as of March 31, 2021. The Company also has a 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**").

The Company's fuel supply in Malaysia comes from its Port Dickson Refinery and domestic and import purchases. The Port Dickson Refinery processes crude oil acquired from various sources. The Company has completed the construction of its diesel hydrotreater process unit, allowing the Port Dickson Refinery to comply with the Euro 5 specification for diesel (10 ppm sulfur) mandated by the Malaysian government effective April 2021. Furthermore, construction of onshore facilities and one of two additional product tanks were completed in March 2021, while the remaining product tank and offshore facilities are targeted to be completed by middle of the year. These are expected to generate savings on freight costs.

The Malaysian government regulates the pricing structure through the 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. Effective March 30, 2017, the Malaysian government implemented a managed float system under which the Malaysian government fixes the government-mandated retail prices of RON 95 and RON 97 petroleum and diesel on a weekly basis based on the Mean of Platts Singapore. If government-mandated prices are lower than the fuel products' total built-up cost per the APM, the Company receives subsidies from the Malaysian government. Conversely, if government-mandated prices are higher than the fuel products' total built-up cost per the APM, the Company pays duties to the Malaysian government. 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.

Experienced management team and employees and strong principal shareholder in 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 Petron Bataan 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 9.6 years for the Philippines and 9.5 years for Malaysia.

SMC, directly and indirectly, holds an effective 68.26% of the Company's outstanding common equity. See "*Ownership and Corporate Structure*." SMC is among the largest and most diversified Philippine conglomerates, which has market-leading businesses in various sectors, including beverages, food, packaging, fuel and oil, energy, infrastructure and property, and investments in car distributorship and banking services.

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.

STRATEGIES

The Company's principal strategies are set out below:

Maximize volume growth and 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 and Malaysia are still underserved and have strong potential for growth. To capture this growth and further strengthen its market position, the Company will embark on: (i) offering competitive prices to boost volumes amidst a highly competitive market; (ii) increasing its retail outlets for fuels and LPG to improve market penetration and arrest the growth of other industry players; (iii) improving productivity of existing service station network; (iv) introducing new products with differentiated and superior qualities; (v) expanding lubes distribution network by putting up more sales channels such as new lubes outlets, sales centers and car care centers, and penetrating non-traditional outlets such as auto parts and repair shops; (vi) continuing to expand its non-fuel businesses by capitalizing on the reacquired Treats convenience store business, leasing additional service station spaces to food chains, coffee shops and other consumer services or franchising those establishments to provide "value conscious" customers with a one-stop full-service experience; and (vii) 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.

Innovation as tool for customer retention and growth

The Company intends to continue to invest in its digital offerings such as the Petron App to provide value-added services to its customers and increase interaction by cross-selling into non-fuel retail offerings, tie-ups with other merchants and insurance products, among others. In addition, contactless payment solutions through PayMaya are now offered in more than 970 service stations nationwide as of March 31, 2021. The Company’s market leadership and customer brand awareness, coupled with digital offerings such as online orders and pick-ups at service stations nationwide, will serve to increase customer frequency and, in turn, increase fuel sales as well as non-fuel sales.

The Company will continue to position Petron as a premium brand with premium fuel and lubricants offerings in addition to other related products. The Company seeks to maintain and further strengthen its established position in the Philippines and Malaysia by reinforcing business relationships with existing customers, providing differentiated service offerings in its retail service stations and by promoting enhanced loyalty programs in both countries.

Maximize 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.

Going forward, the Company expects to continue investing in upgrading its production capability with a focus on high-margin petroleum products and petrochemicals.

Ensure reliability and efficiency of refinery operations

The Company has undertaken a number of strategic projects such as improving operational efficiency and profitability at the refinery and increasing market reach through the expansion of the Company’s service station network.

The Company also intends to further 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) investing in new receiving and storage facilities and improving the existing facilities to attain greater sourcing flexibility and support new growth areas; (iii) managing crude oil freight costs and availability of terminal-compliant vessels with contracts of affreightment that guarantee cost competitiveness with the spot market; and (iv) reducing distribution costs through rationalization of the terminal 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.

Continue to evaluate possible selective synergistic acquisitions

In addition to organic growth, the Company will continue to consider and evaluate selective opportunities to expand both within and outside the Philippines through strategic acquisitions that will create operational synergies and add value to the existing business.

PRODUCTS

The Company’s core products are categorized into (i) Fuels, (ii) Lubricants and Greases, and (iii) Petrochemicals. The Company also produces other refinery products.

Fuels

Product Name	Product Type	Description
The Philippines		
Petron Gasul	LPG	A premium LPG product used as fuel for cooking, lighting and industrial applications. Sold in 2.7-kg, 11-kg, 22-kg and 50-kg cylinders and in bulk.
Fiesta Gas	LPG	An economy LPG product used as fuel for cooking, lighting and industrial applications. Sold in 2.7-kg, 11-kg, 22-kg and 50-kg cylinders.
Petron Gaas	Kerosene	Water-white kerosene used as fuel for stoves, lamps and other domestic uses.
Petron Blaze 100 Euro 6	Gasoline	A 100-octane and Euro-6 level premium plus gasoline that meets European fuel quality standards for Euro-6 technology vehicles. It also meets Euro 6b emission standards.
Petron XCS	Gasoline	A 95-octane premium gasoline which 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	Gasoline	A 91-octane regular gasoline formulated to provide better engine protection, corrosion control, better power, and improved fuel economy.
Petron Turbo Diesel	Diesel	An advanced diesel designed for high performance diesel engines. It is designed to provide excellent engine protection, improved fuel economy, and maximum power for today's modern diesel engines.
Petron Diesel Max	Diesel	A regular diesel fuel formulated with robust multi-functional additive system for optimum engine protection, better power, and improved fuel economy.
Petron Aviation Gasoline	Jet Fuel	A low-lead, high-octane aviation gasoline for aircraft with reciprocating engines.
Petron Jet A-1	Jet Fuel	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	Gasoline	Malaysia's first 100-octane premium grade gasoline that meets Euro 4M and SIRIM MS 118-3:2011 standards. It provides optimum performance in terms of power, acceleration, and combustion efficiency. It has less sulfur and benzene content, making it a very environmentally-friendly product.
Petron Blaze 97	Gasoline	A 97-octane high-performance premium gasoline that 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	Gasoline	A 95-octane premium gasoline that 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 Turbo Diesel Euro 5	Diesel	A premium plus diesel fuel with 7% PME. It is formulated with an advanced additive technology that provides excellent power, improved fuel economy, and reduced exhaust emissions. It also provides better ignition quality and smoother engine run. It is specially designed to meet European fuel quality standards.
Petron Diesel Max Euro 5	Diesel	A premium biodiesel mix of PME and diesel which complies with the requirement under the Malaysia Biofuel Industry Act of 2007. It contains a robust multi-functional detergent additive to provide improved fuel economy, clean engine, and reduced exhaust emissions. (The government mandated the increase of PME content from 10% to 20% by area, starting with Langkawi and Labuan on January 1, 2020, and Sarawak on September 1, 2020. Implementation dates for Sabah and peninsular Malaysia have been postponed until further notice, from previous schedule of January 1, 2021 for Sabah, and June 15, 2021 for peninsular Malaysia.)
Petron Diesel	Diesel	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 Gasul	LPG	A premium LPG product used as fuel for cooking, lighting and industrial applications, sold in 12-kg, 14-kg and 50-kg cylinders and in bulk. An additional product line called F-14, which are 14-kg cylinders for forklifts, is also available.
Petron Kerosene	Kerosene	A refined kerosene with clean and efficient burning qualities.
Petron Jet A-1	Jet Fuel	A highly purified kerosene-type aviation fuel used by aircraft with turbo prop and turbojet engines.
Petron Crude Glycerine	Crude Glycerin	Crude Glycerine is derived from RBD palm oil. It is an impure form of glycerine and is used as feedstock for the production of Refined Glycerine.
Petron Refined Glycerine	Refined Glycerin	Petron Refined Glycerine is USP Grade Glycerine. USP Grade Glycerine refers to the requirement mandated by the U.S. Food and Drug Administration (FDA) regulations to ensure only the highest purity Glycerine is used in the manufacture of pharmaceutical products.

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

LSWR 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.

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 Petron Bataan 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.

PRODUCTION

Production Facilities

The Philippines

In the Philippines, the Company owns the Petron Bataan Refinery complex located in Limay, Bataan, which is a 180,000 bpd full conversion refinery. The Petron Bataan Refinery is capable of producing a range of all white petroleum products such as LPG, naphtha, gasoline, kerosene, jet fuel and diesel, with no residual fuel oil production. It also produces petrochemical feedstocks benzene, toluene, mixed xylene, and propylene. It has its own product piers and two offshore berthing facilities, one of which can accommodate very large crude oil carriers, or "VLCCs." In December 2016, the Company acquired the cogeneration power plant from SMC Powergen, Inc., which consists of four turbo generators with a combined capacity of 140 MW and four solid fuel fired Circulating Fluidized Bed boilers with a combined capacity of 800 TPH. This ensures the sufficient and reliable supply of steam and power for the Petron Bataan Refinery and exports excess power to the grid.

In 2000, the Petron Bataan Refinery commenced petrochemical production and, as of the date of this Prospectus, is capable of producing the following:

Product	Capacity (Metric tons/year)
Mixed Xylene	232,000
Propylene	391,000*
Benzene	24,000
Toluene..........................	158,000
Polypropylene................	160,000
Total	**965,000**

* *Based on FCC1 maximum propylene case and FCC2 hybrid case on their design capacities*

In addition to the Petron Bataan Refinery, the Company owns and operates a fuel additives blending plant (the "**Subic Plant**") in the Subic Bay Freeport Zone in the Philippines with a capacity of 12,000 metric tons per year. The Company has a tolling agreement with Innospec, Limited ("**Innospec**"), a global fuel additives supplier. The output of the Subic Plant serves the fuel additive requirements of the Company and Innospec's customers in the Asia-Pacific region. The Company is Innospec's exclusive blender in the Asia-Pacific region.

Petron also operates a lube oil blending plant in Tondo, Manila. The capacity of the New Lube Oil Blending Plant (NLOBP) is 90,000,000 liters per year per shift.

Malaysia

In Malaysia, the Company owns the Port Dickson Refinery located in Port Dickson in the state of Negeri Sembilan. The Port Dickson Refinery has a crude oil distillation capacity of 88,000 bpd and 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 feedstock for the Port Dickson Refinery is received through a single buoy mooring ("**SBM**") and crude pipeline facilities that are jointly owned with Hengyuan Refining Company Berhad (formerly known as Shell Refining Company (Federation of Malaya) Berhad) through an unincorporated joint venture. Under the joint venture, the Company shares 50% of SBM operating and capital costs and also pays a levy of one-third of the overhead and administrative charges incurred in connection with the operation of the SBM.

The Refining Process and Quality Improvement Initiatives

The Petron Bataan Refinery

The Petron Bataan Refinery has been continuously implementing various programs and initiatives to achieve key performance index targets on reliability, processing efficiency, energy efficiency, safety and environmental protection.

To adapt to ever-changing market conditions, the refinery implements margin enhancement programs to strategize production of higher value product yields.

On December 28, 2020, Petron Bataan Refinery was approved as a FAB-registered enterprise. With this registration, the refinery would be more competitive and in a better position to sustain its operation to supply fuel for the nation.

The Port Dickson Refinery

The Port Dickson Refinery uses an Integrated Management System ("**IMS**") in support of its operations. Embedded within the IMS are the Petron Operation Integrity Management System ("**POIMS**"), Control Management System ("**CMS**"), and Product Quality Management System ("**PQMS**"). In addition, the Port Dickson Refinery also practices the Loss Prevention System ("**LPS**"), the Reliability Management System ("**RMS**") and plant optimization initiatives for improved plant efficiency.

The Port Dickson Refinery adopted IMS in 2019 to align all existing processes under one management system. The POIMS provides a structured approach to the management of risks related to safety, security, health, environment (SSHE) and operation integrity to comply with local regulations and laws. CMS provides a process for ensuring that Corporate Policies and In-Line Controls are implemented and effectively sustained over time. PQMS provides a work process to ensure high-quality products are delivered to customers. The Port Dickson Refinery was awarded with the IMS certification on December 24, 2019.

To increase plant reliability, the Port Dickson Refinery adopted the RMS, which utilizes a risk-based equipment strategy and aims to improve mechanical efficiency through routine work planning, scheduling and execution. The Port Dickson Refinery also continuously seeks improvement in the areas of process optimization, flaring, oil loss and energy conservation through the use of advanced process computer control and an integrated plant information system.

Raw Materials

Philippine Operations

The main raw material used in the Petron Bataan Refinery's production process is crude oil. The Company's crude oil optimization strategy includes the utilization of various types of crude oil, ranging from light and sweet crude to heavier, more sour alternative crude.

The Company acquires crude oil for the Petron Bataan Refinery primarily through arrangements with its wholly-owned subsidiary Petron Singapore Trading Pte. Ltd. ("**PSTPL**"), which in turn obtains crude oil from foreign sources, through a combination of term or spot purchase contracts. PSTPL has a term contract with Saudi Aramco for the year 2021 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 secured by irrevocable standby letters 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 the date of this Prospectus, neither the Company nor Saudi Aramco had terminated the contract.

Several other crude oils are purchased on spot basis from various suppliers.

PSTPL has a term contract with GS Caltex for year 2021 to purchase group II base oils (J500 (500N) and J150 (150N)) and avgas. The term contract is negotiated annually, subject to both parties' options, and pricing is calculated using a formula based on an international standard price benchmark for base oils and Mean of Platts Singapore for avgas. Group II base oil is the Company's main feedstock for the production of automotive, industrial and marine lubricants, while avgas is used for aviation fuel requirements.

PSTPL has a term contract with Hiin for year 2021 to purchase asphalt. The term contract is negotiated annually, subject to both parties' options, and pricing is calculated using a formula based on an international standard price benchmark for asphalt.

The Company may import gasoline, diesel, LPG, and jet fuel. These imports are necessary if there is higher demand in the Philippines and during maintenance of the Petron Bataan Refinery. The Company ceased producing fuel oil, a lower margin product, upon the completion of the RMP-2. Pricing is usually based on Mean of Platts Singapore for diesel, gasoline and jet fuel, and 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 Port Dickson Refinery is designed to process sweet crude oil. The Company's crude oil optimization strategy includes diversification in processing different types of local as well as regional sweet crude oil.

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 Terengganu condensate with Exxon Mobil Exploration and Production Malaysia Inc. ("**EMEPMI**") for a period of 10 years until March 2022 (in negotiation for renewal), supplemented by other short-term supply contracts and spot crude purchases. Currently, about 67% of the crude and condensate volume is sourced from EMEPMI, while the balance from other term and spot purchases. Pricing is determined through a formula that is linked to international industry benchmarks. Petron also utilizes Port Dickson Refinery spare capacity for crude processing arrangement of third parties to optimize utilization and benefits.

A portion of the Company's palm oil methyl ester ("**PME**") requirements for its bio-diesel mix are sourced from the PME plant acquired by Petron Malaysia Refining & Marketing Bhd in March 2019. The plant is located at Lumut, Perak and has an annual capacity of 60,000 metric tons. The Company purchases the balance of its PME requirements from other Malaysian government-approved local suppliers. PME is the bio-component of the biodiesel mix sold to domestic customers in Malaysia. Petron produces a biodiesel mix comprising 10% PME: 90% diesel for the Retail sector and 7% PME: 93% diesel for the Commercial sector (with exception for electricity power generation) mainly for the transportation and subsidized segment, following the Malaysian Biofuel Industry Act of 2007.

The Company also imports LPG, diesel, gasoline, jet fuel and some gasoline blending components into Malaysia to support domestic demand beyond its production level. These imports are purchased through term purchase contracts and in the spot market. Pricing is usually based on Mean of Platts Singapore for diesel, gasoline, jet fuel and some gasoline blending components, and Saudi CP for LPG.

Utilities

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

Water

Deep wells and a seawater desalination plant provide the Petron Bataan Refinery's water requirements.

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

Electricity and Steam

The Petron Bataan Refinery's electricity and steam requirements are sourced from the Petron Bataan Refinery's existing turbo and steam generators as well as from its cogeneration power plant. The cogeneration power plant was acquired by the Company in December 2016 from SMC Powergen Inc., a subsidiary of SMC and an affiliate of the Company.

The Port Dickson Refinery's electricity requirements are purchased from Tenaga Nasional Berhad (TNB), 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 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.

The Philippines

In the Philippines, the Company operates the only integrated oil refinery and is a leading oil marketing company. The Company had an overall market share of 22.1%[4] of the Philippine oil market for the year ended December 31, 2020 in terms of sales volume based on Company estimates using its internal assumptions and calculations and industry data from the DOE.

Retail Service Stations

The Company had a network of more than 2,000 retail service stations in the Philippines as of March 31, 2021, 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: (i) CODO, which are Company-owned-dealer-operated service stations, and (ii) DODO, which are dealer-owned-dealer-operated service stations. 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 March 31, 2021, approximately 38% of the Company's retail service stations in the Philippines were CODOs, and approximately 62% were DODOs.

The Company's DODO network includes 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. As of March 31, 2021, about 530 Petron *Bulilit* Stations are in operation.

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 stores in Manila under the brand name "*Treats,*" with permission from San Miguel Foods, Inc. for the use of the brand name. On March 1, 2021, the Company reacquired the Treats convenience store business from the San Miguel Food Group. The acquisition covered fixed assets in the stores, inventory, and intangible assets such as contracts and the Treats trademarks. The Treats acquisition optimizes the synergies between the operation of the Petron service stations and the Treats outlets located in the service stations, resulting in operational efficiencies and savings, unified customer marketing programs, maximized exposure of the Treats brand, and the provision of holistic business consulting to dealers on their businesses within the service station. As of March 31, 2021, there are about 125 *Treats* outlets nationwide.

[4] Market share is derived from Company estimates based on Company information and data from the Philippine Department of Energy for the year ended December 31, 2020. Company estimates exclude all direct imports of end users.

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 March 31, 2021, the Company had installed POS terminals in approximately 1,250 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 approximately 530 direct industrial account customers as of March 31, 2021.

LPG

The Company is a leading market participant in the Philippine LPG market in terms of market share. The Company has set up approximately 1,200 branch stores through its *Gasul* and *Fiesta Gas* LPG dealers as of March 31, 2021. The Company has commissioned 13 mini-refilling plants in the Philippines as of March 31, 2021 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 has a network of approximately 44 Car Care Centers, 37 Petron Lube Distributors, and 14 Key Accounts, which includes Original Engine Manufacturers (OEM) and Franchise Car Dealers (FCDs), throughout the Philippines as of March 31, 2021. The Company capitalizes on the strong lubricant distribution network of non-traditional outlets such as automotive and motorcycle parts outlets and automotive repair shops, and 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 was 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 such as lubricants 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 March 31, 2021, approximately 470,000 Petron Fleet 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. In 2014, the Company introduced the Petron Super Driver Card, a variant of the Petron Value Card, to the public utility vehicle sector, specifically targeting the taxi and tricycle markets. As of March 31, 2021, the Company has issued approximately 5.7 million Petron Value Cards (including Petron Super Driver Cards).

Malaysia

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

Retail Business

The retail business markets fuel and its related products through a dealer network comprising more than 720 retail service stations located throughout Peninsular and East Malaysia as of March 31, 2021. In Malaysia, the Company uses the CODO and DODO operating structures for its retail service stations. CODO accounted for approximately 59% of the total retail service station network of the Company while DODOs made up the 41% balance. The Company also has approximately 300 Treats convenience stores, generating non-fuel income and improving 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 various marketing activities and events organized to reward and enchant the customers. This was followed by "Best Day at Petron" campaign launched in 2017. In January 2016, the Company pioneered the country's first premium fuel with the rollout of Petron Blaze 100. As of March 31, 2021, Blaze 100 is available in more than 100 stations, mainly located in Klang Valley and the southern city Johor Bahru. The Company also offers Petron Turbo Diesel Euro 5, a premium plus diesel fuel with 7% biodiesel mix that meets Euro 5 standards, even prior to the mandatory implementation of Euro 5 diesel standards set by the Malaysian government effective beginning April 1, 2021. As of March 31, 2021, the Company has approximately 260 service stations offering Turbo Diesel Euro 5.

Commercial Business

The Company's commercial business is 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 of RON95 gasoline and diesel to unbranded mini-stations represented approximately 40% of its industrial sales by volume in 2020. 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 formulated prices. The pricing of these sales is determined through a formula that is linked to international industry benchmarks. Prices of diesel to the manufacturing, mining, plantation and construction sectors are not regulated by the Malaysian government, and the pricing of these sales is subject to market supply and demand.

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 March 31, 2021, the Company had about 200 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 Sdn Bhd, the operator of the KLIA's storage and hydrant facility.

LPG

The Company markets LPG in 12-kg and 14-kg cylinders for domestic/household sales, and 50-kg cylinders and bulk for commercial use, through redistribution centers, stockists and dealers. LPG redistribution centers are owned by the Company to store and distribute bottled LPG to dealers. Stockists are dealer-owned distribution centers which also distribute bottled LPG to other dealers. Dealers generally collect bottled LPG directly from redistribution centers and stockists for onward sale to domestic and commercial consumers. Prices of 12-kg and 14-kg cylinders for domestic use are regulated under the APM. In April 2019, Petron launched Petron Gasul at its service stations, the first "cash and carry" service wherein customers can purchase their LPG cooking gas at the service station. As of March 31, 2021, the Company has about 90 service stations selling Gasul LPG.

The Company also sells bulk LPG to industrial users through appointed dealers and to resellers. Prices of 14-kg forklift gas, 14-kg commercial gas, 50-kg and bulk LPG are not regulated by the APM. To further enhance the Petron Gasul brand, the Company has identified three Brand Promises to drive the business forward: Safety, Quality and Convenience. *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.

Lubricants and Specialties

The Company established a lubricants and specialties business line 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 including 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.

In response to the government's biofuel mandate, Petron acquired a PME plant in Lumut, Perak in March 2019 to help ensure reliable and adequate supply of PME for the Company's needs. Besides PME, the Lumut plant also produces glycerin that is sold to local and overseas consumers as raw material largely for pharmaceutical and cosmetic products like moisturizing skin care products and soaps.

Loyalty Programs

The Company has been actively pursuing initiatives to improve customer service and promote customer loyalty for its Malaysian retail business by offering rebates, points and discounts. As of March 31, 2021, the Company has about 12 million Petron Miles cardholder accounts in Malaysia under its loyalty card program.

Export Sales

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 South Korea, Taiwan, China, Vietnam, Singapore, 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. The Company's revenues from these export sales amounted to ₱51,498 million, or 9% of total sales, in 2018, ₱26,836 million, or 5% of total sales, in 2019, ₱15,529 million, or 5% of total sales, for the year ended December 31, 2020 and ₱ 5,065 million or 6% of total sales for the first three months of 2021.

