C06504-2021

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. Date of Report (Date of earliest event reported)

   Sep 27, 2021

2. SEC Identification Number

   31171

3. BIR Tax Identification No.

   000-168-801

4. Exact name of issuer as specified in its charter

   PETRON CORPORATION

5. Province, country or other jurisdiction of incorporation

   Philippines

6. Industry Classification Code(SEC Use Only)

7. Address of principal office

   San Miguel Head Office Complex, 40 San Miguel Avenue, Mandaluyong City
   Postal Code
   1550

8. Issuer's telephone number, including area code

   (63 2) 8884-9200

9. Former name or former address, if changed since last report

   N/A

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON (PCOR)	9,375,104,497
PREFERRED SERIES 2B (PRF2B)	2,877,680
PREFERRED SERIES 3A (PRF3A)	13,403,000
PREFERRED SERIES 3B (PRF3B)	6,597,000
PCOR SERIES A BONDS DUE 2021 (IN MIL PESO)	13,000
PCOR SERIES B BONDS DUE 2023 (IN MIL PESO)	7,000

PCOR SERIES C BONDS DUE 2024 (IN MIL PESO)	13,200
PCOR SERIES D BONDS DUE 2025 (IN MIL PESO)	6,800
TOTAL DEBT AS OF JUNE 30, 2021 (IN MIL PESO-CONSO)	186,644

11. Indicate the item numbers reported herein

Item 9

Petron Corporation

PCOR

PSE Disclosure Form 4-30 - Material Information/Transactions
References: SRC Rule 17 (SEC Form 17-C) and
Sections 4.1 and 4.4 of the Revised Disclosure Rules

Subject of the Disclosure

Final Prospectus for the P50 Billion Fixed Rate Bond Shelf Registration and Final Offer Supplement for the P18 Billion First Tranche.

Background/Description of the Disclosure

Final Prospectus for the P50 Billion Fixed Rate Bond Shelf Registration and Final Offer Supplement for the P18 Billion First Tranche.

Other Relevant Information

Please see attached letter dated September 27, 2021.

Filed on behalf by:

Name	Jhoanna Jasmine Javier-Elacio
Designation	Legal Manager and Assistant Corporate Secretary

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 Prospectus is dated September 24, 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 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 Issuer has obtained a pre-effective clearance in respect of such application. 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 has, likewise, applied 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 35.

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 70. 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.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN IS TRUE AND CURRENT.

PETRON CORPORATION

By:

RAMON S. ANG
President and Chief Executive Officer

REPUBLIC OF THE PHILIPPINES)
MANDALUYONG CITY, METRO MANILA) SS.

SUBSCRIBED AND SWORN to before me this SEP 24 2021 in Mandaluyong City, affiant exhibiting to me his Passport No. P2247867B expiring on May 21, 2029 as competent evidence of identity.

Doc No.: 515;
Page No.: 104;
Book No.: II;
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.

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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.
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 or 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.
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 September 24, 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.
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...	The relevant underwriters that may be engaged for each tranche of the Bonds.
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. To address the spread of infection, the Government placed Metro Manila and certain neighboring provinces under ECQ from March 29, 2021 until April 11, 2021 and on August 6 to 20, 2021. On August 26, 2021, the Department of Interior and Local Government announced that the Government will phase out the large-scale community quarantine measures and replace the same with granular lockdowns. While the Government had initially intended to implement pilot testing of granular lockdowns in Metro Manila commencing on September 8, 2021 to September 30, 2021, the Government announced on September 7, 2021 that Metro Manila will remain under MECQ until September 15, 2021 or until the pilot GCQ with alert level system is implemented, whichever comes first. Following the issuance of the new guidelines on alert level system on September 13, 2021, the Government announced on September 14, 2021 that Metro Manila will be placed under GCQ with Alert Level 4 from September 16, 2021 to September 30, 2021. 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. As of the date of this Prospectus, the Philippines has administered 41.4 million doses of the vaccine, with 18.6 million people fully vaccinated representing 17.2% of the total population of the country.

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 153.

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 June 29, 2021, the Company paid ₱4 million to Foodcrave Marketing, Inc. for additional *Treats* assets.

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. The project is expected to be completed and operational in the second half of 2022 after testing, synchronization and pre-commissioning activities.

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, including its credit rating, 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 40, "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 108, and "Management" on page 76 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. The Company, fully cognizant of its social responsibilities, heeds the government's calls for such price restraints. Price interventions from the government have historically arisen only in rare instances, such as in the aftermath of severe natural disasters, and last only for a limited period. The national government has likewise been supportive and understanding of the Company's financial well-being, knowing the importance of the Company being able to carry out its mandate to ensure stable and efficient energy supply for the country. 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.

To mitigate the adverse impact of oil price volatility and other market developments in the Company's operations, the Company is implementing various initiatives such as:

- Continuous assessment and recalibration of Refinery utilization based on prevailing refining margins and domestic demand;
- Prudent and judicious expense management by re-prioritizing capital expenditures and operating expenses to critical and necessary;
- Sustained implementation of dealer sales support programs;
- Continued tight implementation of collections and receivables; and
- Enhanced hedging programs to limit crude oil price volatility and foreign