Below is the summary of the percentage of sales or revenues of domestic and export sales of the Company and its subsidiaries from 2018 to 2020 and the first three months of 2021:

	Domestic	**Exports/International**	**Total**
2018 (in millions)	₱ 313,742 *56%*	₱ 243,644 *44%*	₱ 557,386
2019 (in millions)	₱ 301,445 *59%*	₱ 212,917 *41%*	₱ 514,362
2020 (in millions)	₱ 166,820 *58%*	₱ 119,213 *42%*	₱ 286,033
1Q2021 (in millions)	₱ 61,641 *59%*	₱ 42,982 *41%*	₱104,623

Additional Information on Business Segments – Consolidated

The following table presents additional information on the petroleum business segment of the Company as at and for the years ended December 31, 2018, 2019, 2020 and the first three months of 2021:

	Reseller	**Lube**	**Gasul**	**Industrial**	**Others**	**Total**
			(in ₱ millions)			
2018						
Revenue	270,760	4,883	27,810	132,397	119,108	554,958
Property, plant and equipment	12,192	70	499	90	150,567	163,418
Capital expenditures	3,326	6	14	9	8,989	12,344

	Reseller	Lube	Gasul	Industrial (in ₱ millions)	Others	Total
2019						
Revenue	249,210	4,474	25,745	125,314	101,178	511,921
Property, plant and equipment	9,949	40	303	100	156,868	167,260
Capital expenditures	1,892	2	5	-	14,951	16,850
2020						
Revenue	149,406	3,577	20,259	57,889	52,754	283,885
Property, plant and equipment	9,057	37	258	13	158,924	168,289
Capital expenditures	2,382	1	12	-	22,234	24,629
1Q2021						
Revenue	44,220	1,300	5,807	13,197	18,166	82,690
Property, plant and equipment	9,296	38	244	12	158,565	168,155
Capital expenditures	1,678	4	12	1	18,472	20,167

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 40 terminals and airport installations situated throughout the Philippines, representing the most extensive distribution network for petroleum products in the Philippines. The network comprises 13 terminals in Luzon, seven in the Visayas and eight in Mindanao, as well as four airport installations in Luzon, five airport installations in Visayas and three airport installations in Mindanao. 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 Petron Bataan Refinery, refined products are distributed to the various 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 terminals, 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, 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 terminals in Pasig City, Legazpi City and San Fernando City in Pampanga.

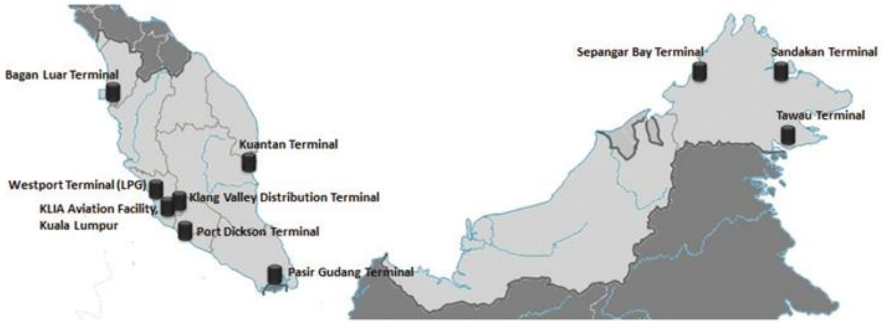
Lubricants and greases in various packages are transported by container vans to bulk plants and terminals outside Metro Manila. Package trucks owned by third parties are utilized to deliver these lubricants and greases to various customers in Metro Manila and Luzon. Sales counters throughout the Philippines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

The Company has airport installations at the Ninoy Aquino International Airport ("**NAIA**") and 11 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 airports of Puerto Princesa and Clark in Luzon, Mactan, Bohol, Kalibo, Caticlan and Iloilo City in the Visayas, as well as in Zamboanga City in Mindanao via mobile into plane refueling equipment.

Malaysia

Products from the Port Dickson Refinery are distributed to service stations and commercial accounts through tank trucks that lift products via the Port Dickson Terminal's tank truck loading facilities. These loading facilities are connected to the storage tanks inside the refinery. The refinery's produced volume is also sent to Klang Valley Distribution Terminal ("**KVDT**") through a pipeline. Tank trucks lift products from KVDT for delivery to Petron customers. The other terminals source product through imports from regional suppliers. Products are lifted from the terminals via tank trucks and delivered to service stations and commercial accounts. The Port Dickson terminal is located beside the Port Dickson Refinery, while the other terminals are located near major fuel product market areas.

The map below shows the geographic coverage of the Company's terminals in Malaysia as of March 31, 2021:



PETRON TERMINALS IN MALAYSIA		
	Peninsular Malaysia	**Sabah**
Terminals	Bagan Luar Klang Valley Distribution Terminal* KLIA Aviation Facility** Kuantan Pasir Gudang*** Port Dickson Westport****	Sandakan Sepangar Bay Tawau

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

** *Petron operates within the facility owned by Malaysia Airport Holdings Berhad (MAHB) under an agreement with Kuala Lumpur Aviation Fuelling System Sdn Bhd (KAFS), a subsidiary of Petronas Dagangan Berhad.*

*** *Co-share with Chevron Malaysia Limited*

**** *Co-share with Boustead Petroleum Marketing Sdn Bhd*

Geographic coverage of the Company's terminals in Malaysia

Jet fuel is transported from the Port Dickson Refinery to KLIA through a multi-product pipeline (the "**MPP**"), which is jointly 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 the Klang Valley Distribution Terminal (KVDT), where fuel inventory is commingled. Prior to 2015, the Company only used the MPP to transport jet fuel to KLIA and not for transporting gasoline or diesel to the KVDT. In 2015, the Company successfully completed a project linking the Port Dickson Refinery to the MPP to transport gasoline and diesel products to KVDT. This improved the Company's logistics and reduced cost of delivery to service stations in the Klang Valley area, a major market.

LPG is bottled at the Port Dickson and Westport terminals. Most redistribution centers and stockists collect bottled LPG directly from the Port Dickson and Westport terminals. 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. Both terminals also load Bulk LPG for industrial customers. The Company had also contracted third-party bottling facilities to expand the reach of its Gasul products in Perak and Penang in the north, Kelantan in the east coast and recently in Johor in the south.

The Company entered the Sarawak retail market in February 2017 with an initial six DODO stations, subsequently increasing the number to 11 as of March 31, 2021. These stations are supplied through a sales and purchase term agreement with a local company, Petronesa Trading Sdn Bhd, from independent terminals located in Kuching and Tanjung Manis.

CAPITAL EXPENDITURE PROJECTS

Petron Bataan Refinery

The Company undertook the upgrade and expansion of the Petron Bataan Refinery in two phases – Phase 1 of the Refinery Master Plan ("**RMP-1**") was completed in May 2009 while Phase 2 ("**RMP-2**") attained full commercial operation in January 2016. RMP-1 increased the Petron Bataan 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. RMP-2 was a US$2 billion investment project which enabled the Petron Bataan Refinery to further enhance its operational efficiencies, convert all residual fuel oil production into production of more White Products and produce Euro-IV fuels and increase the Company's production of petrochemicals. With RMP-2, the Petron Bataan Refinery also produces byproduct petcoke, which is used as fuel for its cogeneration power plant, lowering its power and steam costs.

The Company believes that RMP-2 significantly enhanced the Petron Bataan Refinery's competitiveness with its complexity index higher than most refineries in the region. The Company will continue to make investments in the Petron Bataan Refinery facilities to ensure reliability and efficiency of critical refinery processes and to reduce costs.

The Company is currently constructing a new powerplant to replace some of its old generators and generate incremental power and steam. In addition, products previously used as refinery fuel will be converted to high-value products. Construction is expected to be completed by the second half of 2022. Other investments in the Petron Bataan Refinery include the expansion of the polypropylene plant and other investments to reduce production costs and improve crude processing flexibility.

Philippine Retail Network Expansion

To support growing fuel demand in the Philippines, the Company will continue to build service stations in high-growth or high-volume sites. The Company will also continue its retail network expansion programs for its LPG and Lubes segments.

Logistics Expansion and Upgrade

The Company will continue upgrading and expanding its storage capacity to improve product supply reliability, support growing demand and reduce costs. Moreover, the need to construct new terminals closer to their markets is constantly being evaluated to reduce distribution costs.

Malaysia Expansion and Improvements

The Company will continue to construct new service stations and expand its retail network in Malaysia. Production facilities at the Port Dickson Refinery will also be enhanced to improve operating efficiency. The Company completed construction of a new diesel hydrotreater process unit in Port Dickson Refinery in April 2021 to meet Euro-5 diesel regulation.

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, 2020, together constituted 47.4% 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 bpd, operates the only petroleum refinery 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, 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 Company has more than 2,000 retail service stations as of March 31, 2021, reaching more customers throughout the Philippines. The small market participants continued to grow, with station count increasing from approximately 2,660 in 2017 to approximately 3,500 stations as of March 31, 2021. 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. 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 many 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 about 22.1%[5] of the Philippine oil market for the year ended December 31, 2020, ahead of the other two major oil companies, which have a combined market share of 25.3% in terms of sales volume based on Company estimates using 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 domestic sales volumes based on Company estimates using its internal assumptions and calculations and industry data from the DOE for the year ended December 31, 2020. The Company's retail sales volumes for the years ended December 31, 2018, 2019, 2020 and the first three months of 2021 were approximately 59,000 bpd, 53,000 bpd, 39,000 bpd and 42,000 bpd, respectively. The Company's non-retail sales volumes (including industrial and LPG) for the years ended December 31, 2018, 2019, 2020 and the first three months of 2021 were approximately 115,000 bpd, 105,000 bpd, 64,000 bpd and 48,000 bpd, respectively.

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.

[5] Market share is derived from Company estimates based on Company information and data from the Philippine Department of Energy for the year ended December 31, 2020. Company estimates exclude all direct imports of end users.

Malaysia

In the retail service station business, the Company's Malaysian operations compete with five other main participants in the market, namely, Petronas, Shell, Caltex, BHPetrol and Five Petroleum. Of these five, only Petronas has refinery operations in Malaysia. Market players compete in terms of product quality, customer service, operational efficiency and extent of distribution networks. Pricing of gasoline and diesel at retail service stations is not a competitive factor since the Malaysian government regulates the pricing these products 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 grow its retail market share to more than 21%, with over 720 service stations in Malaysia as of March 31, 2021. With the Company's customer-centric programs, service station facilities upgrades, continued retail network expansion program, introduction of innovative product lines, and improvements in logistics and refinery capabilities, the Company believes that it is well positioned to compete in the retail segment.

The Company continues to face intense competition in the 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. Major participants resort to aggressive pricing in these segments in order to expand market share. 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 Company competes with Petronas and NGC Energy Sdn Bhd, among others. The APM applies only for sales of LPG for domestic/household cylinders while industrial and bulk LPG are not covered. 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. Overall, the Company's commercial sales volume registered significant growth in all sectors as a result of the Company's reliable and steady supply of quality fuel to sectors such as transportation, manufacturing, construction, mining, agriculture, and power generation. The Company's retail sales volumes for the years ended December 31, 2018, 2019, 2020 and the first three months of 2021 were approximately 80,000 bpd, 83,000 bpd, 68,000 bpd and 67,000 bpd respectively. In the years 2020 and 2021, retail sales volume was affected by MCO restrictions in Malaysia due to the COVID-19 pandemic.

The lubricants and specialties market is dominated by traditional global brands as well as established local participants. The Company leverages on its growing 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, and national consumer promotion through service station and independent workshops.

EMPLOYEES

As of March 31, 2021, the Company had 2,645 employees, of which 253 are managerial employees, and 2,392 are rank and file employees (including professional/technical and supervisory level employees). Approximately 77% of the Company's employees are based in the Philippines, with the remaining 23% based in Malaysia and Singapore. The Company believes that it has a well-trained and experienced pool of employees. As of March 31, 2021, approximately 13% of the Company's employees had worked with it for over 20 years. The average tenure of the Company's employees is approximately 9.6 years in the Philippines and approximately 9.5 years in Malaysia.

The Company has collective bargaining agreements ("**CBAs**") with three labor unions in the Philippines: (1) Petron Employees Association with 179 members is affiliated with the National Association of Trade Unions and has a CBA effective from January 1, 2020 to December 31, 2022; (2) Petron Employees Labor Union with 44 members has a CBA effective from January 1, 2019 to December 31, 2021; and (3) the Bataan Refiners Union of the Philippines with 374 members is affiliated with the Philippine Transport and General Workers Organization and has a CBA effective from January 1, 2019 to December 31, 2021. As of March 31, 2021, approximately 30% 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 130 members with a CBA effective from January 1, 2020 to December 31, 2022; and (2) the Sabah Petroleum Industry Workers Union has 8 members with a CBA effective from May 1, 2020 to April 30, 2023. As of March 31, 2021, approximately 23% of the Company's employees in Malaysia were covered by CBAs.

The Company has not experienced any significant strikes or work stoppages for more than 20 years on account of employee relations and 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 have the option to contribute 5% to 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 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. As of the Company's latest actuarial valuation date of December 31, 2020, the Company is expected to contribute about ₱553 million to its defined benefit plans in 2021.

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 9% 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.

The Company employs experienced, skilled, and qualified personnel for the management and operation of its business and prioritizes programs that will ensure the retention and continuous engagement of its talent. The Company's attrition rate is still lower than the industry average. The Company ensures that manpower for critical positions are adequately maintained. The Company has an established succession planning program supported by a structured mentoring program for identified replacements of retiring employees to ensure leadership strength and technical knowledge preservation necessary for continued business operation. Promising or high-potential employees are given the opportunity to accelerate their development in the early stages of their careers through a structured coaching program to prepare them for greater roles and responsibilities. The Company also supports the continuing education or learning of employees through an education reimbursement program for post-graduate studies and employees' participation in functional technical courses, conferences, and seminars. The Company believes it has a strong compensation and benefits package and regularly reviews its employee relations programs to continuously attract, retain and engage talent.

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 products and production processes. The Company's Research and Development Department ("**R&D**") engages in various technical research and testing activities to develop and enhance the performance of products and optimize production processes. In addition to research and product development, it also 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 product performance, quality level and cost-effectiveness. R&D also continuously seeks ways to develop more eco-friendly petroleum products. The Company remains fully compliant with all government laws and regulations such as the Clean Air Act and the Biofuels Act.

In addition to these regulations, Petron also secures stringent certifications and approvals from global industry certifying institutes and original equipment manufacturers to be more competitive both in local and international markets. These approvals are applicable to specific Petron products in the Philippines, Malaysia, China, Brunei, and Cambodia.

In 2019, the R&D group also spearheaded the implementation of Total Quality Management ("**TQM**") at the terminals and Petron Research and Testing Centers ("**PRTC**") laboratories. TQM is a management system where all members of the organization participate and work together in improving processes by eliminating unnecessary steps and doing value-adding and innovative activities, thereby resulting to a more efficient, productive, and cost-saving operations. Expenses relating to research and development amounted to approximately ₱76 million in 2019, approximately ₱66 million in 2020, and approximately ₱18 million in the first three months of 2021.

With TQM implementation, Petron terminals were able to optimize resources and safeguard product quality with the use of quality assurance tools. PRTCs were also able to save on operating costs by rationalizing critical test properties and focusing on customer requirements. With this quality system, the laboratories were able to develop innovative procedures that enhance operating efficiency, reduce hazardous wastes, and provide customer-focused services. The Petron TQM program works in conjunction with Loss Prevention System ("**LPS**") wherein it focuses on quality management system without compromising loss in safety, business opportunity, and capital expenditures.

As of March 31, 2021, R&D has 28 regular employees. Its testing facilities are ISO/IEC17025 certified – a testament to its ability to perform tests and analyses in accordance with global standards. R&D also has long-standing partnerships with leading global technology providers in fuels, lubricants and grease products. 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. Its trademark registrations include those for the Petron new logo, Gasul (stylized) and Fiesta Gas with device. The Company 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 December 31, 2020, the Company has filed 173 trademark applications in Malaysia for brands relating to its Malaysian operations. It has obtained copyright protection for the stylized letter "P" and has registered other trademarks in Malaysia, including "*Petron*," "*Gasul*,", "*Fiesta Gas*" and "*Energen*."

DESCRIPTION OF PROPERTY

The Philippines

The Company owns the Petron Bataan Refinery complex located in Limay, Bataan and operates and maintains a network of terminals as bulk storage and distribution points throughout the Philippines. It also operates three manufacturing facilities: the Subic Plant, the lube oil blending plant in Tondo, Manila and the polypropylene plant in Mariveles, Bataan.

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

In respect of the parcels of land occupied by the Petron Bataan Refinery and certain of its terminals and service stations, the Company entered into commercial leases with the Philippine National Oil Company ("**PNOC**"). 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 Petron Bataan Refinery land for 30 years starting January 1, 2010 (renewable upon agreement of the parties for another 25 years). In 2015, the Company also entered into another 25-year lease agreement with PNOC effective August 1, 2014 for additional lots near the Petron Bataan Refinery for its expansion projects. The Company entered into negotiations with PNOC for the renewal of leases relating to 23 terminals and sales offices and 66 service stations that were expiring in August 2018. These leases were automatically renewable as expressly provided in the lease agreements. PNOC, however, refused to honor (i) the automatic renewal clause in the lease agreements for the terminals, sales offices, and service station sites, and (ii) the renewed lease agreement for the Refinery lots on the alleged ground that all such lease agreements were grossly disadvantageous to PNOC. On October 20, 2017, the Company filed an action against the PNOC in respect of the leased properties to preserve its rights under the lease agreements. Expenses relating to the PNOC leases paid directly to PNOC and through NVRC amounted to ₱264 million in 2019, and ₱290 million in 2020, and ₱70 million in the first quarter of 2021. See "*Legal Proceedings – Leases with PNOC*."

The Company leases from NVRC 108 sites for service stations and terminals pursuant to 25-year lease contracts renewable upon agreement of the parties. Expenses relating to the NVRC leases amounted to ₱198 million in 2019, ₱198 million in 2020, and ₱43 million in the first quarter of 2021.

The Company also leases land for its service stations from third parties pursuant to lease contracts with varying terms that generally range from five to 25 years and which are renewed upon negotiations between the Company and the lessors. As of March 31, 2021, there were leases covering 692 service stations: 449 in Luzon,139 in the Visayas and 104 in Mindanao. Expenses under these leases amounted to ₱1,697 million in 2019, ₱1,226 million in 2020, and ₱272 million in the first quarter of 2021.

Malaysia

In Malaysia, the Company owns the Port Dickson Refinery in Negeri Sembilan, including the diesel hydrotreater process unit which become operational in 2021 located within the Port Dickson Refinery.

The land on which the Company's retail service stations operate are either owned by the Company or leased from third parties. As of March 31, 2021, the Company owned approximately 260 parcels of land and leased about 320 parcels of land from third parties for the use of its CODO service stations. Rentals for the service station lands are either paid in advance and amortized over the lease period, or paid over the lease period, depending on the agreement. Payments under these leases amounted to about RM21 million in 2019, RM39 million in 2020 and RM9 million as of the first three months of 2021. Port Dickson Refinery occupies a 579-acre site, out of which 404 acres are freehold land while the remaining 175 acres are leasehold land pursuant to a 99-year lease that expires in 2060.

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 Petron Bataan Refinery for material damages and machinery breakdown. The Company considers its insurance coverage to be in accordance with industry standards. The Company's Malaysian operations are insured with local Malaysian insurance companies as required by Malaysian law.

In January 2021, the Company's parent SMC infused ₱3.0 billion equity investment into Petrogen. The investment enables Petrogen to expand its insurance business. All insurance policies relating to the Company's Philippine operations, including SMC operations, are now written by Petrogen. The majority of the risks are reinsured through Ovincor, Petron's Bermuda-based captive insurance subsidiary.

PERMITS AND LICENSES

The Company holds various permits and licenses for its business operations, which include but are not limited to, the following:

- Certificate of Incorporation issued by the SEC, together with the latest Certificate of Filing Amended Articles of Incorporation dated July 6, 2015.
- Business permits of Petron and its Philippine operating subsidiaries — New Ventures Realty Corporation and Petron Freeport Corporation ("**PFC**").

- Import and Export Certificate of Registration issued by the Bureau of Customs ("**BOC**") in favor of Petron and PFC.
- Permit to discharge and shipside permits from the BOC, in favor of Petron.*
- Certificate of Accreditation as Importer issued by BOC in favor of Petron and PFC.
- Permit to Produce Biofuel- Blended Gasoline (E-10 / E-Gasoline) issued by the Bureau of Internal Revenue ("**BIR**"), in favor of Petron.*
- Authority to Release Imported Goods issued by BIR (or Subic Bay Metropolitan Authority ("**SBMA**"), as applicable), in favor of Petron / PFC.*
- Permit to Export issued by BIR (or SBMA, as applicable), in favor of Petron / PFC.*
- BOC Authority to Load and Export Declaration, in favor of Petron.*
- Department of Energy ("**DOE**") Import Notice, in favor of Petron.*
- BIR and DOE denaturing request for bioethanol, in favor of Petron.*
- BIR permit to transport bioethanol, in favor of Petron.*
- BIR permit to buy local ethanol, in favor of Petron.*
- Environmental Compliance Certificate ("**ECC**") issued by the Department of Environment and Natural Resources ("**DENR**").
- DENR foreshore lease agreements (or proof of payment of occupational fees for pending applications for foreshore lease agreements) of Petron and NVRC.
- Certificate of Compliance issued by Energy Regulatory Commission for the Refinery Solid Fuel-Fired Boiler Power Plant.
- Certificate of Registration issued by The Authority of the Freeport Area of Bataan ("**AFAB**") in favor of Petron and NVRC.

*Note: *Obtained on per shipment / transaction basis.*

The Company and its subsidiaries have all the applicable and material permits and licenses necessary to operate the respective businesses as currently conducted and such permits and licenses are valid and subsisting.

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY PROGRAMS

Sustainability at Petron is integrated in its business. Sustainability is completely aligned with Petron's business model, its mission, and corporate culture. It is also good for the communities that Petron serves. Through its corporate social responsibility (CSR) arm, Petron Foundation, Inc. ("**PFI**"), the Company fuels initiatives that address national concerns in essential areas such as education, environment, health and human services, livelihood and other advocacies in partnership with its host communities, national government agencies and local government units, like-minded organizations, and employee volunteers.

PFI's key programs revolve around the following "iFUEL" pillars:

- iFUEL Knowledge: initiatives include Tulong Aral ng Petron, which has been providing scholarships from elementary to college for more than 17,000 children and youth throughout the Philippines, 108 Petron Schools equivalent to 258 classrooms built and over 1,700 classrooms refurbished nationwide benefitting at least 100,000 students and teachers;
- iFUEL the Environment: initiatives include leading the establishment of the Bataan Integrated Coastal Management Program in partnership with the Provincial Government of Bataan; over one million tree and mangrove seedlings planted since 2000; over 30 hectares of mangrove reforestation sites in the Visayas adopted with nearly 1,100 tons of CO_2 captured, and 100% of Petron terminals and the Petron Refinery with environmental programs in place;
- iFUEL Health: initiatives include operating Community Health Centers Limay (Bataan), Pandacan (Manila) and Rosario (Cavite) to benefit residents of its host communities with specialized services (X-Ray, Laboratory, ECG, and Ultrasound) to augment surrounding barangay health centers; providing Petron employees with free RT-PCR testing during the COVID-19 pandemic and making these tests affordable and available to business partners and employee family members; and
- iFUEL Communities: initiatives include livelihood programs and skills training for members of its host communities and parents of Tulong Aral ng Petron scholars, and providing assistance to affected populations in times of calamities, including providing critical assistance (PPEs, e-fuel cards, Gasul LPGs, food packs) to protect, transport, and care for medical and security frontliners, Petron personnel, and partner communities.

Petron’s CSR and sustainability programs are guided by indicators set forth by local and international agencies, including global standards (Millennium Development Goals and Global Reporting Initiative (GRI) international guidelines for sustainability reporting) as well as by the local context (NEDA’s Philippine Medium-Term Development Plan and the Basic Education Sector Reform Agenda or BESRA). Petron also benchmarks best practices on CSR and sustainability and optimizes its practice of employee engagement with such memberships as in the Philippine Business for Social Progress, Association of Foundations, Business for Sustainable Development, and Philippine Council for NGO Certification.

Petron faithfully practices the principles of good governance, transparency and accountability. Petron Foundation secured a five-year certification from the Philippine Council for NGO certification (PCNC) in 2002 as a Donee Institution,and has been successfully renewing the certification every five years, i.e., in December 2012 and February 22, 2018. Petron Foundation is PCNC-certified until February 21, 2023. The Foundation likewise renewed its DSWD Certificate of Registration for another three years as well as the License to Operate as a Social Welfare and Development Agency until September 9, 2023.

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 Services Group (“**CTSG**”) responsible for formulating, implementing and enforcing the Company’s employee health, safety and environmental 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, safety and environmental regulations in the Philippines. For example, the Company is subject to the occupational safety and health standards under Republic Act No. 11058 (or An Act Strengthening Compliance with Occupational Safety and Health Standards and Providing Penalties for Violations Thereof) and those promulgated by the Philippine Department of Labor and Employment (“**DOLE**”) as well as various other regulations on environmental compliance.

The Safety unit of the CTSG (“**CTSG-Safety**”) ensures, among others, compliance by the Company’s personnel, contractors and service station dealers with government-mandated safety standards and regulations through Oversight Safety Assessment of the refinery, terminals, LPG plants, service stations, and industrial accounts, 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. CTSG-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 ISO 45001:2018 (OHSMS). The Petron Bataan Refinery and terminals continue to be certified for the Integrated Management System (“**IMS**”) Certification to Quality Management System (“**QMS**”) ISO-9001 Version 2015 and Occupational Health & Safety Management System (OHSMS) ISO 45001 Version 2018, and also sustained Surveillance Audit to Environmental Management System (“**EMS**”) ISO-14001 Version 2015. In addition, the Petron Bataan Refinery and all of the Company’s terminals have Philippine Coast Guard-approved Oil Spill Response Contingency Plans.

Furthermore, all 15 Petron pier facilities are currently compliant with the International Ship and Port Facility Security Code (“**ISPS**”) and certified by the Office of the Transport Security under the DOTr. The ISPS certification is a requirement by the International Maritime Organization for all international vessels calling on international ports and for all ports accepting international vessels.

In 2014, CTSG-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 ISO 45001:2018, 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 DOLE.

In 2018, the Company’s Terminal Operations Department implemented a Loss Prevention System (“**LPS**”). LPS is a system to prevent or reduce losses using behavior-based tools and proven management techniques. With this new system, the Company aims to improve the overall safety culture of the division to prevent all types of losses, and eventually apply the same system throughout the organization. The LPS Core Team members were able to conduct 23,592 training hours to more than 2,635 personnel in the Terminal Operations Group to disseminate the principles of LPS.

As part of its advocacy functions, CTSG-Safety is 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 Tripartite Secretary Seal of Excellence and Gawad Kaligtasan at Kalusugan programs of the DOLE.

From January to December 2020, a total of 11,897,819 safe man-hours were achieved by the corporate head office, the Petron Bataan Refinery and the terminals.

The Environment unit of CTSG ("CTSG-Environment") provides, among others, technical assistance and consultancy services on areas of environmental management and conducts environmental awareness training for the Company's employees, contractors and service station dealers. CTSG-Environment is a recognized training organization by DENR – Environmental Management Bureau ("**DENR-EMB**") in the conduct of the Basic Pollution Control Officer Training Course for service stations since 2014, when DENR-EMB required national recognition/accreditation of environmental training provider per DAO 2014-02. CTSG-Environment championed the Terminal ECOWATCH Assessment program, a color-coded rating system for all terminals to assess compliance with applicable environmental regulations and the effectiveness of environmental management programs implemented.

On its seventh year of implementation in 2020, the program has recognized five Hall of Famers in the area of Environmental Management within the Operations Group. CTSG-Environment conducts compliance monitoring for service stations to measure the effectiveness of trainings conducted. Moreover, CTSG-Environment conducts environmental due diligence audits for contractors, service providers and possible mergers and acquisitions. Furthermore, CTSG-Environment actively participates in the crafting and review of new laws and policies through Industry associations.

CTSG-Safety and CTSG-Environment conduct annual audits of the Petron Bataan Refinery and the Company's other facilities, terminals, 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 March 31, 2021, the Company is in material compliance with applicable environmental laws in the Philippines.

Malaysia

The Company is subject to local safety, health and environmental regulations in Malaysia, including (i) the Factories and Machinery Act 1967 (Act 139), Petroleum (Safety Measures) Act 1984 (Act 302), 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.

The Company has a corporate safety, security, health and environment (CSSHE) department which 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. In-country recognition on Occupational Safety and Health (OSH) Excellence was awarded to most of the Company's operating sites in Peninsular Malaysia and Sabah from Malaysian Society for Occupational Safety and Health (MSOSH). The Company also received the Prime Minister Hibiscus Award for Exceptional and Notable Achievements in Environmental Performance 2019/2020 for the Port Dickson Refinery and Sepangar Bay terminal in Sabah.

As prescribed by local regulatory requirements, the Port Dickson Refinery and the distribution terminals have established emergency response and oil spill contingency plans and regularly conduct drills and exercises. For more than 15 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 will persevere and continue striving to achieve and sustain good overall SSHE performance in Malaysia through the implementation of various key programs including (i) the POIMS, 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, emergency preparedness and response as well as to ensuring regulatory compliance, and (ii) the LPS, which was adopted to prevent or reduce losses and incidents using behavior-based tools and other safety management techniques.

MANAGEMENT

DIRECTORS

The Board of Directors of Petron is composed of 15 members, three (3) of whom are independent directors. Currently, only two (2) of the members are executive directors, occupying the positions of the President and Chief Executive Officer and the General Manager of the Company.

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

Name	Position	Year Appointed as Director
Ramon S. Ang	President and Chief Executive Officer and Director	2009
Lubin B. Nepomuceno	General Manager and Director	2013
Ron W. Haddock	Director	2008
Estelito P. Mendoza	Director	2009
Aurora T. Calderon	Director	2010
Francis H. Jardeleza	Director	2020
Mirzan Mahathir.	Director	2010
Virgilio S. Jacinto.	Director	2010
Nelly F. Villafuerte	Director	2011
Jose P. de Jesus	Director	2014
Horacio C. Ramos	Director	2018
John Paul L. Ang	Director	2021
Artemio V. Panganiban	Independent Director	2010
Margarito B. Teves	Independent Director	2014
Carlos Jericho L. Petilla	Independent Director	2018

Certain information on the business and working experiences of each Director is set out below.

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. In relation to the oil and gas industry, Mr. Ang holds the following positions, among others: Chairman of SEA Refinery Corporation ("**SEA Refinery**"), Mariveles Landco Corporation, Petrochemical Asia (HK) Ltd. ("**PAHL**"), and Robinson International Holdings Ltd. (Cayman Islands); Chairman of Petron Marketing Corporation ("**PMC**"), New Ventures Realty Corporation ("**NVRC**"), Petron Freeport Corporation ("**PFC**"), Petron Fuel International Sdn. Bhd. (Malaysia) ("**PFISB**"), Petron Malaysia Refining & Marketing Bhd. (Malaysia), Petron Oil (M) Sdn. Bhd. ("**POMSB**") (Malaysia), and Philippine Polypropylene Inc. ("**PPI**"); Director of Las Lucas Construction and Development Corporation ("**LLCDC**"), Petron Oil & Gas Mauritius Ltd. ("**POGM**") and Petron Oil & Gas International Sdn Bhd. ("**POGI**"). He also holds the following positions, among others: Chairman and President of SMC Global Power Holdings Corp., San Miguel Holdings Corp., San Miguel Equity Investments Inc., and San Miguel Properties, Inc.; Chairman of San Miguel Brewery Inc. ("**SMB**"), San Miguel Foods, Inc., San Miguel Yamamura Packaging Corporation ("**SMYPC**"), Clariden Holdings, Inc., Anchor Insurance Brokerage Corporation, Philippine Diamond Hotel and Resort, Inc., and Privado Holdings, Corp.; President and Chief Executive Officer of Northern Cement Corporation; and President of Ginebra San Miguel, Inc., and San Miguel Northern Cement, Inc.; and Director of Petrogen Insurance Corporation ("**Petrogen**"). He is also the sole director and shareholder of Master Year Limited; Mr. Ang formerly held the following positions, among others: Chairman of Liberty Telecoms Holdings, Inc.; President and Chief Operating Officer of PAL Holdings, Inc., and Philippine Airlines, Inc.; Director of Air Philippines Corporation; Chairman of Cyber Bay Corporation; and Chairman of Manila North Harbour Port Inc. ("**MNHPI**") (2015 – 2017) Mr. Ang has held directorships in various domestic and international subsidiaries of SMC in the last five (5) years. He has a Bachelor of Science degree in Mechanical Engineering from the Far Eastern University. He holds a doctoral degree in Business Engineering (*Honoris Causa*, 2018) from the Far Eastern University and a Ph. D. in Humanities (*Honoris Causa*, October 1, 2006) from the National University.

Mr. Ang also holds the following positions in other publicly listed companies: Vice Chairman, President and Chief Operating Officer of San Miguel Corporation ("**SMC**"); President and Chief Executive Officer of Top Frontier Investment Holdings Inc. ("**Top Frontier**"), and San Miguel Food and Beverage, Inc ("**SMFB**"); Chairman of Petron Malaysia Refining & Marketing Berhad ("**PMRMB**") (a company publicly listed in Malaysia), San Miguel Brewery Hongkong Limited (a company publicly listed in Hong Kong) and Eagle Cement Corporation; and President of Ginebra San Miguel, Inc. ("**GSMI**").

Lubin B. Nepomuceno, Filipino, born 1951, 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. 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 and Chief Executive Officer of Petron Foundation, Inc. ("**PFI**"); and Chairman of Overseas Ventures Insurance Corporation Ltd. ("**Ovincor**"). 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 – February 2013) and the President of the Company (February 2013 – February 2015). He also served as the Chairman of Petrogen (until 2021) and a Director of MNHPI (2012 – 2014). 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 company listed with the PSE other than Petron.

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 Delek Logistics Partners LP. 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 a directorship in any company listed with the PSE other than Petron.

Estelito P. Mendoza, Filipino, born 1930, served as a Director of the Company from 1974 to 1986; thereafter, since January 8, 2009. He is a member of the Corporate Governance Committee and the Audit Committee. He is likewise a member of the Board of Directors of SMC and Philippine National Bank ("**PNB**"). 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 consistently 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 was also 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 of Pampanga. 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 other than Petron, SMC and PNB are also 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 Executive Committee, the Audit Committee, the Risk Oversight Committee, and the Related Party Transaction 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 SMC, PMRMB, POGM, POGI, PMC, PFC, PSTPL, SEA Refinery, NVRC, LLCDC, Petrogen, SMYPC, Thai San Miguel Liquor Co., Ltd., SMC Global Power Holdings Corp., Rapid Thoroughfares Inc., Trans Aire Development Holdings Corp. and various subsidiaries of SMC; and Director and Treasurer of Petron-affiliate Top Frontier. She has served as a Director of the Manila Electric Company ("**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). She is a certified public accountant and is a member of the Capital Market Development Committee of the Financial Executives Institute of the Philippines and the Philippine Institute of Certified Public Accountants. She is also a director of the Market Governance Board of the Philippine Dealing System Holdings. 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.

Of the companies in which Ms. Calderon currently holds directorships other than Petron, SMC and Petron-affiliate Top Frontier are also listed with the PSE.

Francis H. Jardeleza, Filipino, born 1949, has served as a Director of the Company since August 4, 2020. He is likewise a Director of GSMI and SMFB. He has been a Professorial Lecturer in Constitutional, Administrative, Remedial and Corporation Law at the University of the Philippines College of Law since 1993. He was formerly the Senior Vice President and General Counsel of SMC (1996 – 2010), a partner of Angara Abello Concepcion Regala and Cruz Law Offices (1975 – 1987), Roco Buñag Kapunan Migallos and Jardeleza Law Offices (1992 – 1995), Jardeleza Sobreviñas Diaz Hayudini and Bodegon Law Offices (1987 – 1990) and Jardeleza Law Offices (1990 – 1992). He is a retired Associate Justice of the Supreme Court of the Philippines (August 19, 2014 – September 25, 2019). He also served as Solicitor General of the Office of the Solicitor General of the Philippines (February 20, 2012 – August 18, 2014) and Deputy Ombudsman for Luzon of the Office of the Ombudsman of the Philippines (July 7, 2011 – February 19,2012). Justice Jardeleza earned his Bachelor of Laws degree (salutatorian and cum laude) from the University of the Philippines in 1974, placed third in the bar exam that same year, and earned his Master of Laws degree from Harvard Law School in 1977.

Of the companies in which Justice Jardeleza currently holds directorships other than Petron, Petron-affiliates GSMI and SMFB are 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. He holds directorships in several public and private companies. He was formerly the Executive Chairman of SBI Offshore Ltd., which is listed on the Singapore Stock Exchange (2017 - 2020) and the Executive Chairman and President of Konsortium Logistik Berhad (1992 – 2007). Mr. 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. Mirzan does not hold a directorship in any company listed with the PSE other than Petron.

Virgilio S. Jacinto, Filipino, born 1956, has served as a Director of the Company since August 13, 2010. He is a member of the Corporate Governance Committee of the Company. He is also an alternate member of the Executive Committee. 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. Atty. Jacinto has served as a Director and Corporate Secretary of United Coconut Planters Bank, a Director of SMB, and San Miguel Northern Cement, 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 was 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 a directorship in any company listed with the PSE other than Petron.

Nelly F. Villafuerte, Filipino, born 1937, has served as a Director of the Company since December 1, 2011. She is also a columnist for the Manila Bulletin and was a former Member of the Monetary Board of BSP from 2005 until July 2011. She is the President and General Manager of LRV Agri-Science Farm, Inc. (a family-owned corporation) and a director of Bicol Broadcasting Systems, Inc. (also a family-owned corporation). 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), Undersecretary for the Regional Operations Group of the DTI (May 2000 – 2005) and Director of Top Frontier (2013 – February 2019). She holds a master's 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 within the top 10 in the bar examinations.

Atty. Villafuerte does not hold a directorship in any company listed with the PSE other than Petron.

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 Information and Communications Technology Solutions, Inc. He was the Chairman of Clark Development Corporation (March 2017 – November 2020), the President and Chief Executive Officer of Nationwide Development Corporation (September 2011 – June 2015), the Secretary of the Department of Transportation and Communications (July 2010 – June 2011), the President and Chief Operating Officer of MERALCO (February 2009 – June 2010), the President and Chief Executive Officer of Manila North Tollways Corporation (January 2000 – December 2008), Executive Vice President of the Philippine Long Distance Telephone Company (1993 – December 1999), Chairman of the Manila Waterworks & Sewerage System (1992 – 1993) and the Secretary of the Department of Public Works and Highways (January 1990 – February 1993). He was awarded the Philippine Legion of Honor, Rank of Commander in June 1992 by then President Corazon C. Aquino. He was Lux in Domino Awardee (Most Outstanding Alumnus) of the Ateneo de Manila University in July 2012. 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 the Automotive Association of the Philippines, Kapampangan Development Foundation and Holy Angel University. 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.

Of the companies in which Mr. de Jesus currently holds directorships, Converge Information and Communications Technology Solutions, Inc. is also listed with the PSE.

Horacio C. Ramos, Filipino, born 1945, has served as a Director of the Company since May 2018. He is also the President of Clariden Holdings, Inc. (2012 – present). He was previously a Director of SMC (2014 to 2016), the Secretary of the Department of Environment and Natural Resources (February 12 – June 30, 2010), and the Director of Mines and Geosciences Bureau (June 1996 – February 2010). Mr. Ramos has a Bachelor of Science degree in Mining Engineering from the Mapua Institute of Technology obtained in 1967, and has a Graduate Diploma in Mining and Mineral Engineering from the University of New South Wales, Australia in 1976, and a Master of Engineering in Mining Engineering also from the University of New South Wales, Australia in 1978.

Mr. Ramos does not hold a directorship in any company listed with the PSE other than Petron.

John Paul L. Ang, Filipino, born 1980, was elected as a Director of the Company on March 9, 2021. He has been a director of SMC since January 21, 2021. He holds and has held various positions in Eagle Cement Corporation, such as the President and Chief Executive Officer since 2008, a Director since 2010, a member of the Audit Committee since 2020 and the Chairman of the Executive Committee since February 2017. He also served as a member of the Nomination and Remuneration Committee (February 13, 2017 – July 15, 2020) and the General Manager and Chief

Operating Officer (2008 – 2016). He has been the President and Chief Executive Officer of South Western Cement Corporation since 2017 and a Director of K Space Holdings, Inc. since 2016. He was the Managing Director of Sarawak Clinker Sdn. Bhd. Malaysia (2002 – 2008) and the Purchasing Officer of Basic Cement (2002 – 2003). Mr. Ang has a Bachelor of Arts in Interdisciplinary Studies from the Ateneo de Manila University.

Of the companies in which Mr. Ang holds directorships, parent company SMC and Eagle Cement Corporation are 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 the Chairman of the Related Party Transaction Committee and a member of the Audit and Corporate Governance Committees. He is a columnist for the Philippine Daily Inquirer and officer, adviser or consultant to several businesses, civic, educational and religious organizations. He is also an adviser of Metropolitan Bank and Trust Company, Bank of the Philippine Islands, DoubleDragon Properties Corp. and MerryMart Consumer Corp. He 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 a dozen 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, 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., and Asian Terminals, Inc. and a 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. He is the Lead Independent Director of the Company. He is the Chairman of the Audit Committee and is a member of the Corporate Governance, the Related Party Transaction, and the Risk Oversight Committees of the Company. He is also an Independent Director of SMC and Atok Big Wedge Corporation, as well as Alphaland Corporation, Alphaland Balesin Island Club, Inc., AB Capital Investment Corp. and Atlantic Atrium Investments Philippines Corporation. He is also the Managing Director of The Wallace Business Forum. He was the Secretary of the Department of Finance of the Philippine government (2005 – 2010) and was previously the President and Chief Executive Officer of the Land Bank of the Philippines (2000 – 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 other than Petron, SMC and Atok are also listed with the PSE.

Carlos Jericho L. Petilla, Filipino, born 1963, has served as an Independent Director of the Company since May 15, 2018. He is the Chairman of the Risk Oversight and Corporate Governance Committees and is a member of the Audit Committee of the Company. He is the founder in 2001, and President and Chief Executive Officer of InternationalData Conversion Solutions, Inc. (2015 – present; 2001 – 2004); President and Chief Executive Officer of Freight Process Outsourcing, Inc. (2015 – present), and a co-founder in 1989 and a Director of DDC Group of Companies (2015 – present; 1989 – 2004). He was previously the Secretary of the Department of Energy (2012 – 2015). Provincial Governor of the Province of Leyte (2004 – 2012) and Independent Director of MRC Allied, Inc. (2017 – 2018). Mr. Petilla has a Bachelor of Science degree in Management Engineering from the Ateneo De Manila University.

Mr. Petilla does not hold a directorship in any company listed with the PSE other than Petron.

SENIOR MANAGEMENT

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 as Officer
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
Albert S. Sarte	Deputy Chief Finance Officer and Treasurer	As Treasurer: 2009; as Deputy Chief Finance Officer: 2021
Maria Rowena O. Cortez.	Vice President, Supply	2009
Archie B. Gupalor	Vice President, National Sales	2018
Joel Angelo C. Cruz.	Vice President, General Counsel & Corporate Secretary /Compliance Officer	2010
Jaime O. Lu	Vice President and Executive Assistant to the President on Petron Malaysia Operations and Refinery Special Projects	2018
Rolando B. Salonga	Vice President, Operations and Corporate Technical Services Group	2017
Ma. Rosario D. Vergel de Dios	Vice President, Human Resources Management	2018
Myrna C. Geronimo	Vice President and Controller	As Controller: 2019; As Vice President: 2020
Allister J. Go	Vice President, Refinery	2020
Magnolia Cecilia D. Uy	Vice President, Management Services	2020

Certain information on the business and working experiences of each of the Executive Officers of the Company who are not directors is set out below:

Emmanuel E. Eraña, Filipino, born 1960, has served as the Senior Vice President and Chief Finance Officer of the Company since January 2009. He holds the following positions, among others: Chairman, President and Chief Executive Officer of LLCDC and NVRC; Chief Executive Officer of Petrogen; President of PFI and SEA Refinery; Deputy Chairman of Ovincor; and Director of PFC, POGM, PFISB, POMSB, and Petron Finance (Labuan) Limited. He was formerly the President of Petrogen. Mr. Eraña also held the following positions in the San Miguel Group: as the Vice President and Chief Information Officer (January 2008 – December 2009), Vice President and Executive Assistant to the Chief Financial Officer, Corporate Service Unit (December 2006 – January 2008), Vice President and Chief Finance Officer of SMFBIL/NFL Australia (May 2005 – November 2006), Vice President and Chief Finance Officer of SMPFC (July 2002 – May 2005), and Assistant Vice President and Finance Officer (January 2001 – June 2002), Assistant Vice President and Finance and Management Services Officer, San Miguel Food Group (2000 – 2001). He also served as a Director of MNHPI (2012 – 2017). Mr. Eraña has a Bachelor of Science degree in Accounting from the Colegio de San Juan de Letran.

Susan Y. Yu, Filipino, born 1976, has served as the Vice President for Procurement of the Company since January 2009. She is also a Director of Petrogen and Petron Singapore Trading Pte. Ltd. ("**PSTPL**"). Ms. Yu has served as a Trustee of PFI, the Treasurer of Petrogen, Assistant Vice President and Senior Corporate Procurement Manager of SMB, 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 (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.

Albert S. Sarte, Filipino, born 1967, has served as the Treasurer and Deputy Chief Finance Officer of the Company since August 2009 and May 4, 2021, respectively. 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.

Maria Rowena O. Cortez, Filipino, born 1964, 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 – November 2013), Vice President for Supply (June 2009-June 2010) and various managerial and supervisory positions in the Marketing/Sales and Supply and Operations Divisions of Petron. Ms. Cortez also held various positions at the Phil. 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, both from the University of the Philippines, Diliman. She also took post graduate courses at the AIM and the University of Oxford in Oxfordshire, UK. She has attended local and foreign trainings and seminars on leadership, market research, supply chain, commodity risk management, petroleum, petrochemicals and energy oil trading.

Archie B. Gupalor, Filipino, born 1968, has served as the Vice President for National Sales of the Company since June 2018. He holds the following positions, among others: President and Chief Executive Officer of PFC and Director of PMC, NVRC and LLCDC. He 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.

Joel Angelo C. Cruz, Filipino, born 1961, 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; and Corporate Secretary of Petron Global Limited. Atty. Cruz was formerly the Assistant Vice President of the Office of the General Counsel, Assistant Corporate Secretary and Legal Counsel of the Company, and Assistant Corporate Secretary of all the Company's subsidiaries. He also served as Assistant Corporate Secretary of MNHPI (2012 – 2017). 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 training and seminars.

Jaime O. Lu, Filipino, born 1963, has served as the Company's Vice President and Executive Assistant to the President on Petron Malaysia Operations and Special Projects since November 2018. He is also a director of PFISB and POMSB. Mr. Lu was formerly the Company's Vice President – Operations Manager for Petron Malaysia (April 2012 – October 2018), the Operations Manager of PMRMB (April 2012 – October 2018) and the General Manager of PPI (January 2011 – February 2012). He holds a Bachelor of Science Degree in Chemical Engineering from the Pamantasan ng Lungsod ng Maynila and a master's degree in Business Administration from the Ateneo de Manila University.

Rolando B. Salonga, Filipino, born 1961, has served as Vice President for Operations and Corporate Technical Services Group since May 1, 2017. Previous positions he held include Vice President for Terminal Operations (November 16, 2016 – April 30, 2017), Assistant Vice President for Operations (September 2015 – November 2016), Officer-in-Charge-Operations (March 2015 – August 2015), Supply and Distribution Head of Petron Malaysia (April 2012 – February 2015), Functional Team Lead-Distribution, Project Rajah (Malaysian Acquisition) (October 2011 – March 2012), Manager-Visayas Operations (July 2009 – October 2011), Manager-Distribution (May 2005 – May 2009), Superintendent- Mandaue Terminal (April 2001 – May 2005), Superintendent-Pandacan Manufacturing (April 1994 – April 2001), Superintendent-Pandacan Lubeoil Warehouse (November 1994 – March 1995) and Superintendent-Pandacan Transportation/Distribution (April 1993 – October 1994). Mr.

Salonga has a Bachelor of Science degree in Mechanical Engineering from the Mapua Institute of Technology.

Maria Rosario D. Vergel de Dios, Filipino, born 1963, has served as Vice President for Human Resources Management of the Company since November 16, 2018. Other positions she has held include Assistant Vice President for Human Resources (July 2012 – November 15, 2018), Head for Human Resources (October 2011 – June 2012), Human Resources Planning and Services Manager (October 2008 –September 2011), Payroll and Benefits Officer (January 2002 – September 2008), Payroll Officer (February 1997 to – December 2001), Assistant for Treasury/Funds Management (May 1994 – January 1997), Assistant for Treasury/Foreign Operations (September 1991 – April 1994) and Secretary for the Office of the President (April 1991 – August 1991). She has a Bachelor of Science degree in Economics from the University of the Philippines and a master's degree in Business Management from the Ateneo de Manila University.

Myrna C. Geronimo, Filipino, born 1966, has served as Vice President for Controllers and Controller of the Company since February 13, 2020. She holds the following positions, among others: Controller of Petrogen, LLCDC, NVRC, PMC, PFC, MLC and PPI; and director, Controller and Treasurer of PEDC and SLHPI and Corporate Secretary of Petron Global Limited. She is also the Controller of PFI. Ms. Geronimo was formerly the Assistant Vice President for Controllers and Controller of the Company and the Chief Finance Officer of PMRMB, PFISB and POMSB. Ms. Geronimo holds a Bachelor of Arts degree in Accountancy from the Polytechnic University of the Philippines.

Allister J. Go, Filipino, born 1965, has served as Vice President for Refinery of the Company since February 13, 2020. Other positions he has held include Vice President for Refinery Technical Services (November 2018 – February 2020), Assistant Vice President for Refinery Plant Operations (February 2018 – November 2018), Assistant Vice President for Refinery Production A (January 2018), Officer-in-Charge of Refinery Production B (April 2017 – December 2017) and Manager, Refinery Technical Services (Production B) (July 2014 – March 2017). He has a Bachelor of Science degree in Chemical Engineering from the Adamson University.

Magnolia Cecilia D. Uy, Filipino, born 1966, has served as Vice President for Management Services of the Company since February 13, 2020. Other positions she has held include Assistant Vice President for Management Services (June 2018 – February 2020), Assistant Vice President for Market Planning, Research and Sales Information and concurrent Head of the Management Information Systems (February 2018 – May 2018) and Assistant Vice President for Market Planning, Research and Sales Information (February 2013 – January 2018). She has a Bachelor of Science degree in Computer Science and a master's degree in Business Administration from the University of the Philippines.

CORPORATE GOVERNANCE

Pursuant to the new Corporate Governance Manual of the Company approved by the Board on May 8, 2017 (the "Corporate Governance Manual"), the Company has Executive, Audit, Corporate Governance, Risk Oversight, and Related Party Transaction Committees constituted in accordance with Corporate Governance Manual and the Company's By-Laws.

Their respective members were appointed at the organizational meeting held on June 2, 2020.

The Board charter and the charter of each of the board committees were adopted on May 16, 2017.

Executive Committee

The Executive Committee is composed of not less than three (3) members, which shall include the Chairman of the Board of Directors and the President, with two (2) alternate members. The Executive Committee, when the Board of Directors is not in session, may exercise the powers of the latter in the management of the business and affairs of the Company, except with respect to (a) the approval of any action for which stockholders' approval is also required, (b) the filling of vacancies in the Board of Directors, (c) the amendment or repeal of the by-laws or the adoption of new by-laws; (d) the amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable, (e) a distribution of dividends to the stockholders, and (f) such other matters as may be specifically excluded or limited by the Board of Directors.

As of the date of this Prospectus, the members of the Executive Committee are Mr. Ramon S. Ang, Ms. Aurora T. Calderon and Mr. Lubin B. Nepomuceno. Mr. John Paul L. Ang and Atty. Virgilio S. Jacinto are the two (2) alternate members of the Executive Committee.

Corporate Governance Committee

The Corporate Governance Committee, created on May 8, 2017, is composed of at least three (3) independent directors as members. The Chairperson of the committee is an independent director. The Corporate Governance Committee is tasked to assist the Board of Directors in the performance of its corporate governance, nomination and remuneration responsibilities and ensure compliance with and proper observance of corporate governance principles and practices.

The Corporate Governance Committee is chaired by Independent Director Carlos Jericho L. Petilla, with independent directors former Chief Justice Artemio V. Panganiban and Mr. Margarito B. Teves, Atty. Estelito P. Mendoza and Atty. Virgilio S. Jacinto as members.

Audit Committee

The Audit Committee is composed of at least three (3) appropriately qualified non-executive directors, majority of whom are independent directors. The Chairperson is an independent director and is not the Chairperson of the Board of Directors or of any other board committee. The members of the Audit Committee are required to have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.

The Audit Committee is responsible for overseeing the senior Management in establishing and maintaining an adequate, effective and efficient internal control framework. The Audit Committee ensures that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets. Among its functions set out in the Corporate Governance Manual and the Audit Committee Charter, the Audit Committee primarily recommends to the Board each year the appointment of the external auditor to examine the accounts of the Company for that year and performs oversight functions over the Company's internal and external auditors to ensure that they act independently from each other or from interference of outside parties and that they are given unrestricted access to all records, properties and personnel necessary in the discharge of their respective audit functions.

The Audit Committee is chaired by Mr. Margarito B. Teves, an independent director of the Company, and its members are independent directors former Chief Justice Artemio V. Panganiban and Mr. Carlos Jericho L. Petilla, Atty. Estelito P. Mendoza, and Ms. Aurora T. Calderon. Mr. Ferdinand K. Constantino acted as advisor to the committee.

Risk Oversight Committee

The Risk Oversight Committee, created on May 8, 2017, is composed of at least three (3) members, the majority of whom are independent directors. The Chairperson is an independent director. At least one member of the committee has relevant thorough knowledge and experience on risk and risk management.

The Risk Oversight Committee shall be responsible for the oversight of the enterprise risk management system of the Company to ensure its functionality and effectiveness.

The Risk Oversight Committee is chaired by Independent Director Carlos Jericho L. Petilla, with independent director Mr. Margarito B. Teves, and Ms. Aurora T. Calderon as members. No meeting was held by the Risk Oversight Committee in 2020.

Related Party Transaction Committee

The Related Party Transaction Committee, created on May 8, 2017, is composed of least three (3) non-executive directors, two (2) of whom are independent directors. The Chairperson is an independent director. The Related Party Transaction Committee is tasked with reviewing all material related party transactions of the Company.

The Related Party Transaction Committee is chaired by Independent Director former Chief Justice Artemio V. Panganiban, with independent director Margarito B. Teves and Ms. Aurora T. Calderon as members. No meeting was held by the Related Party Transactions Committee in 2020.

Significant Employees

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

Family Relationships

Director John Paul L. Ang is the son of Director Ramon S. Ang. Other than this, the Company has no director or executive officer related to any other director or executive officer up to the fourth degree of consanguinity or affinity.

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 (5) years until the date of this Prospectus.

Executive Compensation

Standard Arrangements

Petron’s executive officers are also regular employees of the Company and are similarly remunerated with a compensation package comprising of 14 months guaranteed pay. They also receive whatever gratuity pay the Board of Directors extends to the managerial, supervisory and technical employees of the Company.

The members of the Board of Directors who are not executive officers are elected for a term of one year. They 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.

Warrants or Options

There are no warrants or options held by directors or officers.

Employment Contract

In lieu of an employment contract, the directors are elected at the annual meeting of stockholders for a one-year term until their successors shall have been duly elected and qualified pursuant to the Company’s By-Laws. Any director elected in the interim will serve for the remaining term until the next annual meeting of the stockholders.

Executive Compensation

The aggregate compensation paid or estimated to be paid to the executive officers and the aggregate fees and per diem allowances paid or estimated to be paid to the directors of the Company during the periods indicated below are as follows:

NAME	YEAR	SALARY (Including Fee and Per Diem Allowance of Directors)	BONUS	OTHERS	TOTAL
Total Compensation of the Chief Executive Officers and Senior Executive Officers[6]	2021 (estimated)	₱109.30 Million	₱18.22 Million	₱1.07 Million	₱128.59 Million
	2020	₱109.30 Million	₱18.22 Million	₱5.81 Million	₱133.33 Million
	2019	₱111.96 Million	₱18.66 Million	₱3.03 Million	₱133.65 Million
All other officers and directors as a group unnamed	2021 (estimated)	₱84.43 Million	₱14.07 Million	₱3.42 Million	₱101.92 Million
	2020	₱84.25 Million	₱14.07 Million	₱4.80 Million	₱103.12 Million
	2019	₱83.13 Million	₱13.34 Million	₱6.38 Million	₱102.85 Million
All Directors as a Group	2021 (estimated)	₱16.46 Million	-	-	₱16.46 Million
	2020	₱15.37 Million	-	-	₱15.37 Million
	2019	₱14.93 Million	-	-	₱14.93 Million

Under the Corporate Governance Manual of the Company, the Corporate Governance Committee is tasked with the establishment of a formal and transparent procedure to determine the remuneration of directors and officers that is consistent with the Company's culture and strategy as well as the business environment in which it operates. The fees of the directors are expected to be reviewed by Corporate Governance Committee and, if favorably endorsed by such committee, such fees will be presented to the Board of Directors for approval. The matter was ratified by the stockholders at the Annual Stockholders' Meeting held on May 18, 2021.

[6] The Chief Executive Officer and Senior Executive Officers of the Company for 2021 are Ramon S. Ang, Lubin B. Nepomuceno, Emmanuel E. Eraña, Archie B. Gupalor, and Susan Y. Yu.

OWNERSHIP AND CAPITALIZATION

As of June 30, 2021, the Company had the following outstanding capital stock:

Title of Each Class	Number of Shares of Common and Preferred Stock Outstanding	
Common Shares	9,375,104,497	
SUB-TOTAL (Common Shares)		9,375,104,497
Series 2B Preferred Shares	2,877,680	
Series 3A Preferred Shares	13,403,000	
Series 3B Preferred Shares	6,597,000	
SUB-TOTAL (Preferred Shares)		22,877,680
TOTAL Outstanding Shares		**9,397,982,177**

List of Top 20 Stockholders

As of June 30, 2021, the Company had 9,375,104,497 common shares and 22,877,680 preferred shares issued and outstanding.

The table below sets forth the Company's top 20 holders of common shares as of June 30, 2021:

	Stockholder Name	No. of shares	% to Total
1	SEA Refinery Corporation	4,696,885,564	50.10
2	PCD Nominee Corp. (Filipino)	1,766,830,207	18.85
3	San Miguel Corporation	1,702,870,560	18.16
4	Petron Corporation Employees Retirement Plan	459,156,097	4.90
5	PCD Nominee Corp. (Non-Filipino)	294,185,801	3.14
6	F. Yap Securities Inc.	15,704,918	0.17
7	Ernesto Chua Chiaco &/or Margaret Sy Chua Chiaco	6,000,000	0.06
8	Sysmart Corp.	4,000,000	0.04
9	Margaret S. Chuachiaco	3,900,000	0.04
10	Raul Tomas Concepcion	3,504,000	0.04
11	Mary Felicci B. Ongchuan	2,950,100	0.03
12	Genevieve S. Chuachiaco	2,735,000	0.03
13	Ernesson S. Chuachiaco	2,732,000	0.03
14	Q-Tech Alliance Holdings, Inc.	2,648,500	0.03
15	Genevieve S. Chua Chiaco	2,490,000	0.03
16	Benedict Chua Chiaco	2,365,000	0.03
17	Anthony Chua Chiaco	2,008,000	0.02
18	Manuel Awiten Dy	2,000,000	0.02
19	Shahrad Rahmanifard	2,000,000	0.02
20	Kristine Chua Chiaco	1,956,000	0.02

As at June 30, 2021, the Issuer had 144,840 shareholders of its common shares.

The table below sets forth the Company's top 20 holders of the preferred shares as of June 30, 2021:

Series 2B Preferred Shares

	Stockholder Name	No. of shares	% to Total
1	PCD Nominee Corporation (Filipino)	2,362,825	82.11
2	Social Security System	395,770	13.75

	Stockholder Name	No. of shares	% to Total
3	Knights of Columbus Fraternal Association of the Phils., Inc.	45,440	1.58
4	PCD Nominee Corporation (Non-Filipino)	19,730	0.69
5	Marcelino R. Teodoro	12,500	0.43
6	First Life Financial Co., Inc.	7,000	0.24
7	Ben Tiuk Sy or Judy Y. Sy	6,400	0.22
8	Reynaldo Garcia Alejandro &/or Sylvia L. Alejandro	5,000	0.17
9	Alexander T. Solis &/or Gina T. Sinfuego	5,000	0.17
10	Francisco S. Alejo &/or Cynthina Alejo &/or Anna Melissa A. Acop	3,000	0.10
11	Antonio T. Chua	2,500	0.09
12	Enrique Dela Llana Yusingco	2,000	0.07
13	Justiniano B. Panambo, Jr.	1,920	0.07
14	Felix B. Chavez &/or Aida T. Chavez or Irene T. Chavez	1,500	0.05
15	Dewey T. Tan	1,000	0.03
16	Romeo V. Jacinto	1,000	0.03
17	Zenaida M. Postrado or Renato Postrado	1,000	0.03
18	Evelyn A. Gesmundo or Dominador A. Gesmundo Jr.	720	0.03
19	Ronne T. Sy Su or Chadwick C. Sy Su	700	0.02
20	Roberto D. De Leon	650	0.02

Series 3A Preferred Shares

	Stockholder Name	No. of shares	% to Total
1	PCD Nominee Corporation (Filipino)	13,331,845	99.47
2	PCD Nominee Corporation (Non-Filipino)	65,805	0.49
3	Mila Leonida Diaz Justiniano	2,000	0.01
4	Luz dela Cruz Canlapan	1,500	0.01
5	Carolina N. Dionisio	1,000	0.007
6	Ana Uy Gan or Albert David Uy Gan, Edwin Ferdinand Uy Gan or Philip Benjamin Uy Gan	500	0.004
7	Alma Florence A. Logronio	300	0.002
8	Enrico dela Llana Yusingco	50	0.0004

Series 3B Preferred Shares

	Stockholder Name	No. of shares	% to Total
1	PCD Nominee Corporation (Filipino)	6,520,960	98.85
2	PCD Nominee Corporation (Non-Filipino)	48,740	0.74
3	SMHC Multi-Employer Retirement Plan	5,000	0.08
4	Distileria Bago Incorporated Retirement Plan	5,000	0.08
5	Can Asia Inc Retirement Plan	5,000	0.08
6	Joie Tinsay &/or Irene Tinsay	4,500	0.07
7	G.D. Tan & Co. Inc.	2,000	0.03
8	Romualdo Estacio Franco or Virginia M. Franco	1,000	0.02
9	Agnes Logronio Baniqued	1,000	0.02
10	Ma. Teresa L. Yusingco	500	0.008
11	Antonio M. Ostrea	500	0.008
12	Enrique LL Yusingco	500	0.008
13	Conchita Perez Jamora	500	0.008
14	Enrique Noel L. Yusingco	500	0.008

	Stockholder Name	No. of shares	% to Total
15	Enrique Miguel L. Yusingco	500	0.008
16	Angelo De Guzman Macabuhay or Maritess Sigua Macabuhay	400	0.006
17	Henry P. Yusingco IV	100	0.002
18	Michelle Marie Y. San Juan	100	0.002
19	Jose Manuel R. San Juan	100	0.002
20	Myra P. Villanueva	60	0.001

Security Ownership of Directors and Officers

Directors

The security ownership of directors as of June 30, 2021 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	Ramon S. Ang	Filipino	1,000	D	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Estelito P. Mendoza	Filipino	1,000	D	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Lubin B. Nepomuceno	Filipino	5,000	D	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Jose P. De Jesus	Filipino	500 225,000	D I	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Mirzan Mahathir	Malaysian	1,000	D	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Ron W. Haddock	American	1	D	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Aurora T. Calderon	Filipino	1,000	D	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Francis H. Jardaleza	Filipino	1,000	D	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Virgilio S. Jacinto	Filipino	1,000	D	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Nelly Favis-Villafuerte	Filipino	1,000	D	0.00%
Series 2B Preferred			-	-	N.A.

Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Horacio C. Ramos	Filipino	500	D	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	John Paul L. Ang	Filipino	1,000	D	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Artemio V. Panganiban	Filipino	1,000	D	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Margarito B. Teves	Filipino	500	D	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Carlos Jericho L. Petilla	Filipino	500	D	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.

Officers

The security ownership of executive officers as of June 30, 2021 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
Executive Officers					
Common	Ramon S. Ang (same as above)	Filipino	-	-	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Lubin B. Nepomuceno (same as above)	Filipino	-	-	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Emmanuel E. Eraña	Filipino	-	-	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Susan Y. Yu	Filipino	791,600	I	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			12,000	I	N.A.
Common	Albert S. Sarte	Filipino	765,500	I	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			5,000	I	N.A.
Common	Rowena O. Cortez	Filipino	8,580	D	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			500	I	N.A.
Series 3B Preferred			-	-	N.A.
Common	Archie B. Gupalor	Filipino	3,000	D	0.00%
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.

Series 3B Preferred			-	-	N.A.
Common	Joel Angelo C. Cruz	Filipino	-	-	N.A.
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			2,500	I	N.A.
Series 3B Preferred			-	-	N.A.
Common	Jaime O. Lu	Filipino	14,200	I	N.A.
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Rolando B. Salonga	Filipino	845	D	N.A.
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Ma. Rosario Vergel de Dios	Filipino	-	-	N.A.
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Magnolia Cecilia D. Uy	Filipino	-	-	N.A.
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Common	Myrna C. Geronimo	Filipino	-	-	N.A.
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			3,000	I	N.A.
Common	Allister J. Go	Filipino	11,030	D	N.A.
Series 2B Preferred			-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			300	I	N.A.
Directors and Executive Officers as a Group		Common	**1,835,756**		**0.00%**
		Series 2B Preferred	**0**		**0.00%**
		Series 3A Preferred	**3,000**		**0.00%**
		Series 3B Preferred	**20,300**		**0.00%**

The aggregate number of shares owned of record by the Chief Executive Officer, key officers, and directors (as a group) of the Company as of June 30, 2021 is 1,835,756 common shares, 3,000 Series 3A Preferred Shares and 20,300 Series 3B Preferred Shares for a total of 1,859,056 or approximately 0.02% of the outstanding capital stock of the Company.

Voting Trust of Holders of 5% and more

There is no person holding more than 5% of the Company's voting securities under a voting trust arrangement.

Changes in Control

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

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

Market Price of the Issuer's Equity

The Company's common shares were first listed on the PSE on September 7, 1994. The Company's common and preferred shares are principally traded at the PSE under the symbols "PCOR", "PRF2B', 'PRF3A", and "PRF3B". On July 2, 2021, the closing price of the Company's common shares was ₱3.34 with a market capitalization of ₱31,031,595,885.07.

The high and low prices of the common shares for each quarter of the last three (3) fiscal years and the first half of 2021 are indicated in the table below.
:

	2021	
(in ₱)	**Highest Close**	**Lowest Close**
1st Quarter	4.05	3.00
2nd Quarter	3.59	2.93

	2020		2019		2018	
(in ₱)	**Highest Close**	**Lowest Close**	**Highest Close**	**Lowest Close**	**Highest Close**	**Lowest Close**
1st Quarter	4.27	2.04	7.89	6.43	9.80	8.68
2nd Quarter	3.39	2.56	6.54	5.41	9.62	8.72
3rd Quarter	3.19	3.02	5.95	4.99	9.15	8.60
4th Quarter	4.27	2.99	5.10	3.85	8.69	7.66

The high and low prices of the PRF2B for each quarter of the last three fiscal years and the first half of 2021 are indicated in the table below:

	2021	
(in ₱)	**Highest Close**	**Lowest Close**
1st Quarter	1,115.00	1,000.00
2nd Quarter	1,040.00	1,017.00

	2020		2019		2018	
(in ₱)	**Highest Close**	**Lowest Close**	**Highest Close**	**Lowest Close**	**Highest Close**	**Lowest Close**
1st Quarter	1,115.00	1,000.00	1,050.00	990.00	1,070.00	1,034.00
2nd Quarter	1,040.00	990.00	1,040.00	911.00	1,050.00	1,020.00
3rd Quarter	1,080.00	1,001.00	1,030.00	993.00	1,045.00	1,000.00
4th Quarter	1,054.00	1,002.00	1,100.00	1,001.00	1,010.00	932.00

The high and low prices of the PRF3A for each quarter of the last two fiscal years and the first half of 2021 are indicated in the table below:

	2021	
(in ₱)	**Highest Close**	**Lowest Close**
1st Quarter	1,120.00	1,015.00
2nd Quarter	1,119.00	1,020.00

(in ₱)	2020 Highest Close	2020 Lowest Close	2019 Highest Close	2019 Lowest Close
1st Quarter	1,070.00	1,002.00	N/A	N/A
2nd Quarter	1,065.00	993.00	1,000.00	990.00
3rd Quarter	1,062.00	1,021.00	1,060.00	1,000.00
4th Quarter	1,072.00	1,010.00	1,058.00	1,013.00

The high and low prices of the PRF3B for each quarter of the last two fiscal years and the first half of 2021 are indicated in the table below:

(in ₱)	2021 Highest Close	2021 Lowest Close
1st Quarter	1,150.00	1,080.00
2nd Quarter	1,165.00	1,080.00

(in ₱)	2020 Highest Close	2020 Lowest Close	2019 Highest Close	2019 Lowest Close
1st Quarter	1,085.00	1,003.00	N/A	N/A
2nd Quarter	1,075.00	1,006.00	1,010.00	1,005.00
3rd Quarter	1,100.00	1,065.00	1,082.00	1,002.00
4th Quarter	1,119.00	1,075.00	1,081.00	1,050.00

Dividends and Dividend Policy

The Company's Board is authorized to declare dividends. A cash dividend declaration does not require any further approval from the Company's shareholders. A stock dividend declaration requires the further approval of shareholders representing not less than two-thirds of the Company's outstanding capital stock. Dividends may be declared only from unrestricted retained earnings.

The Company shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: (a) when justified by definite corporate expansion projects or programs approved by the Board; or (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 need for special reserve for probable contingencies.

In relation to foreign shareholders, dividends payable may not be remitted using foreign exchange sourced from the Philippine banking system unless the investment was first registered with the BSP.

The Company is allowed under Philippine laws to declare property and stock dividends, subject to certain requirements. See "*Market Price, Dividends and Distributions, and Related Stockholder Matters – Dividends and Dividend Policy* " on page 91 of this Prospectus.

Dividend Declarations and Payments

The Company declared cash dividends as follows:

2021

On March 9, 2021, the Board of Directors approved cash dividends of (i) ₱17.14575 per share to the shareholders of the Series 2B Preferred Shares for the second quarter of 2021 with a record date of April 7, 2021 and a pay-out date of May 3, 2021; (ii) ₱17.17825 per share to the shareholders of the Series 3A Preferred Shares for the second quarter of 2021, with a record date of June 2, 2021 and a pay-out date of June 25, 2021; and (iii) ₱17.84575 per share to the shareholders of the Series 3B Preferred Shares for the second quarter of 2021, with a record date of June 2, 2021 and a pay-out date of June 25, 2021. In the same meeting, the Board of Directors also approved the redemption of the Series 2B Preferred Shares on November 3, 2021.

On May 3, 2021, the Board of Directors approved cash dividends of (i) ₱17.14575 per share to the shareholders of the Series 2B Preferred Shares for the third quarter of 2021 with a record date of July 8, 2021 and a pay-out date of August 3, 2021; (ii) ₱17.17825 per share to the shareholders of the Series 3A Preferred Shares for the third quarter of 2021, with a record date of September 2, 2021 and a pay-out date of September 27, 2021 (with September 25 falling on a Saturday); and (iii) ₱17.84575 per share to the shareholders of the Series 3B Preferred Shares for the third quarter of 2021, with a record date of September 2, 2021 and a pay-out date of September 27, 2021 (with September 25 falling on a Saturday).

2020

On March 10, 2020, the Board of Directors approved a cash dividend of ₱0.10 per share to all common shareholders with a record date of March 24, 2020 and a pay-out date of April 8, 2020. On the same date, the Board of Directors also approved cash dividends of (i) ₱17.14575 per share to the shareholders of the Series 2B Preferred Shares for the second quarter of 2020 with a record date of April 7, 2020 and a pay-out date of May 4, 2020 (with May 3 falling on a Sunday); (ii) ₱17.17825 per share to the shareholders of the Series 3A Preferred Shares for the second quarter of 2020, with a record date of June 1, 2020 and a pay-out date of June 25, 2020; and (iii) ₱17.84575 per share to the shareholders of the Series 3B Preferred Shares for the second quarter of 2020, with a record date of June 1, 2020 and a pay-out date of June 25, 2020.

On May 26, 2020, the Board of Directors approved cash dividends of (i) ₱17.14575 per share to the shareholders of the Series 2B Preferred Shares for the third quarter of 2020 with a record date of July 9, 2020 and a pay-out date of August 3, 2020; (ii) ₱17.17825 per share to the shareholders of the Series 3A Preferred Shares for the third quarter of 2020, with a record date of September 2, 2020 and a pay-out date of September 25, 2020; and (iii) ₱17.84575 per share to the shareholders of the Series 3B Preferred Shares for the third quarter of 2020, with a record date of September 2, 2020 and a pay-out date of September 25, 2020.

On August 4, 2020, the Board of Directors approved cash dividends of (i) ₱17.14575 per share to the shareholders of the Series 2B Preferred Shares for the fourth quarter of 2020 with a record date of October 9, 2020 and a pay-out date of November 3, 2020; (ii) ₱17.17825 per share to the shareholders of the Series 3A Preferred Shares for the fourth quarter of 2020, with a record date of December 2, 2020 and a pay-out date of December 28, 2020 (December 25 being a holiday falling on a Friday); and (iii) ₱17.84575 per share to the shareholders of the Series 3B Preferred Shares for the fourth quarter of 2020, with a record date of December 2, 2020 and a pay-out date of December 28, 2020 (December 25 being a holiday falling on a Friday).

On November 3, 2020, the Board of Directors approved cash dividends of (i) ₱17.14575 per share to the shareholders of the Series 2B Preferred Shares for the first quarter of 2021 with a record date of January 8, 2021 and a pay-out date of February 3, 2021; (ii) ₱17.17825 per share to the shareholders of the Series 3A Preferred Shares for the first quarter of 2021, with a record date of March 2, 2021 and a pay-out date of March 25, 2021; and (iii) ₱17.84575 per share to the shareholders of the Series 3B Preferred Shares for the first quarter of 2021, with a record date of March 2, 2021 and a pay-out date of March 25, 2021.

2019

On March 12, 2019, the Board of Directors approved a cash dividend of ₱0.10 per share to all common shareholders with a record date of March 27, 2019 and a pay-out date of April 11, 2019. 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 2019 with record dates of April 4, 2019 and July 12, 2019, respectively, and pay-out dates of May 3, 2019 and August 5, 2019 (with August 3 falling on a Saturday), respectively, and (ii) ₱17.14575 per share to the shareholders of the Series 2B Preferred Shares for the second and third quarters of 2019 record dates of April 4, 2019 and July 12, 2019, respectively, and pay-out dates of May 3, 2019 and August 5, 2019 (with August 3 falling on a Saturday), respectively.

On August 6, 2019, 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 2019 with a record date of October 11, 2019 and a pay-out date of November 4, 2019 (with November 3 falling on a Sunday); (ii) ₱17.14575 per share to the shareholders of the Series 2B Preferred Shares for the fourth quarter of 2019 with a record date of October 11, 2019 and a pay-out date of November 4, 2019 (with November 3 falling on a Sunday); (iii) ₱17.17825 per share to the shareholders of the Series 3A Preferred Shares for the third quarter of 2019, with a record date of September 2, 2019 and a pay-out date of September 25, 2019; and (iv) ₱17.84575 per share to the shareholders of the Series 3B Preferred Shares for the third quarter of 2019, with a record date of September 2, 2019 and a pay-out date of September 25, 2019.

On November 5, 2019, the Board of Directors approved cash dividends of (i) ₱17.14575 per share to the shareholders of the Series 2B Preferred Shares for the for the first quarter of 2020 with a record date of January 14, 2020 and a pay-out date of February 3, 2020; (ii) ₱17.17825 per share to the shareholders of the Series 3A Preferred Shares for the fourth quarter of 2019 and the first quarter of 2020, with record dates of December 2, 2019 and March 2, 2020, respectively, and pay-out dates of December 26, 2019 (December 25 being a holiday) and March 25, 2020, respectively; and (iii) ₱17.84575 per share to the shareholders of the Series 3B Preferred Shares for the fourth quarter of 2019 and the first quarter of 2020, with record dates of December 2, 2019 and March 2, 2020, respectively, and pay-out dates of December 26, 2019 (December 25 being a holiday) and March 25, 2020, respectively

Distributions

Under the terms and conditions of the undated unsubordinated capital securities issued by the Company on January 19, 2018 and April 19, 2021 (collectively, the "**Capital Securities**"), more particularly described below in "Recent Sales of Unregistered or Exempt Securities Including Recent Issuances of Securities Constituting an Exempt Transaction", the Company cannot declare dividends on any Junior Securities (as defined thereunder), which include the common shares of the Company, or (except on a pro rata basis) on any Parity Securities (as defined thereunder), which include the outstanding preferred shares of the Company, in case the payment of all distributions scheduled to be made on the Capital Securities is not made in full by reason of the Company deferring such distributions in accordance with the terms of the Capital Securities.

Dividends Declared by Subsidiaries

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	2020 (in ₱ Millions)	2019 (in ₱ Millions)	2018 (in ₱ Millions)
Petron Freeport Corporation	100	100	115
Petron Oil & Gas (Mauritius) Ltd.	275	1,832	3,692
Petron Singapore Trading Pte Ltd	811	1,113	1,353

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

Under the SRC and the Amended Implementing Rules and Regulations of the SRC (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, the subject securities were either exempt securities pursuant to Section 9 of the Code and Rule 9.2 of the Amended SRC Rules or 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. No notices of exemption were filed after the issuance of the securities qualifying as exempt transactions as these are no longer required under the Amended SRC Rules.

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.

US$500,000,000 Senior Perpetual Capital Securities

On January 19, 2018, Petron issued US$500,000,000 Senior Perpetual Capital Securities with an initial rate of distribution of 4.6% per annum. On January 22, 2018, the Senior Perpetual Capital Securities were listed on the Singapore Stock Exchange ("**SGX-ST**"). The net proceeds were applied for the repurchase, refinancing and/or redemption of undated subordinated capital securities.

US$550,000,000 Senior Perpetual Capital Securities

On April 19, 2021, Petron issued US$550,000,000 Senior Perpetual Capital Securities with an initial rate of distribution of 5.95% per annum. On April 20, 2021, the Senior Perpetual Capital Securities were listed on the SGX-ST. The net proceeds were applied for the repayment of indebtedness and for general corporate purposes.

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.

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. In certain cases, the Company has made provisions in its financial statements for possible liabilities arising from adverse results of these legal proceedings.

Tax Credit Certificates Related Matters

In 1998, the Philippine 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-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 were 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. The Supreme Court ("**SC**") issued a decision in favor of the Company dated July 9, 2018. No motion for reconsideration was filed by the BIR. The SC issued its Entry of Judgment declaring that its decision dated July 9, 2018 in the Company's favor already attained finality on April 1, 2019. This case could now be considered closed and terminated.

Guimaras Oil Spill Incident

On August 11, 2006, M/T 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 Philippine Department of Justice ("**DOJ**") and the Special Board of Marine Inquiry ("**SBMI**"), both agencies found the owners of M/T Solar I liable. The DOJ found the Company not criminally liable, but the SBMI found that the Company to have overloaded the vessel. The Company has appealed the findings of the SBMI to the DOTr and is awaiting its resolution. The Company believes that the 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 aggregate 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.

Leases with PNOC

On October 20, 2017, the Company filed with the Regional Trial Court of Mandaluyong City a complaint against PNOC for Resolution and Reconveyance, and Damages, with Verified Ex-Parte Application for 72-hour Temporary Restraining Order and Verified Applications for 20-day Temporary Restraining Order and Writ of Preliminary Injunction.

In its complaint, the Company seeks the reconveyance of the various landholdings it conveyed to PNOC in 1993 as a result of the government-mandated privatization of the Company. These landholdings consist of the refinery lots in Limay, Bataan, 23 bulk plant sites and 66 service station lots located in different parts of the country. The Deeds of Conveyance covering the landholdings provide that the transfer of these lots to PNOC was without prejudice to the continued long-term use by the Company of the conveyed lots for its business operation. Thus, PNOC and the Company executed three lease agreements covering the refinery lots, the bulk plants, and the service station sites, all with an initial lease term of 25 years to expire in August 2018, with a provision for automatic renewal for another 25 years.

Earlier in 2009, the Company, through its realty subsidiary, NVRC, had an early renewal of the lease agreement for the refinery lots with an initial lease term of 30 years, renewable for another 25 years.

The complaint stemmed from PNOC's refusal to honor both the automatic renewal clause in the lease agreements for the bulk plants and the service station sites and the renewed lease agreement for the refinery lots on the alleged ground that all such lease agreements were grossly disadvantageous to PNOC, a government-owned and -controlled corporation. The Company alleged that by unilaterally setting aside both the renewal clauses of the lease agreements for the bulk plants and the service station sites and the renewed lease agreement for the refinery lots, and by categorically declaring its refusal to honor them, PNOC committed a fundamental breach of such lease agreements with the Company.

On December 11, 2017, the trial court granted the Company's prayer for a writ of preliminary injunction, enjoining PNOC from committing any act aimed at ousting the Company of possession of the subject properties until the case is decided, conditioned upon the posting by the Company of a bond in the amount of ₱100 million. The Company has posted the required bond. On December 29, 2017, the trial court mandated the conduct of mediation proceedings on February 5, 2018 before the Philippine Mediation Center.

The court-mandated mediation was terminated on February 5, 2018 without any agreement between the parties. The judicial dispute resolution proceedings before the court were likewise terminated on March 28, 2019, after the parties failed to agree to a settlement. Without prejudice to any further discussion between the parties regarding settlement, the case was remanded to the trial court for trial proper, with the pre-trial held on September 10, 2019. The Company also filed a motion for summary judgment on May 17, 2019. In a resolution dated November 13, 2019, the trial court granted the Company's motion for summary judgment and ordered (i) the rescission of the Deeds of Conveyance dated 1993 relating to the Company's conveyance of such leased premises to PNOC pursuant to a property dividend declaration in 1993, (ii) the reconveyance by PNOC to the Company of all such properties, and (iii) the payment by the Company to PNOC of the amount of ₱143 million, with legal interest from 1993, representing the book value of the litigated properties at the time of the property dividend declaration. PNOC filed a motion for reconsideration. The Company also filed a motion for partial reconsideration seeking a modification of the judgment to include an order directing PNOC to return to the Company all lease payments the latter had paid to PNOC since 1993. Following the trial court's denial of their separate motions for reconsideration, both PNOC and the Company filed their notices of appeal with the trial court. The case was raffled off to the 5th Division of the Court of Appeals. The Company and PNOC have exchanged pleadings on their respective appeals and are awaiting the resolution by the Court of Appeals of the parties' consolidated appeals.

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.

RELATED PARTY TRANSACTIONS

The Company engages from time to time in a variety of transactions with related parties. The Company's policy with respect to related party transactions is to ensure that these transactions are entered into under terms comparable to those available from unrelated third parties. For more information regarding the Company's transactions with related parties, see note 28 to the Company's audited consolidated financial statements as of and for the period ended December 31, 2020, included elsewhere in this Prospectus.

San Miguel Corporation

SMC is a major stockholder of the Company. See "*Ownership and Capitalization – List of Top 20 Stockholders*." The Company has supply agreements with various SMC subsidiaries, under which the Company supplies the diesel fuel, gasoline and lube requirements of selected SMC plants and subsidiaries. Generally, the pricing formulae under these agreements are based on MOPS. Aggregate revenue with related parties amounted to approximately ₱6,753 million, ₱6,372 million, ₱4,864 million and ₱1,445 million for the years ended December 31, 2018, 2019 and 2020, and in the first three months of 2021, respectively. 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 85.55%-owned by the Company and 14.45%-owned by PCERP. The Company leases from NVRC certain parcels of land where the Petron Bataan Refinery and its service station sites, terminals and bulk plants are located. NVRC is the holder of the lease over the site of the Petron Bataan Refinery of which PNOC is the lessor. Lease expenses in connection with the NVRC leases in 2018, 2019 and 2020, and in the first three months of 2021 amounted to approximately ₱235 million, ₱198 million ₱198 million, and ₱43 million, respectively.

Petron Singapore Trading Pte. Ltd.

PSTPL is a wholly-owned subsidiary of the Company. The Company acquires crude oil for the Petron Bataan Refinery and certain finished petroleum products through arrangements with PSTPL. The pricing formula for these imports is based on regional benchmark prices. Aggregate purchases from PSTPL amounted to approximately ₱248,114 million, ₱216,684 million, ₱78,361 million, and ₱12,516 million for the years ended December 31, 2018, 2019 and 2020, and in the first three months of 2021, respectively.

SUMMARY OF FINANCIAL INFORMATION

The following tables present summary consolidated financial information for the Company and should be read in conjunction with the auditors' reports and with the Company's consolidated financial statements and notes thereto and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in this Prospectus. The summary financial information presented below as of March 31, 2020 and 2021 and for the years ended December 31, 2018, 2019 and 2020 have been derived from the unaudited and audited consolidated financial statements, including the notes thereto, included elsewhere in this Prospectus, audited by R.G. Manabat & Co., a member firm of KPMG. The Company's financial information included in this Prospectus has been prepared in accordance with PFRS. The information below is not necessarily indicative of the results of future operations. Each of the Company and the Underwriters and any of their respective affiliates, directors, officers and advisers disclaim all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of any financial information of the Company.

SUMMARY CONSOLIDATED STATEMENT OF INCOME

	(Audited)			**(Unaudited)**	
	For the years ended December 31			**For the quarters ended March 31**	
	2018	**2019**	**2020**	**2020**	**2021**
	(In millions of ₱)				
Sales..	557,386	514,362	286,033	104,623	83,307
Cost of goods sold...................	522,824	483,855	277,320	105,566	76,529
Gross profit..............................	34,562	30,507	8,713	(943)	6,778
Selling and administrative expenses.................................	(16,981)	(15,815)	(14,389)	(3,818)	(3,451)
Other operating income............	1,340	1,507	1,047	352	334
Interest expense and other financing charges.....................	(9,689)	(13,490)	(11,313)	(2,967)	(2,439)
Interest income.......................	706	1,340	780	199	133
Other income (expenses)—net..	517	(312)	(1,049)	192	793
	(24,107)	(26,770)	(24,924)	(6,042)	(4,630)
Income (loss) before income tax..	10,455	3,737	(16,211)	(6,985)	2,148
Income tax expense (benefit)	3,386	1,434	(4,798)	(2,108)	418
Net income (loss)	7,069	2,303	(11,413)	(4,877)	1,730
Attributable to:					
Equity holders of the Parent Company................................	6,218	1,701	(11,380)	(4,614)	1,400
Non-controlling interests.........	851	602	(33)	(263)	330
Basic/ Diluted Earnings (Loss) per Common Share attributable to equity holders of the Parent Company...........	₱0.28	₱(0.17)	₱(1.58)	₱(0.58)	₱0.01

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	(Audited)		(Unaudited)
	As of December 31,		As of March 31,
	2019	2020	2021
		(In millions of ₱)	
Current assets:			
Cash and cash equivalents.....	34,218	27,053	30,027
Financial assets at fair value	864	603	876
Investments in debt instruments........	109	184	-
Trade and other receivables – net.....	44,657	27,195	29,003
Inventories	72,210	44,922	39,788
Other current assets	27,430	32,337	30,745
Total current assets............	179,488	132,294	130,439
Non-current assets:			
Investments in debt instruments........	311	197	-
Investment in shares of stock of an associate..	-	-	1,003
Property, plant and equipment – net..	168,267	168,831	168,693
Right-of-use assets - net.........	5,509	6,045	6,011
Investment property – net	29,935	30,049	29,111
Deferred tax assets – net........	262	2,190	1,992
Goodwill – net	8,319	8,031	7,883
Other non-current assets – net..........	2,744	2,088	1,954
Total non-current assets.....	215,347	217,431	216,647
Total assets	394,835	349,725	347,086
Current liabilities:			
Short-term loans	71,090	77,704	76,452
Liabilities for crude oil and petroleum product importation	39,362	22,320	24,372
Trade and other payables.......	28,741	15,402	14,792
Lease liabilities – current portion.......	1,295	1,243	1,187
Derivative liabilities	738	1,124	714
Income tax payable................	267	162	432
Current portion of long-term debt – net............	16,881	31,114	32,491
Total current liabilities	158,374	149,069	150,440
Non-current liabilities:			
Long-term debt – net of current portion............	116,196	88,340	85,870
Retirement benefits liability.....	3,565	3,705	3,619
Deferred tax liabilities – net	6,348	3,084	3,172
Lease liabilities – net of current portion..	14,454	14,561	14,165
Asset retirement obligation	1,720	2,867	2,900
Other non-current liabilities.....	1,748	1,904	1,790
Total non-current liabilities.	144,031	114,461	111,516
Total liabilities..................	302,405	263,530	261,956

	(Audited)		(Unaudited)
	As of December 31,		As of March 31,
	2019	2020	2021
	(In millions of ₱)		
Equity Attributable to Equity Holders of the Parent Company*:			
Capital stock	9,485	9,485	9,485
Additional paid-in capital	37,500	37,500	37,500
Capital securities..................................	25,183	36,481	36,481
Retained earnings..............................	45,510	29,799	29,898
Equity reserves	(16,899)	(18,371)	(19,749)
Treasury stock	(15,122)	(15,122)	(15,122)
Total Equity Attributable to Equity Holders of the Parent Company	85,657	79,772	78,493
Non-controlling interests	6,773	6,423	6,637
Total equity.....................................	92,430	86,195	85,130
Total liabilities and equity.	394,835	349,725	347,086

**Under the Company's financial statements, the "Parent Company" refers to Petron Corporation.*

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	(Audited)			(Unaudited)	
	For the years ended December 31			For the quarters ended March 31	
	2018	2019	2020	2020	2021
	(In millions of ₱)				
Net cash flows provided by operating activities....................	5,047	25,362	2,533	(9,080)	9,394
Net cash flows used in investing activities..................................	(11,141)	(20,467)	(8,437)	(2,532)	(1,976)
Net cash flows provided by financing activities.....................	5,949	13,116	318	5,939	(4,688)
Effect of exchange rate changes on cash and cash equivalents................................	536	(1,198)	(1,579)	17	244
Net increase (decrease) in cash and cash equivalents.................	391	16,813	(7,165)	(5,656)	2,974
Cash and cash equivalents at beginning of year.......................	17,014	17,405	34,218	34,218	27,053
Cash and cash equivalents at end of year.................................	17,405	34,218	27,053	28,562	30,027

OTHER FINANCIAL AND OPERATING DATA

	For the years ended December 31,			For the quarters ended March 31,	
	2018	**2019**	**2020**	**2020**	**2021**
	(In millions of ₱ except sales volume and ratios)				
Sales volume ('000 bpd)	297	293	215	271	215
Net debt[(1)]	183,592	169,949	170,105	183,475	164,786
Ratio of total debt to equity	2.33	2.21	2.29	2.55	2.29
EBITDA[(2)]	36,009	30,533	17,248	29,348	14,910
Capital expenditures[(3)]	10,416	19,808	8,480	2,124	1,931
Total debt[(4)]	200,997	204,167	197,158	212,037	194,813

(1) Net debt represents the sum of short-term loans, current portion of long-term debts—net and long-term debts—net of current portion, less cash and cash equivalents.
(2) The Company defines EBITDA as income from operations plus depreciation & amortization plus/minus inventory loss/gain and realized commodity hedging loss/gain for a 12-month period. Income from operations is computed as gross profit less selling and administrative expenses plus other operating income.
(3) Capital expenditures represent the sum of additions to property, plant and equipment for the period.
(4) Total debt consists of the sum of short-term loans, current portion of long-term debts-net and long-term debts-net of current portion.

The table below provides a computation for EBITDA.

	For the years ended December 31,			For the period ended March 31,	
	2018	**2019**	**2020**	**2020**	**2021**
	(In millions of ₱)				
Gross profit	34,562	30,507	8,713	21,089	16,434
Deduct:					
Selling and administrative expenses (net of other operating income)	15,641	14,308	13,342	14,164	12,641
Net operating income	18,921	16,199	(4,629)	6,925	3,793
Add/deduct:					
Depreciation and amortization	11,543	13,245	9,490	12,895	8,673
Inventory Gain/Loss and Realized Commodity Hedging Gain/Loss – net	5,545	1,089	12,387	9,528	2,444
EBITDA	36,009	30,533	17,248	29,348	14,910

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 condition and results of operations together with the unaudited and audited consolidated financial statements of the Company and the notes thereto, included elsewhere in this Prospectus. This discussion contains forward-looking statements and reflects the current views of the Company with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth in the section entitled "Risk Factors" and elsewhere in this Prospectus.

OVERVIEW

Petron operates the only integrated oil refinery in the Philippines and is a leading oil marketing company. The Company had an overall market share of approximately 22.1%[7]of the Philippine oil market for the year ended December 31, 2020 in terms of sales volume based on Company estimates using its internal assumptions and calculations and industry data from the Philippine DOE. Petron is also a leading player in the Malaysian market. The Company entered the Malaysian market in March 2012 through the purchase of ExxonMobil's downstream oil business in Malaysia. For the period ended March 31, 2021, the Company ranked third in the Malaysian retail market with more than 21% market share, based on Company estimates using its internal assumptions and calculations and industry data from a third-party market research consultant appointed by Malaysian retail market participants to compile industry data. Petron refines crude oil and markets and distributes refined petroleum products in the Philippines and Malaysia with a combined refining capacity of 268,000 bpd.

The Company's FAB-registered Petron Bataan Refinery in Limay, Bataan in the Philippines, a full conversion refinery with a crude oil distillation capacity of 180,000 bpd, processes crude oil into a range of white petroleum products such as naphtha, gasoline, diesel, LPG, jet fuel, kerosene, and petrochemical feedstock such as benzene, toluene, mixed xylene and propylene.

From the Petron Bataan Refinery, the Company moves its products, mainly by sea, to terminals and airport installations situated throughout the Philippines, representing the most extensive distribution network for petroleum products in the Philippines. The network comprises 13 terminals in Luzon, seven in Visayas and eight in Mindanao, as well as four airport installations in Luzon, five in Visayas and three in Mindanao. Through this nationwide network, the Company supplies its various petroleum products such as gasoline, diesel, and LPG to its customers as well as jet fuel to international and domestic carriers.

Through its network of more than 2,000 retail service stations in the Philippines as of March 31, 2021, the Company sells gasoline, diesel, and kerosene to motorists and to the public transport sector. Approximately 38% of the Company's service stations are CODO while the remaining 62% are DODO. As of March 31, 2021, the Company's LPG distribution network includes about 1,200 branch stores. Petron also sells its LPG brands "*Gasul*" and "*Fiesta Gas*" to households and other consumers through its extensive dealership network.

In Malaysia, the Company owns and operates the Port Dickson Refinery located in the state of Negeri Sembilan, which has a crude oil distillation capacity of 88,000 bpd, and produces a range of petroleum products, including LPG, naphtha, gasoline, jet fuel, diesel and low-sulfur waxy residue ("**LSWR**"). As of March 31, 2021, the Company had 10 product terminals, a Palm Oil Methyl Ester ("**PME**") production facility and a network of more than 720 retail service stations in Malaysia, of which about 59% are CODO and 41% are DODO.

While the Company's products are primarily sold to customers in the Philippines and Malaysia, the Company also exports various petroleum products and petrochemical feedstock, including LSWR, gasoline, diesel, LPG, molten sulfur, naphtha, mixed xylene, benzene, toluene and propylene, to other customers in the Asia-

[7] Market share is derived from Company estimates based on Company information and data from the Philippine Department of Energy for the year ended December 31, 2020. Company estimates exclude all direct imports of end users.

Pacific region such as China, Taiwan, Singapore, Thailand, Indonesia, Malaysia, Vietnam, Hong Kong and India. The Company's revenues from these export sales amounted to ₱15,529 million, or 5% of total sales for the year ended December 31, 2020, and ₱5,065 million, or 6% of total sales in the first three months of 2021.

For the years ended December 31, 2018, 2019 and 2020, and in the first three months of 2021, the Company's sales were ₱557,386 million, ₱514,362 million, ₱286,033 million, and ₱83,307 million, respectively, and net income/(loss) was ₱7,069 million, ₱2,303 million, (₱11,413 million), and ₱1,730 million, respectively.

Petron is a subsidiary of SMC, one of the largest and most diversified conglomerates in the Philippines, which has market-leading businesses in various sectors, including beverages, food, packaging, fuel and oil, energy, infrastructure and property, and investments in car distributorship and banking services. The Company's common shares are listed on the Philippine Stock Exchange under the symbol "PCOR" and the common shares of its subsidiary, Petron Malaysia Refining & Marketing BHD, are listed on the Bursa Malaysia under the symbol "PETRONM."

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 year ended December 31, 2020 and in the first three months of 2021, crude oil accounted for approximately 35% and 38%, respectively, 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, domestic and foreign governmental regulation, and price wars among oil producers. Historically, the Company holds crude oil and finished petroleum products inventory of approximately two months in the Philippines and approximately three weeks in Malaysia. 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 price of crude oil and petroleum products may have a material adverse effect on the Company's business, results of operations and financial condition*." 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. The Company has also been 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 fully pass on the impact 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 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. Effective March 30, 2017, the government implemented a managed float system under which the Malaysian government fixes the government-mandated retail prices of RON 95 and RON 97 petroleum and diesel on a weekly basis based on MOPS. 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 in selected sectors so that increases in international crude oil and petroleum product prices are not borne fully by Malaysian consumers. In such instances, the Company's working capital requirements depends to a certain degree on the Malaysian government's prompt payment of these fuel subsidies. The Malaysian government has publicly stated in the past 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 scope 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. There can be no assurance that the Philippine government will not invoke price control measures or reinstate price regulation in the future, which may adversely affect the Company's results of operations.

Competition

Despite the regulated retail market, the Company faces intense competition from a number of multinational and local competitors in the sale of petroleum and other related products in the markets in which it operates. 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 comply with and obtain additional quotas from the Malaysian government.

Foreign Exchange Rates

Substantial portions of the Company's revenues are denominated in either Philippine Pesos or Malaysian Ringgit, while a substantial portion of its expenses, including crude oil purchases and foreign currency denominated debt service costs, are denominated in U.S. dollars. In 2020 and in the first three months of 2021, approximately 55% and 45%, respectively, of the Company's revenues were denominated in Philippine Pesos, approximately 32% and 38%, respectively, of its revenues were denominated in Malaysian Ringgit, while approximately 61% and 69%, respectively, of its cost of goods sold were denominated in U.S. dollars. In addition, as of March 31, 2021, approximately 28% 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, 2018 to March 31, 2021, the value of the Peso against the U.S. dollar fluctuated from a low of ₱47.90 to a high of ₱54.41. In the same period, the value of the Malaysian Ringgit against the U.S. dollar fluctuated from a low of RM3.8510 per U.S. dollar to a high of RM4.4480 per U.S. dollar. See "*Exchange Rates*." Although 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 Malaysian Ringgit will not decline or continue to fluctuate significantly against the U.S. dollar, and any significant future depreciation of the Peso or the Malaysian Ringgit could have a material adverse effect on the Company's margins, results of operations and financial condition.

Regulatory Environment

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 which was eventually declared unconstitutional by the Philippine Supreme Court in 2016. On January 1, 2018, Republic Act No. 10963, also known as the TRAIN Law. The TRAIN Law imposed a phased increase in excise taxes on petroleum products from 2018 to 2020. The schedule of increase for this three (3)-year period was ₱2.65- ₱2- ₱1 per liter ("/li") per year for premium unleaded gasoline, ₱2.50- ₱2- ₱1.50/li per year for diesel and fuel oil, ₱1-₱1-₱1/kg per year for LPG, and ₱0.33-₱0-₱0/li per year for jet fuel. The incremental excise tax is further subject to 12% VAT. Higher excise taxes can potentially constrain demand growth, especially for LPG given there are substitutes such as charcoal, kerosene and electric, and gasoline with public transportation as alternative means of transportation. The TRAIN Law also mandates the implementation of a fuel marking program for diesel, gasoline and kerosene to help curb illicit trading of fuel products. The cost for the fuel marker was subsidized by the government in the initial year of implementation and eventually passed on to oil companies effective September 2020.

On June 1, 2018, the Malaysian government withdrew the Goods and Services Tax (GST). The GST was replaced with a Sales and Services Tax (SST) on September 1, 2018.

On December 28, 2020, the AFAB and the Company entered into a Registration Agreement pursuant to which the Company's Petron Bataan Refinery complex was approved as a FAB registered enterprise. The Company believes that the AFAB registration would result in a more level playing field among fuel and oil marketing and distribution companies. The Company's competitiveness has suffered vis-à-vis other players in the market which are not refiners because VAT is imposed on the Company's importation of crude oil while non-refiners pay VAT and excise tax upon importation of finished products and those located in special economic zones pay VAT and excise tax upon withdrawal of finished products. There are generally 60 days between importation of crude and lifting of the finished products produced therefrom at the Petron Bataan Refinery, and another 15 days to sell at retail, so the Company is unable to pass on the VAT for a longer time compared to its non-refining competitors. Also, not all of the crude imported by the Company, for which VAT is imposed and paid, is refined into finished petroleum products and sold to consumers, again resulting to higher input VAT absorbed by the Company and adding to the disparity versus its non-refining competitors. As a FAB-registered enterprise, the Company will be entitled to: (i) tax- and duty-free importation of merchandise which include raw materials, capital equipment machineries and spare parts; (ii) exemption from export wharfage dues, export taxes, imposts, and fees; and (iii) VAT zero-rating of local purchases subject to compliance with BIR and AFAB requirements.

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 2020 and in the first three months of 2021, the Company spent approximately ₱28.42 million and ₱9.42 million, respectively, for (i) treatment of wastes, monitoring and compliance and (ii) permits and personnel training at the Petron Bataan Refinery. During the same period, the Company spent approximately RM1.8 million and RM0.3 million, respectively, for (i) treatment of wastes, monitoring and compliance and (ii) permits and personnel training at the Port Dickson Refinery. In addition, the Company spent RM194 million in 2020 and RM14 million in the first three months of 2021 on the construction of a diesel hydrotreater process unit to comply with Malaysian government legislation on the Euro 5 ADO specification.

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 Malaysian Ringgit, as applicable, and the imposition of exchange controls. 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.

The Philippine general elections for national, provincial, and local officials are scheduled to take place on May 9, 2022. It is not certain whether results of the general elections or any future political event will have a negative effect on the general economic conditions of the Philippines, which in turn, may have a material impact on the Company's business performance, financial position, and results of operations.

Capital Expenditure Projects and Financing

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 has upgraded the Petron Bataan 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 investments in the Petron Bataan Refinery facilities to (a) ensure reliability and efficiency of critical refinery processes, and (b) reduce costs with the construction of a new power plant which would replace some of its old generators and generate incremental power and steam; (ii) continue to build service stations in high-growth or high-volume sites and expand its retail network for its LPG and lubes segment; (iii) expand and upgrade its logistics capacity; and (iv) expand Malaysia operations with new service stations and facilities improvements to the Port Dickson Refinery and terminals in compliance with applicable regulations.

See *"Management's Discussion and Analysis of Financial Position and Results of Operations – Liquidity and Capital Resources – Capital Expenditures"* 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 March 31, 2021, the Company had outstanding long-term debt (net of current portion of long-term debt) of ₱85,870 million. 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.

Selected Consolidated Financial Data

The table below sets out selected results of operations from the Company's consolidated financial statements for the periods indicated:

For the years ended December 31 and quarter ended March 31, 2021

	(Audited)						(Unaudited)	
	2018	**% of Sales**	**2019**	**% of Sales**	**2020**	**% of Sales**	**1Q2021**	**% of Sales**
				(In millions of ₱ except %)				
Sales	557,386	100.0	514,362	100.0	286,033	100.0	83,307	100.0
Cost of goods sold	522,824	93.8	483,855	94.1	277,320	97.0	76,529	91.9
Gross profit	34,562	6.2	30,507	5.9	8,713	3.0	6,778	8.1
Selling and administrative expenses....................	(16,981)	3.0	(15,815)	3.1	(14,389)	5.0	(3,451)	4.1
Other operating income........................	1,340	0.2	1,507	0.3	1,047	0.4	334	0.4
Interest expense and other financing charges	(9,689)	1.7	(13,490)	2.6	(11,313)	4.0	(2,439)	2.9
Interest income...........	706	0.1	1,340	0.3	780	0.3	133	0.1
Other income (expenses)—net.........	517	0.1	(312)	0.1	(1,049)	0.4	793	1.0
Income (loss) before income tax..................	10,455	1.9	3,737	0.7	(16,211)	5.7	2,148	2.6
Income tax expense (benefit)......................	3,386	0.6	1,434	0.3	(4,798)	1.7	418	0.5
Net income (loss).	7,069	1.3	2,303	0.4	(11,413)	4.0	1,730	2.1

DESCRIPTION OF REVENUE AND COST ITEMS

Sales

The Company generates its sales primarily from the domestic and international sales of petroleum and other related products and the operation of service stations and retail outlets. The Company also receives income from the collections of insurance premiums from its operation of insurance and reinsurance, and leasing of acquired real estate properties for petroleum, refining, storage and distribution facilities.

The Company derives the majority of its sales from the Philippines. The following table sets forth the Company's sales by geographic region for the periods indicated:

	For the years ended December 31 and quarter ended March 31, 2021			
	(In millions of ₱)			
	2018	2019	2020	1Q2021
Philippines	313,742	301,445	166,820	44,423
Export/International	243,644	212,917	119,213	38,884

Cost of Goods Sold

Cost of goods sold consists of:

- inventory costs, which are accounted for under the first-in first-out method and include the cost of crude oil and other products that the Company uses in the production of its products, including LPG, gasoline, diesel, jet fuel, kerosene, fuel oil, mixed xylene, propylene, benzene and toluene, and related inventory impairment charges;
- costs of distributing and transporting products;
- refinery operating expenses, which include repair and maintenance costs, purchased services and utilities, rent, taxes, insurance, depreciation costs relating to the Company's refinery facilities and employee costs for employees involved in the production process;
- costs of imported finished petroleum products; and
- other cost of sales, including specific taxes and wharfage.

Selling and Administrative Expenses

Selling and administrative expenses consist of:

- employee costs, which include salary and wages, employee benefits and retirement costs for employees except those involved in production;
- costs for purchased services and utilities, which include professional fees, manpower services and communication expenses;
- depreciation and amortization costs that relate to the depreciation of service stations and depot facilities;
- advertising and promotion expenses, which include the cost of media advertisements, event sponsorships, billboards and other marketing and promotional activities; and
- impairment losses on trade and other receivables.

Selling and administrative expenses also consist of repairs and maintenance expenses for the Company's service stations and terminal facilities, information technology systems and other office equipment, rental expenses, materials and office supplies, taxes and licenses and research and development costs.

Other Operating Income

Rent income from operating leases (net of any incentives given to the lessees), other than from the use of loaned equipment, is recognized on a straight-line basis over the lease terms.

Interest Expense and Other Financing Charges

Interest expense and other financing charges primarily include interest on short-term loans and long-term debt and other bank charges. Interest income primarily includes interest income from money market placements, government securities and trade receivables.

Interest Income

Interest income is recognized using the effective interest method. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset.

Other Income (Expense)—Net

Other income (expense)—net primarily includes foreign currency gains (net of foreign currency losses), commodity hedging gains (net of commodity hedging losses), marked-to-market gains (net of marked-to-market losses), changes in fair value of financial assets, insurance claims and gains/losses on sale or retirement of assets.

Income Tax Expense (Benefit)

Income tax expense primarily consists of income taxes payable by the Company and its operating subsidiaries in the jurisdictions in which they conduct their operations.

Segment Data

The Company's management identifies reporting segments based on business and geographical locations. The major sources of revenues are recognized from the following business segments: (i) sales of petroleum and other related products; (ii) insurance; (iii) lease of acquired real estate properties and other related structures; and (iv) sales on wholesale or retail and operation of service stations, retail outlets, restaurants and convenience stores; (v) export sales of various petroleum and non-fuel products to other countries; (vi) sale of polypropylene resins to domestic plastic converters of yarn, film and injection molding grade plastic products; (vii) provision of technical information, assistance and advice relating to the uses, handling and disposition of the products, loaned equipment and machinery and equipment necessary or appropriate for the customers' needs.

For a further description of the Company's segment results, including revenue and income information and certain asset and liability information, see note 37 to the Company's audited consolidated financial statements as of and for the year ended December 31, 2020, included elsewhere in this Prospectus.

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, 2020, included elsewhere in this Prospectus.

The Company uses the first-in, first-out method of inventory valuation in costing petroleum products (except lubes and greases and solvents), crude oil and other products in its financial statements as this method more likely approximates the physical movement of cost and inventories in the Company's operations. In respect of lubes and greases, solvents, polypropylene materials and supplies inventories, cost is determined using the moving-average method. Given the volatile nature of the oil industry, however, cost of all inventories is determined using the moving-average method for income tax reporting purposes to mitigate the potential volatility of the Company's taxable income and tax payments.

The Company uses the straight-line method of depreciating its property, plant and equipment other than those assets used in production such as refinery and plant equipment, and for investment property as the utilization of assets remains relatively constant over the economic useful life of such assets. Effective January 1, 2020, depreciation of refinery and plant equipment used in production is computed based on the unit of production method (UPM) which considers the expected capacity over the estimated useful lives of these assets since it closely reflects the expected pattern of consumption of the future economic benefits embodied in these assets. For income tax purposes, depreciation and amortization are computed using the double declining balance method permitted under Philippine tax laws.

Results of Operations

Quarter ended March 31, 2021 compared to the quarter ended March 31, 2020

	(Unaudited) For the quarters ended March 31,		
	2020	2021	% Change
	(In millions of ₱)		
Sales	104,623	83,307	(20)
Cost of goods sold	105,566	76,529	28
Gross profit	(943)	6,778	819
Selling and administrative expenses	(3,818)	(3,451)	10
Other operating income	352	334	(5)
Interest expense and other financing charges	(2,967)	(2,439)	18
Interest income	199	133	(33)
Other income — net	192	793	313
Income (loss) before income tax	(6,985)	2,148	131
Income tax expense (benefit)	(2,108)	418	(120)
Net income (loss)	(4,877)	1,730	135

Sales

Sales decreased by 20% to ₱83,307 million in 1Q 2021 from ₱104,623 million in 1Q 2020. Sales volume decreased by 21% from 24.7 million barrels in 1Q 2020 to 19.4 million barrels in 1Q 2021 primarily due to continued depressed demand brought about by the pandemic. This was partly offset by the upturn in selling price as benchmark crude Dubai reached US$64.4/bbl in March 2021, from US$49.8/bbl in December 2020, bringing the 1Q2021 average to US$60.0/bbl, 18% higher than the US$50.7/bbl average in 1Q 2020, partly offset by the 5% or ₱2.54 appreciation of the Peso versus the U.S. dollar.

Cost of Goods Sold

Cost of goods sold decreased by 28% to ₱76,529 million in 1Q 2021 from ₱105,566 million in 1Q 2020. This decrease was primarily the result of decrease in sales volume.

Gross Profit

As a result of the foregoing, gross profit reached ₱6,778 million in 1Q 2021 from a gross loss of ₱943 million in 1Q 2020. Gross profit margin was 8.14%.

Selling and Administrative Expenses

Selling and administrative expenses decreased by 10% or ₱367 million from ₱3,818 million in 1Q 2020 to ₱3,451 million in 1Q 2021 primarily due to the decrease in LPG cylinder purchases, terminalling and storage costs, promo and advertising expenses, and employee costs, partly offset by higher maintenance and repairs.

Interest Expense and Other Financing Charges

Interest expense and other financing charges decreased by 18% to ₱2,439 million in 1Q 2021 from ₱2,967 million in 1Q 2020. The decrease was primarily due to lower average borrowing rates and borrowing level.

Interest Income

Interest income decreased by 33% to ₱133 million in 1Q 2021 from ₱199 million in 1Q 2020, primarily due to lower average interest rates.

Other income (expenses)—net

Other expenses—net was ₱793 million in 1Q 2021 compared to ₱192 million in 1Q 2020 due to higher marked-to-market gains on outstanding commodity hedges and lower foreign exchange swap costs.

Income Tax Expense

Tax expense of ₱418 million in 1Q 2021 owing to the income before tax position, in contrast to ₱2,108 million tax benefit in 1Q 2020.

Net Income

As a result of the foregoing, the Company realized net income of ₱1,730 million in 1Q 2021 from ₱4,877 million net loss in 1Q 2020.

Year ended December 31, 2020 compared to the year ended December 31, 2019

	(Audited) For the years ended December 31,		
	2019	**2020**	**% Change**
	(In millions of ₱)		
Sales	514,362	286,033	(44)
Cost of goods sold	483,855	277,320	43
Gross profit	30,507	8,713	(71)
Selling and administrative expenses	(15,815)	(14,389)	9
Other operating income	1,507	1,047	(31)
Interest expense and other financing charges	(13,490)	(11,313)	16
Interest income	1,340	780	(42)
Other expenses—net	(312)	(1,049)	(236)
Income (loss) before income tax	3,737	(16,211)	(534)
Income tax expense (benefit)	1,434	(4,798)	435
Net income (loss)	2,303	(11,413)	(596)

Sales

Sales decreased by 44% to ₱286,033 million in 2020 from ₱514,362 million in 2019. The 27% decrease in sales volume from 107.0 million barrels in 2019 to 78.6 million barrels in 2020 was primarily due to the impact of the COVID-19 pandemic, which resulted in reduced economic activities and travel restrictions following worldwide lockdowns. The benchmark Dubai crude averaged US$ 42.2/barrel in 2020, 34% lower than full year 2019 average of US$ 63.5/barrel. Drop in prices was further affected by the ₱2.18 average appreciation of the Peso vis-a-vis the U.S. dollar.

Cost of Goods Sold

Cost of goods sold decreased by 43% to ₱277,320 million in 2020 from ₱483,855 million in 2019. This decrease was primarily the result of decrease in sales volume and average cost per liter, partly offset by higher excise taxes.

Gross Profit

As a result of the foregoing, gross profit decreased 71% to ₱8,713 million in 2020 from ₱30,507 million in 2019. Gross profit margin decreased, from 5.93% to 3.05%.

Selling and Administrative Expenses

Selling and administrative expenses decreased by 9% to ₱14,389 million in 2020 from ₱15,815 million in 2019, primarily due to continuous efforts to manage and reduce costs, particularly outsourced services, advertising and promotional expenses, service station and depot maintenance and repairs and employee costs, however, partly offset by reduced rent income.

Interest Expense and Other Financing Charges

Interest expense and other financing charges decreased by 16% to ₱11,313 million in 2020 from ₱13,490 million in 2019. The decrease was primarily due to lower average borrowing rates despite increase in borrowing level.

Interest Income

Interest income decreased by 42% to ₱780 million in 2020 from ₱1,340 million in 2019, primarily due to lower average interest rates (1.78% in 2020 vs. 4.25% in 2019).

Other income (expenses)—net

Other expenses—net was ₱1,049 million in 2020 compared to ₱312 million in 2019 due to higher unrealized commodity hedging losses.

Income Tax Expense

Tax benefit of ₱4,798 million in 2020 owing to the loss before tax position, in contrast to ₱ 1,434 million tax expense in 2019.

Net Income

As a result of the foregoing, the Company incurred a net loss of ₱11,413 million in 2020 from ₱2,303 million net income in 2019.

Year ended December 31, 2019 compared to year ended December 31, 2018

	(Audited)		
	For the years ended December 31,		
	2018	2019	% Change
	(In millions of ₱)		
Sales	557,386	514,362	(8)
Cost of goods sold	522,824	483,855	7
Gross profit	34,562	30,507	(12)
Selling and administrative expenses	(16,981)	(15,815)	7
Other operating income	1,340	1,507	12
Interest expense and other financing charges	(9,689)	(13,490)	(39)
Interest income	706	1,340	90
Other income (expenses)—net	517	(312)	(160)
Income before income tax	10,455	3,737	(64)
Income tax expense	3,386	1,434	58
Net income	7,069	2,303	(67)

Sales

Sales decreased by 8% to ₱514,362 million in 2019 from ₱557,386 million in 2018. The decrease was primarily a result of lower average selling price and slight decline in volume by 1% to 106.96 million barrels in 2019 from 108.50 million barrels in 2018. During the year, reference crude Dubai averaged US$ 63.5/bbl compared to US$69.4/bbl in 2018. This was further reduced by the impact of ₱0.88 average appreciation of the Philippine peso against the U.S. dollar, partly offset by the increase in excise tax per liter.

Cost of Goods Sold

Cost of goods sold decreased by 7% to ₱483,855 million in 2019 from ₱522,824 million in 2018 due to the combined effect of lower cost per liter and sales volume.

Gross Profit

As a result of the foregoing, gross profit decreased by 12% to ₱30,507 million in 2019 from ₱34,562 million in 2018.

Selling and Administrative Expenses

Selling and administrative expenses decreased by 7% to ₱15,815 million in 2019 from ₱16,981 million in 2018, primarily due to lower advertising expenses, employee costs, donation and provision for bad debts as well as reduced LPG cylinder purchases, partly offset by higher terminal operation expenses.

Interest Expense and Other Financing Charges

Interest expense and other financing charges increased by 39% to ₱13,490 million in 2019 from ₱9,689 million in 2018 brought about by the increase in average borrowing level and interest rates as well as the adoption of PFRS 16 which resulted in interest expense from lease liabilities.

Interest Income

Interest income increased by 90% to ₱1,340 million in 2019 from ₱706 million in 2018 mainly due to higher average placement and rate.

Other Income (Expense)—Net

Other expense - net was ₱312 million in 2019, compared with other income - net of ₱517 million in 2018 due to the recognition of unrealized commodity hedging loss versus gain in 2018.

Income Tax Expense

Income tax expense decreased significantly to ₱1,434 million in 2019 compared with ₱3,386 million in 2018 primarily on account of lower pre-tax income,

Net Income

As a result of the foregoing, net income dropped from ₱ 7,069 million in 2018 to ₱ 2,303 million in 2019.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal sources of funds have historically been net cash flows from operating activities and debt and equity financing. The Company's principal use of funds has historically been to fund its working capital and capital expenditure requirements. The Company expects to meet its working capital, capital expenditure, dividend payment and investment requirements for the remainder of 2021 primarily from a combination of net cash flows provided by operating activities and external financing sources. The Company may from time to time seek external sources of funding, which may include debt or equity financing, depending on its financing needs and market conditions. The incurrence of additional debt would divert cash from working capital and capital expenditures to service debt obligations and could result in operating and financial covenants that restrict the Company's operations. If the Company is unable to obtain additional financing as required, its business, results of operations, financial condition and prospects may be adversely affected.

The following table sets forth the Company's cash flows for the periods indicated:

	For the years ended December 31 and quarter ended 2021			
	(Audited)			(Unaudited)
	2018	2019	2020	1Q2021
	(In millions of ₱)			
Net cash flows provided by operating activities	5,047	25,362	2,533	9,394
Net cash flows used in investing activities	(11,141)	(20,467)	(8,437)	(1,976)
Net cash flows provided by financing activities	5,949	13,116	318	(4,688)
Effect of exchange rate changes on cash and cash equivalents	536	(1,198)	(1,579)	244
Net increase (decrease) in cash and cash equivalents	391	16,813	(7,165)	2,974
Cash and cash equivalents at beginning of year	17,014	17,405	34,218	27,053
Cash and cash equivalents at end of year	17,405	34,218	27,053	30,027

Net Cash Flows Provided by Operating Activities

Net cash flows provided by operating activities for the quarter ended March 31, 2021 was ₱9,394 million. The Company's income before income tax was ₱2,148 million. Cash generated by operating income (after adding back non-cash items and before working capital changes) was ₱5,572 million. The Company paid interest of ₱2,265 million for the said period.

Net cash flows provided by operating activities for the year ended December 31, 2020 was ₱2,533 million. The Company's loss before income tax was ₱16,211 million. Cash generated by operating income (after adding back non-cash items and before working capital changes) was ₱799 million. The Company paid interest of ₱10,758 million and income taxes of ₱110 million for the period.

Net cash flows provided by operating activities for the year ended December 31, 2019 was ₱25,362 million. The Company's income before income tax was ₱3,737 million. Cash generated by operating income (after adding back non-cash items and before working capital changes) was ₱26,768 million. The Company paid interest of ₱12,722 million and income taxes of ₱949 million for the period.

Net cash flows provided by operating activities for the year ended December 31, 2018 was ₱5,047 million. The Company's income before income tax was ₱10,455 million. Cash generated by operating income (after adding back non-cash items and before working capital changes) was ₱32,250 million. The Company paid interest of ₱9,035 million and income taxes of ₱1,980 million for the period.

Net Cash Flows Used in Investing Activities

Net cash flows used in investing activities was ₱1,976 million in first quarter of 2021. This is primarily reflected in additions to property, plant and equipment.

Net cash flows used in investing activities was ₱8,437 million in 2020. This is primarily reflected in additions to property, plant and equipment.

Net cash flows used in investing activities was ₱20,467 million in 2019. This is primarily reflected in additions to property, plant and equipment and investment property.

Net cash flows used in investing activities was ₱11,141 million in 2018. This is primarily reflected in additions to property, plant and equipment.

Net Cash Flows Provided by Financing Activities

Net cash flows used in financing activities was ₱4,688 million in the first quarter of 2021. The main component of this was proceeds from loans of ₱33,930 million. This was offset in part by payment of loans and lease liabilities of ₱37,324 million and payment of cash dividends and distribution of ₱1,294 million.

Net cash flows provided by financing activities was ₱318 million in 2020. The main component of this were proceeds from loans and issuance of capital securities of ₱162,706 million. This was offset in part by payment of loans and lease liabilities of ₱157,965 million and payment of cash dividends and distribution of ₱4,423 million.

Net cash flows provided by financing activities was ₱13,116 million in 2019. The main component of this were proceeds from loans and issuance of preferred shares of ₱406,722 million. This was offset in part by payment of loans and lease liabilities of ₱382,686 million, redemption of preferred shares of ₱7,122 million, and payment of cash dividends and distribution of ₱4,100 million.

Net cash flows provided by financing activities were ₱5,949 million in 2018. The main component of this were proceeds from loans and issuance of capital securities of ₱ 364,462 million. This was offset in part by payment of loans of ₱312,564 million, redemption of capital securities of ₱39,769 million, and payment of cash dividends and distribution of ₱6,160 million.

Capital Resources

As of March 31, 2021, the Company had cash and cash equivalents of ₱30,027 million. As of the same date, the Company had total outstanding short-term debt of ₱76,452 million in the form of unsecured Peso and Dollar loans.

As of March 31, 2021, the Company had total outstanding long-term debt (excluding current portion of long-term debt) of ₱85,870 million. The Company obtained these loans from various financial institutions under several credit facilities. All of the Company's long-term borrowings are unsecured. As of the date of this Prospectus, the Company's long-term debt agreements include requirements to maintain certain specified financial ratios, including a ratio of consolidated gross debt to consolidated net worth and an incurrence-based ratio of consolidated net adjusted debt to consolidated EBITDA.

As of the date of this Prospectus, the Company is in compliance with the covenants in its long-term debt agreements.

The following table sets forth a summary of the maturity profile of the outstanding long-term borrowings of the Company for the years 2020 to 2025 and beyond as of March 31, 2021:

Payments Due by Period	**Amount**
	(In millions of ₱)
2021	32,944
2022	25,924
2023	30,645
2024	22,947
2025 and beyond	7,113
Total	119,573

The following table sets forth the Company's outstanding long-term debt (net of debt issue cost) by the currency in which they are denominated as of March 31, 2021.

Currency	**as of March 31, 2021**
	(In millions of ₱)
Peso	58,359
USD	53,551
Yen	6,451
Total outstanding long-term debt	118,361

The following table sets forth the Company's outstanding long-term debt (net of debt issue cost) by fixed floating interest rate terms as of March 31, 2021.

	as of March 31, 2021
	(In millions of ₱)
Fixed rate	58,359
Floating rate	60,002
Total outstanding long-term debt	118,361

Capital Expenditures

Over the past several years, the Company has made significant capital expenditures to maintain and upgrade the Petron Bataan Refinery, to expand its retail service station network in the Philippines, and to upgrade its service stations in Malaysia. In 2018, 2019, 2020 and in the first three months of 2021, the Company's capital expenditures were ₱ 10,416 million, ₱ 19,808 million, ₱ 8,480 million, and ₱1,931 million, respectively, which primarily related to expenditures for refinery, depot and service stations. The Company has historically funded its capital expenditures with net cash flows provided by operating activities and debt or equity financing.

The Company's estimated consolidated capital expenditures for 2021 are about ₱11,048 million, primarily to fund ongoing capex projects. These capital expenditures are expected to be funded by a combination of internal cash generation 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 entered into and are subject to various factors, including market conditions, the general state of the Philippine and Malaysian economies, the Company's operating performance and cash flow and the Company's ability to obtain financing on terms satisfactory to management.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements. The Company has, however, entered into derivative transactions to manage its exposures to currency exchange rates and fluctuating commodity prices. See "—*Derivative Financial Instruments*."

Derivative Financial Instruments

The Company has entered into derivative financial instrument transactions, including swaps, options and forwards, to manage its exposures to exchange rates and fluctuating commodity prices. A more detailed description of the Company's derivative financial instruments is set forth in note 34 to the Company's audited consolidated financial statements as of and for the year ended December 31, 2020, included elsewhere in this Prospectus.

Quantitative and Qualitative Disclosures about Market Risk

The Company is exposed to various types of market risks in the ordinary course of business, including interest rate risk, foreign currency exchange rate risk, credit risk, liquidity risk, commodity price risk and market price risk.

Interest Rate Risk

The Company's exposure to interest rate risk relates mainly to long-term borrowings and investment securities. Increases in interest rates will increase the Company's expenses on outstanding variable rate borrowings and the cost of new borrowings, and therefore could have a material adverse effect on the Company's financial results. The Company manages its interest rate risk exposure by using a combination of fixed and variable rate instruments and interest rate hedging transactions. For more information regarding the Company's interest rate risk exposure, see note 34 to the Company's audited consolidated financial statements as of and for the year ended December 31, 2020, included elsewhere in this Prospectus.

Foreign Currency Exchange Rate Risk

The substantial majority of the Company's revenues are denominated in either Philippine Pesos or Malaysian Ringgit, while the substantial majority of its expenses, including crude oil purchases and foreign currency denominated debt service costs, are denominated in U.S. dollars. In the year ended December 31, 2019 and 2020, and in the first three months of 2021, 52%, 55% and 45%, respectively, of the Company's revenues were denominated in Philippine Pesos. During the same periods, 34%, 32% and 38%, respectively, of the Company's revenues were denominated in Malaysian Ringgit, and 14%, 13% and 17%, respectively, were 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. Although 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 Malaysian Ringgit will not decline or continue to fluctuate significantly against the U.S. dollar, and any significant future depreciation of the Peso or the Malaysian Ringgit could have a material adverse effect on the Company's margins, results of operations and financial condition. For a discussion regarding the Company's sensitivity to exchange rate fluctuations and related derivative instruments, see notes 34 and 35 to the Company's audited consolidated financial statements as of and for the year ended December 31, 2020, included elsewhere in this Prospectus.

The following table sets forth the Company's foreign currency denominated financial assets and liabilities as of March 31, 2021:

	As of March 31, 2021
	(Audited)
	(In millions of US$)*
Financial assets	727
Financial liabilities	1,977
Net foreign currency – denominated	(1,250)

**Based on the exchange rate used by the Company in the preparation of its financial statements for the first three months of 2021 of US$1=₱48.530.*

Credit Risk

The Company's exposure to credit risk primarily relates to its trade and other receivables. Generally, the Company's maximum credit risk exposure in the event of customers' and counterparties' failure to perform their obligations is the total carrying amount of the financial assets as shown on the statement of financial position. The Company has no significant concentration of credit risk since it deals with a large number of homogenous trade customers. In order to minimize the credit risk, the Company measures, monitors and manages the risk for each customer and counterparty based on established credit policies, guidelines and credit verification procedures. For more information regarding the Company's credit risk exposure, see note 34 to the Company's audited consolidated financial statements as of and for the year ended December 31, 2020, included elsewhere in this Prospectus.

Liquidity Risk

The Company is exposed to the possibility that adverse changes in the business environment or its operations could result in substantially higher working capital requirements and, consequently, a difficulty in financing additional working capital. The Company manages its liquidity risk by monitoring its cash position and maintaining credit lines from financial institutions that exceed projected financing requirements for working capital. In addition, the Company regularly evaluates other financing instruments and arrangements to broaden its sources of financing. For more information regarding the maturity of the Company's financial liabilities, see note 34 to the Company's audited consolidated financial statements as of and for the year ended December 31, 2020, included elsewhere in this Prospectus.

Commodity Price Risk

Historically, crude typically accounts for about 35% to 55% 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. In addition, the Company's Malaysian operations are mostly subject to government price controls and quotas. As a result, competition in these market sectors is based primarily on product quality, operational cost efficiency, supply chain reliability and customer value creation. See "*Regulatory and Environmental Matters—Malaysia—Sale and Pricing of Refined Petroleum Products— Price Control and Anti Profiteering Act, 2011*."

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, domestic and foreign governmental regulation, and price wars among oil producers. Historically, the Company holds crude oil finished products inventory of approximately two months in the Philippines and approximately three weeks in Malaysia. 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. 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 products. The Company has also been 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 fully pass on the effects of crude oil price changes to consumers in a timely manner. For a discussion regarding the Company's commodity price risk exposure and related derivative instruments, see note 34 to the Company's audited consolidated financial statements as of and for the year ended December 31, 2020, elsewhere in this Prospectus.

Market Price Risk

The Company's market price risk arises from its investments carried at fair value. The Company manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

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 or entity may import or purchase any quantity of crude oiland 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 DeregulationLaw 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 cleanand 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 of a two-fold program 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 2017, the DOE promulgated Department Circular No. 2017-11-0011 or the Revised Rules and Regulations Governing the Business of Retailing Liquid Fuels (the "**Revised Retail Rules**"). The Revised Retail Rules apply to all persons engaged or intending to engage in the business of retailing liquidfuels. Liquid fuels refer to gasoline, diesel, and kerosene.

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 Revised Retail Rules, secure a certificate of compliance ("**Certificate of Compliance**") from the OIMB. The certificate shall be valid for a period of five (5) years. The owner oroperator 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. Storage and dispensing of liquid fuels that are for own-use operation shall not be covered by the Revised Retail Rules only upon issuance of a Certificate of Non-Coverage ("CNC") by the DOE.

The Revised Retail Rules likewise imposes: (i) mandatory standards and requirements for new retail outlets and minimum facility requirements for existing retail outlets; (ii) rules and procedures relating to fuel storage, handling, transfer and/or dispensing of liquid fuels; (iii) requirements of other types of retail outlets; (iv) the conduct of inspection and monitoring by the OIMB; (v) rules and procedures relating to liquid fuels quantity and quality; and (vi) fines and/or sanctions against prohibited acts.

The prohibited acts under the Revised Retail Rules include illegal trading, adulteration, underdelivering, refusal/obstruction of inspection and sampling, hoarding, and continuing to operate after an order or notice of cessation of operation has been issued by the DOE. The refusal of inspection shall constitute prima facie evidence of the commission of Prohibited Acts under the Revised Retail Rules.

Liquid petroleum products dispensed at retail outlets must comply with the Philippine National Standards. On June 6, 2019, the DOE issued Department Circular No. DC2019-06-0009, otherwise known as Implementing the Modified Philippine National Standard Specifications for Liquefied Petroleum Gases. This issuance mandates compliance to PNS/DOE Quality Standards ("QS") 005:2016 and PNS DOE QS 012:2016, the latest standard specifications for LPG for non-motor fuel and motor fuel, respectively. Meanwhile, on December 9, 2020, the DOE issued Department Circular No. DC2020-12-0025, also known as Implementing the Philippine National Standard Specification for Kerosene. This, on the other hand, mandates compliance of all kerosene sold in the Philippines with PNS/DOE QS 009:2019 – Kerosene – Specifications. Under the issuance, petroleum fuel product adulteration, or the failure to meet the required product specifications at the bulk plants/depots as prescribed by the applicable products standards, and adulteration, or the possession and sale of liquid fuels that do not conform with quality standards, are considered prohibited acts.

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 of 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 Feedstocks Production and Biofuels 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 Biofuels Act of 2006, an oil company's failure to source its biofuels from accredited biofuel producers and/or registered biofuel distributors would constitute a prohibited act under the Guidelines.

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 2006. 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. The DOE issued Department Order No. 2016-07-0012 or the implementing rules and regulations for Republic Act No. 10745. This provides that the natural gas power generating plants with duly issued Certificate of Compliance from the Energy Regulatory Commission can avail of the use of neat diesel in the following instances:

(a) During maintenance and/or shutdown of facilities used for the supply of natural gas such as pipelines, terminal, etc.;

(b) During force majeure which adversely affect the supply of natural gas to natural gas power plants; or

(c) Other analogous instances.

All suppliers of natural gas shall submit to the DOE their preventive maintenance schedule indicating the dates when the suppliers of natural gas would be critical. During force majeure events, the DOE shall determine the affected facilities for proper issuance of certification of the shortage of natural gas supplies.

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.

On May 24, 2016, DENR issued DENR Administrative Order No. 2016-08, otherwise known as the Water Quality Guidelines and General Effluent Standards of 2016 (the “Water Quality Guidelines”), which apply to all water bodies in the Philippines. The guidelines set forth, among others: (a) the classification of water bodies in the Philippines, (b) determination of time trends and evaluation of stages of deterioration or enhancement in water quality, (c) the designation of water quality management areas and (d) the general effluent standards. On the general effluent standards, the Water Quality Guidelines provide that discharges from any point of source (regardless of volume) shall, at all times, meet the effluent standards prescribed by the guidelines to maintain the required water quality per water body classification. The general effluent standards apply regardless of the industry category. For purposes of implementing the Water Quality Guidelines, the DENR has extended a grace period of not more than five years from June 15, 2016 (i.e., the effectivity of the Water Quality Guidelines) to allow establishments to submit to the DENR a compliance action plan and a periodic status of implementation on the steps taken for the establishment’s compliance schedule within the grace period. The grace period shall include a moratorium on the issuance of cease and desist and/or closure order, fines and other penalties against the establishment’s operations.

LPG Laws and Regulations

Batas Pambansa Blg. 33

B.P. 33, as amended by Presidential Decree No. 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 thepublic, the absence of an out-of-order sign, or padlocks, attached or affixed to the pump to preventdelivery of petroleum products therefrom shall constitute a presumption of the actual use of the pumpin 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 cylinderis 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 indicatetherein 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 tareweight 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 meteringdevice 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.

Implementing Rules and Regulations of the Fire Code of the Philippines of 2008

The Implementing Rules and Regulations of Republic Act No. 9514 or the Fire Code of the Philippines 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 transferof LPG, the tank truck shall be located or parked clear of a public thoroughfare, unless (i) the failure totransfer would create a hazard or (ii) it is impossible due to topography.

LPG Industry Rules

In January 2014, the Department of Energy 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 any industry activity, i.e., the business of importing, refining, refilling, marketing, distributing, hauling/transporting, 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 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; and (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 theowner thereof, irrespective of their custody and possession, and shall ensure that their cylinders comply with all required quality and safety standards. The owner of the cylinders is also required to secure product liability insurance for any damage or 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 distributionof LPG for automotive use.

Under the rules, an auto-LPG industry participant is required to secure from the DOE through the OIMBan SCC before it can operate. The Auto-LPG Rules 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 supplyor shortly before a price increase. Under the 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 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 bythe 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 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.

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 loss or damage caused outside the ship by contamination due to the discharge of oil fromthe ship, as well as the cost of preventive measures to protect it from further damage, and further loss ordamage caused by preventive measures.

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 carriageby 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 (the "**1992 Fund Convention**"). For this purpose, "oil" includesany 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, shallpay 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 requiredto 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, animpost amounting to ten centavos per liter levied on owners and operators and tankers and barges haulingoil and/or petroleum products in Philippine waterways and coast wise shipping routes. This new fund, named the Oil Pollution Management Fund, is in addition to the requirement under the 1992 International Convention on Civil Liability for Oil Pollution Damage or any amendments thereof and 1992 Fund Convention and is administered by the Maritime Industry Authority ("**MARINA**").

In April 2016, the Department of Transportation (then 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: the MARINA and the Philippine Coast Guard. Both are agencies under the Philippine Department of Transportation.

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. 2007-01 which mandated the use of double-hull vessels including those below 600 tons deadweight tonnage by April 2008 for transporting black products; and (ii) Circular No. 2010-01 for transporting white productsin certain circumstances by 2011.

The Philippine Coast Guard, in a 2005 Memorandum Circular, provided implementing guidelines based onthe 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 CoastGuard 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 managingoil 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 contingency plans in case of oil spillages in their areas 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 has the primary responsibility of conducting clean-up operations at its own expense.

Foreign Investment Laws and Restrictions

Land Ownership

The ownership of land by foreign nationals is subject to restrictions provided under the Philippine Constitution and related statutes. Under Section 7, Article XII of the Philippine Constitution, in relation to Section 2, Article XII thereof, and Chapter 5 of Commonwealth Act No. 141, private land shall not be transferred or conveyed except to Filipino nationals or to corporations or associations organized under thelaw of the Philippines and whose capital is least 60% owned by Filipino nationals.

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 encourageFilipino 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 thatare 100% Filipino-owned.

“Retail Trade” is defined by R.A. 8762 to cover any act, occupation, or calling of habitually selling directto 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 ofUS$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 notmore 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 investmentsfor establishing a store in Categories B and C be less than the equivalent in Philippine Pesos of US$830,000; 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:

1. 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;

2. Five retailing branches or franchises in operation anywhere around the world unless such retailer has at least one store capitalized at a minimum of US$25 million;

3. Five-year track record in retailing; and

4. 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 trade. The DTI is authorized to pre-qualify all foreign retailers, subject to the provisions of R.A.8762, before they are allowed to engage in retail or invest in a retail store.

Foreign Investments Act of 1991

The Foreign Investments Act of 1991 ("**FIA**"), as amended, 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 (11th) 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 as doing business in the Philippines under the Revised 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, or the Consumer Act of the Philippines (the "**Consumer Act**"), the provisions of which are principally enforced by the DTI, seeks to: (a) protect consumers against hazards to health andsafety, (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 inthe 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 and 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) compulsorylabeling and fair packaging; (g) liabilities for defective products and services; (h) consumer protection against false, deceptive and 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 wellas powers necessary, appropriate, or incidental for its efficient and effective governance, and those whichare 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. The LGU can reclassifyland, order the closure of business establishments, and require permits and licenses from businesses operating within the territorial jurisdiction of the LGU through the promulgation of ordinances.

Other Regulatory Requirements

Governmental approval of the Company's products and services is generally not required. However, petroleum products refined at the Petron Bataan 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 Administrative 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 subjectto 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 forthe following activities/projects relating to petroleum products: (a) refining and processing, including recycling and blending; (b) storing/transshipment; (c) distribution/operation of petroleum carriers; (d) gasoline stations; (e) LPG refilling plants; (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 lastseveral 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 pricelevels 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 ratesof 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 arelevied zero rates. To address the tariff distortion between ASEAN and non-ASEAN Member States broughtabout by the implementation of the zero duty under Executive Order No. 850 and to provide a level playingfield for local refiners to compete with importers, the President of the Philippines issued Executive OrderNo. 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.

Pursuant to Executive Order No. 113, the DOE issued on May 11, 2020 Department Circular No. DC2020-05-0012 or the Guidelines Implementing the Temporary Modification of Import Duty Rates on Crude and Petroleum Oil and Refined Petroleum Products as Provided Under Executive Order No. 113. This circular mandated the modification of import duty to 0% on the first date of the following month, ifthe three-week average of the Asian Benchmark Dubai Crude Oil price on any month of the year, based on Mean of Platts Singapore (MOPS), reaches US$64 per barrel or above which is based on the computedmonth average of December 2019. This modification is no longer enforceable as Republic Act No. 11469,also known as the Bayanihan to Heal as One Act, ceased to take effect last June 2020.

Republic Act No. 9337, also known as the "**Expanded VAT Law**", imposed a VAT of 10% on certain goodsand 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 VATto output VAT. As of November 1, 2005, the implementation date of the Expanded VAT Law, excise taxeson diesel, bunker fuel and kerosene were lifted and excise taxes for regular gasoline were lowered to ₱4.35per liter of volume capacity.

In February 2012, the BIR issued Revenue Regulation No. 2-2012 stating that VAT and excise taxes dueon 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 Customsbut was later declared unconstitutional by the Philippine Supreme Court in a decision issued in 2016.

Under the CREATE Act, persons who directly import petroleum products for resale in the Philippine customs territory and/or in free zones shall be subject to applicable duties and taxes. However, importerscan file for the refund of duties and taxes for direct or indirect export of petroleum products, includingthe subsequent export of fuel, subject to the appropriate rules of the fuel marking program, and/or othertax-exempt sales by the importer.

Crude oil that is intended to be refined at a local refiner, including the volumes that are lost and not converted to petroleum products when the crude oil actually undergoes the refining process are exempt from payment of applicable duties and taxes upon importation under the CREATE Act. Instead, the applicable duties and taxes on petroleum products shall be payable upon lifting of the petroleum products produced from the imported crude oil, subject to the rules and regulations that may be imposed by the Bureau of Customs and the BIR to ensure that crude oil shall not be lifted from the refinery without payment of appropriate duties and taxes.

On January 1, 2018, Republic Act No. 10963, otherwise known as the TRAIN Law took effect. The TRAIN Law amended provisions of the Tax Code, among others, increasing excise tax rates of petroleum products. Excise tax rates on gasoline products were increased from ₱4.35 per liter to ₱7.00 per liter effective January 1, 2018, ₱9.00 per liter effective January 1, 2019and ₱10.00 per liter effective January 1, 2020. Diesel and bunker fuel products which were previously notsubject to excise taxes were imposed excise taxes at ₱2.50 per liter effective January 1, 2018 and increased further to ₱4.50 per liter effective January 1, 2019 and ₱6.00 per liter effective January 1, 2020.

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.

Special Economic Zones

Republic Act No. 9728, also known as the Freeport Area of Bataan (FAB) Act of 2009, was enacted intolaw and converted the then Bataan Economic Zone into the FAB under the AFAB which was later amended in 2018 by Republic Act No. 11453. FAB registered enterprises are entitled to avail of fiscal incentives under the Special Economic Zone Act of 1995 or the Omnibus Investment Code of 1987.

The Company was granted fiscal incentives by the AFAB as follows: (i) tax and duty-free importation of merchandise; (ii) exemption of non-traditional export goods from wharfage dues, export taxes, imposts, and fees; and (iii) VAT-zero-rating of local purchases. In light of the rationalization of tax incentives underthe CREATE Act, the Company will continue to avail of the foregoing fiscal incentives subject to such requirements, rules and regulations that may be issued by the BIR, the Fiscal Incentives Review Board and AFAB.

Under the CREATE Act, crude oil imported by the Company to be refined at a Petron Bataan Refinery, including the volumes that are lost and not converted to petroleum products when the crude oil actually undergoes the refining process are exempt from payment of applicable duties and taxes upon importation. Instead, the applicable duties and taxes on petroleum products shall be payable upon lifting of the petroleum products produced from the imported crude oil, subject to the rules and regulations that may be imposed by the Bureau of Customs and the BIR. In addition, persons who directly import petroleum products for resale in the Philippine customs territory and/or in free zones shall be subject to applicable duties and taxes. However, importers can file for the refund of duties and taxes for direct or indirect exportof petroleum products, including the subsequent export of fuel, subject to the appropriate rules of the fuel marking program, and/or other tax-exempt sales by the importer.

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 appliancesused 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 was 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. TheMBIA empowers the Minister of Plantation Industries and Commodities to prescribe (a) the percentage by volume of palm oil and/or methyl ester to be blended in any fuel or (b) the activities in which the use of (i) palm oil and/or methyl ester, (ii) palm oil and/or methyl ester blended with any other fuel or (iii) anyother biofuel is to be made mandatory. The MBIA limits the percentage of POME that can be used in abiodiesel 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 thesecond quarter of 2015. The use of B7 Bio-Diesel was implemented for use in the industrial sector, withan exception being given to power generation companies or other industries where the use of Bio-Dieselwould not be possible due to mechanical specifications. In December 2018, the Government implementedthe sale of B10 Bio-Diesel (blending of 10% POME and 90% diesel) from the current B7 Bio-Diesel inservice stations.

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 requiredfor any person to deal, by wholesale or retail, in any scheduled article (including petrol, motor spirit, ormotor 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 forthe 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 to retail customers, as well as to the commercial transportation and fisheries sectors, and (c) LPG to retail customers, to ensure that increases in international prices of crude oil and petroleum products are not borne fully by consumers of such productsin 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 Company pursuant to the APM if the mandated price of the relevant product is less than the total built-up cost (asdescribed below) of such product. Conversely, a duty is payable by the Company if the mandated priceof the relevant product exceeds the total built-up cost of such product.

As of June 2015, the total built-up cost is determined by aggregating the cost of the relevant product andcertain predetermined government-specified amounts, as follows:

	Mogas 95	**Mogas 97**	**Diesel**	**Retail LPG**
Cost of Product	**Based on MOPS**	**Based on MOPS**	**Based on MOPS**	**Based on Saudi CP**
Alpha	5 sen/liter	5 sen/liter	4 sen/liter	USD80.00/MT
Freight, Distribution and Marketing Cost	Peninsular Malaysia: 9.54 sen/liter Sabah: 9.54 sen/liter Sarawak: 9.54 sen/liter	Peninsular Malaysia: 9.54 sen/liter Sabah: 9.54 sen/liter Sarawak: 9.54 sen/liter	Peninsular Malaysia: 9.54 sen/liter Sabah: 9.54 sen/liter Sarawak: 9.54 sen/liter	Peninsular Malaysia: 38.95 sen/kg Sabah: 72.10 sen/kg Sarawak: 71.26 sen/kg
Oil company margin. . .	5 sen/liter	5 sen/liter	2.25 sen/liter	11.35 sen/kg
Dealer Margin	15 sen/liter	15 sen/liter	10 sen/liter	Peninsular Malaysia: 35.00 sen/kg Sabah: 35.00 sen/kg Sarawak: 35.00 sen/kg

The specified amounts for alpha, freight, distribution and marketing cost, oil company margin and dealermargin are fixed by the Malaysian government and subject to change. The Malaysian government last revised the freight, distribution and marketing cost in January 2018 for East Malaysia. In January 2019, the dealer’s margin was revised, while the alpha for Mogas 97 was last revised in January 2020 for allstates. For retail LPG, the alpha and dealer margin for all states, and the freight, distribution and marketingcosts for the states of Sabah and Sarawak, were revised upwards in June 2015.

Effective March 30, 2017, the Malaysian government implemented a managed float system under which the government fixes the government-mandated retail prices for RON 95 and RON 97 petroleum and dieselon a weekly basis based on MOPS.

As of February 2021, the Malaysian government-mandated ceiling prices for the products that are coveredby the APM are at RM 2.05 per liter for Mogas 95 and RM 2.15 per liter for diesel. The government-mandated price for LPG is at RM 1.90 per kilogram. The government-mandated price of RM1.65 per liter for diesel applies to sales to the fisheries sector; and RM 1.8810 (Peninsular Malaysia), RM1.8840 (Sabah) and RM 1.8780 (Sarawak) per liter for diesel applies to sales to the transport sector.

The amount of the subsidies or duties varies from month to month for Mogas 95 and diesel. There are noduties 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 bi-annual basis to ensure that such sales do not exceed the amount permittedunder the approved quotas. The Company has a quota to sell diesel at all of its retail service stations inMalaysia. Customers in the commercial transportation and fisheries sectors are required to obtain their own quotas in order to be able to purchase diesel from the Company. The Company has also been licensedto 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 duringany quarter as a result of an increase in demand, it may apply to the MDTCC for a quota increase in respectof 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 salesthat 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 governmentto 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 responsible 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 Euro4M and Euro 5M standards in Malaysia, which are the Malaysian equivalent of Euro IV and Euro V-standards. The main change from the current Euro 2M standards to Euro 4M and Euro 5 standards forMogas and diesel will be the reduction in sulfur content, consistent with Euro IV and Euro V standards. Euro 4M for RON 97 was implemented in September 2015. The implementation of Euro 4M and Euro 5fuels will be in phases: Euro 4M for RON 95 had been implemented since January 1, 2019, Euro 5 (sulfur specification only) for Diesel by the year 2020, and Euro 5 (of all other parameters) for Diesel by the year2022, RON 95 and RON 97 by the year 2027.

The Malaysian government has mandated that Diesel, RON 95 and RON 97 sold in Malaysia must complywith Euro 5 specifications by 2027. The Malaysian government, however, has proposed to accelerate thedate of implementation, subject to the agreement of all stakeholders, to 2025. This is in line with the moveby downstream oil companies in Malaysia, including the Company, that introduced and supplied Euro 5 standards earlier in service stations.

The facilities at the Port Dickson Refinery are currently being enhanced to comply with diesel Euro 5 standards, and these enhancements are expected to be completed before diesel Euro 5 standards come intoforce. The current configuration of the facilities will allow the Port Dickson Refinery to produce diesel compliant with Euro 5 standards. The formulation of Euro 5 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 DOE. 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 5 standards by April 1, 2021.

Other Laws

Companies Act, 2016

The Companies Act which came into effect on January 1, 2017, governs the incorporation and registrationof 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 ofthe court; or (ii) the striking out by the Registrar and Paying Agent, in the exercise of its discretionary powers, of the nameof the company based on any of the grounds provided under the Companies Act.

Malaysian Corporate Governance Code

The Securities Commission Malaysia released the new Malaysian Code on Corporate Governance ("**MCCG**") on April 26, 2017, which took effect immediately. The MCCG is a set of best practices to strengthen corporate culture anchored on accountability and transparency.

On April 28, 2021, a revised Corporate Governance Code was issued by the Securities Commission Malaysia. The revised provisions have no material impact to Petron Malaysia Refining & Marketing Bhd's compliance with the MCCG.

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 supervisionto 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 adequatewith respect to facilities related to employee welfare at work. The Company also has a duty to ensure, tothe extent practicable, that other persons who are not employees of the Company are not affected by, andare 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, whois tasked with ensuring the due observance of statutory obligations with respect to workplace health andsafety and the promotion of safe work conduct at the workplace.

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 thereof; 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 engaged in trade or business in the Philippines;" otherwise, such 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 engaged in trade or business in the Philippines". A "resident foreign corporation" is a foreign 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 "non-resident holder" means a holder of the Bonds:

- *who is an individual who is neither a citizen nor a resident of the Philippines, or an entity which is a non-resident foreign corporation; and*
- *should an income tax treaty be applicable, whose ownership of the Bonds is not effectively connected with a fixed base or a permanent establishment in the Philippines.*

On January 1, 2018, Republic Act No. 10963, otherwise known as the TRAIN Law took effect. The TRAIN Law amended various provisions of the Tax Code, including those on ordinary income tax of individuals, capital gains tax on the sale and disposition of shares of stock, estate tax, donor's tax, and documentary stamp tax.

On March 26, 2021, the President of the Philippines signed into law Republic Act No. 11534, otherwise known as the CREATE Act. The tax reforms under the CREATE Act include, among others:

(a) for corporations in general, a reduction in corporate income tax from 30% to 25% effective July 1, 2020;

(b) for domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed), a reduction in corporate income tax from 30% to 20% effective July 1, 2020;

(c) reduction of the MCIT from 2% to 1% effective July 1, 2020 to June 30, 2023, which rate will revert to 2% starting July 1, 2023;

(d) the imposition of corporate income tax on regional operating headquarters;

(e) the tax exemption of foreign-sourced dividends subject to certain conditions;

(f) increase in the applicable tax on interest income earned by a resident foreign corporation under the expanded foreign currency deposit system

(g) imposition of a fixed tax rate on capital gains derived by resident foreign corporations and nonresident foreign corporations from the sale of shares of stock not traded in the stock exchange;

(h) amendments on tax free exchanges;

(i) introduction of additional VAT exempt transactions;

(j) decrease in the rate of percentage tax from July 1, 2020 until June 30, 2023; and

(k) the rationalization of tax incentives that may be granted by investment promotion agencies (such as the Authority of the Freeport Area of Bataan), acting upon the delegated authority of the Fiscal Incentives Review Board, to qualified registered business enterprises. In the interest of national economic development and upon the recommendation of the Fiscal Incentives Review Board, the President of the Philippines may modify the mix, period or manner of availment of incentives provided under the CREATE Act or craft the appropriate financial support package for a highly desirable project or a specific industrial activity (subject to maximum incentive levels recommended by the Fiscal Incentives Review Board), provided that (i) the grant of income tax holiday shall not exceed eight years and thereafter, a special income tax rate of 5% may be granted and (ii) the total period of incentive availment shall not exceed 40 years.

Registered business enterprises with incentives granted prior to the effectivity of the CREATE Act shall be subject to the following rules:

(i) registered business enterprises whose projects or activities were granted only an income tax holiday prior to the effectivity of the CREATE Act shall be allowed to continue to avail the income tax holiday for the remaining period specified in the terms and conditions of their registration, provided that enterprises that have been granted the income tax holiday but have not yet availed of such incentive upon the effectivity of the CREATE Act may use the income tax holiday for the period specified in the terms and conditions of their registration;

(ii) registered business enterprises whose projects or activities were granted an income tax holiday prior to the effectivity of the law and that are entitled to 5% tax on gross income earned incentive after the income tax holiday shall be allowed to avail of the 5% tax on gross income incentive subject to the sunset period provided under the CREATE Act; and

(iii) registered business enterprises currently availing of the 5% gross income earned incentive granted prior to the effectivity of the CREATE Act shall be allowed to continue availing of such tax incentive for 10 years.

As part of the rationalization of tax incentives, the CREATE Act further provides that (i) any law to the contrary notwithstanding, the importation of petroleum products by any person shall be subject to the payment of applicable duties and taxes under the Customs Modernization and Tariff Act and the National Internal Revenue Code, respectively, upon importation into the Philippine customs territory and/or into free zones (as defined in the Customs Modernization and Tariff Act), subject to the right of the importer to file claims for refund of duties and taxes under applicable law; and (ii) the importation of crude oil that is intended to be refined at a local refinery, including the volumes that are lost and not converted to petroleum products when the crude oil actually undergoes the refining process, shall be exempt from payment of applicable duties and taxes, provided the applicable duties and taxes on the refined petroleum products shall be paid upon the lifting of the petroleum products produced from the imported crude oil in accordance with the rules and regulations that may be prescribed by the Bureau of Customs and the Bureau of Revenue.

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 on short-term Bonds, with maturities of less than five (5) years derived by Philippine citizens and alien resident individuals from the Bonds is 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 25% final withholding tax.

Interest income of resident individuals and non-resident aliens engaged in trade or business in the Philippines on long-term Bonds, with maturities of five (5) or more years, are generally exempt from final withholding tax. If such long-term bond is pre-terminated before the fifth (5^{th}) year, it shall be subject to a final withholding tax at the rates prescribed to be deducted and withheld from the proceeds based on the length of time that the instrument was held by the taxpayer in accordance with the following schedule:

Remaining Maturity	Rate
Four (4) years to less than five (5) years	5%
Three (3) years to less than four (4) years	12%
Less than three (3) years	20%

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 10% on interest from public issue of bonds 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.

Tax-Exempt Status or Entitlement to Preferential Tax Rate

The Philippine tax authorities have prescribed a certain procedure for claiming tax treaty benefits for interest income of non-resident income earners. The preferential treaty rates for interest income of non-residents shall be applied and used outright by the withholding agents upon submission by the non-resident of an Application Form for Treaty Purposes, Tax Residency Certificate duly issued by the foreign tax authority, and the relevant provision of the applicable tax treaty, along with the other documentary requirements enumerated in Revenue Memorandum Order No. 14-2021. The use of the preferential rates shall be done through withholding final taxes at applicable treaty rates. Withholding agents or income payors can withhold at a reduced rate or exempt the non-resident based on the duly accomplished documents submitted to them. Failure to submit the abovementioned requirements to the withholding agent or income payor when requested may lead to withholding using the regular rates prescribed under the Tax Code. If the regular rates have been imposed on the interest income, the nonresident may file a tax treaty relief application with the BIR International Tax Affairs Division and/or file a claim for refund of the difference between the amount of withholding tax actually paid in the Philippines and the amount of tax that should have been paid under the treaty after obtaining a certificate confirming the nonresident's entitlement to treaty benefits.

For claims of tax exemption, BIR Revenue Memorandum Circular No. 8-2014 mandates the Bank, as a withholding agent, to require from individuals and entities claiming tax exemption a copy of a valid, current, and subsisting tax exemption certificate or ruling before payment of the related income. The tax exemption certificate or ruling must explicitly recognize the tax exemption, as well as the corresponding exemption from withholding tax. Failure on the part of the taxpayer to present the said tax exemption certificate of ruling shall subject him to the payment of the appropriate withholding taxes due on the transaction.

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 (5) years or less:	5%
Maturity period is more than five (5) 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 (5) years or less:	5%
Maturity period is more than five (5) 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 ₱1.50 for each ₱200, 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, or where the object of the contract is located or used in the Philippines. Any applicable documentary stamp taxes on the original issue shall be paid by the Issuer for its own account.

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, provided that such sale or disposition does not constitute a renewal or extension of maturity of the Bonds or carried with it a renewal or issuance of new instruments in the name of the transferee to replace the old ones. However, if the transfer constitutes a renewal or extension of the maturity of the Bonds, documentary stamp tax is payable anew.

Taxation on Sale or Other Disposition of the Bonds

Income Tax

Any gain realized from the sale, exchange or retirement of the Bonds will, as a rule, form part of the seller's gross income which, after accounting for allowable deductions as may be applicable, will then be subjected to the graduated regular or ordinary tax rates of 20-35% effective January 1, 2018 until December 31, 2022 and 15%-35% effective January 1, 2023 for individuals who are Philippine citizens, whether residents or non-residents, or resident foreign individuals or non-resident aliens engaged in trade or business in the Philippines, 25% final withholding tax for non-resident alien not engaged in trade or business, 25% regular corporate income tax or 20% regular corporate income tax for domestic corporations with net taxable income not exceeding ₱5 million and with total assets (excluding land on which the corporation's office, plant, and equipment are situated) not exceeding ₱100 million, or 1% MCIT (effective July 1, 2020 to June 30, 2023), as the case may be, for domestic and resident foreign corporations, and 25% final withholding tax for non-resident foreign corporations, 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 income.

Further, under the Tax Code, any gain realized from the sale, exchange or retirement of the Bonds with an original maturity date of more than five (5) years (as measured from the date of issuance of such Bonds) shall not be subject to income tax. However, any gains realized by a holder through redemption of the Bonds prior to the lapse of 5 years may be subject to income tax. This is in view of the BIR's ruling that one of the conditions for the exemption is that the maturity period must be more than 5 years.

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 BIR 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 6%. A Bondholder shall be subject to donor's tax of 6% computed on the basis of the total gifts in excess of ₱250,000 exempt gift.

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 tax.

Taxation outside the Philippines

The tax treatment of a non-resident holder in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of its domicile or business activities and such holder's particular situation. This Prospectus does not discuss the tax considerations of non-resident holders of the Bonds under laws other than those of the Philippines.

INDEPENDENT AUDITORS

The consolidated financial statements of Petron as at December 31, 2018, 2019 and 2020 and for the years ended December 31, 2018, 2019 and 2020 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 Company's Audit 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 Committee.

The Company's audit fees for each of the last two fiscal years and the first three months of 2021 for professional services rendered by the external auditor were:

	2019	**2020**	**1Q2021**
Audit fees for professional services - Annual Financial Statement	₱7.0 million	₱7.2 million	-
Professional fees for due diligence and study on various internal projects	₱3.0 million	-	₱3.0 million

There were no other fees paid to the independent auditors other than for the above-described services.

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.

No interest in the Company

There is no arrangement that any of the foregoing 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.

LEGAL MATTERS

All legal issues relating to the shelf registration of the Bonds shall be passed upon by SyCip Salazar Hernandez & Gatmaitan ("**SyCip Law**") for the Underwriters, and Picazo Buyco Tan Fider & Santos ("**Picazo Law**") for the Company.

SyCip Law and Picazo Law have no direct or indirect interest in Petron. However, SyCip Law and Picazo Law may, from time to time be engaged by the Company to advise on the transactions of the Company and perform legal services on the same basis that SyCip Law and Picazo Law provide such services to its other clients.

APPENDIX

A. Unaudited Consolidated Interim Financial Statements as of March 31, 2021.

B. Audited Consolidated Financial Statements as of and for the years ended December 31, 2020.

C. List of properties owned and leased by Petron.

APPENDIX A:
Unaudited Consolidated
Interim Financial Statements as of March 31, 2021.

APPENDIX B
Audited Consolidated Financial Statements
as of and for the years ended December 31, 2020.

APPENDIX C
List of properties owned and leased by Petron.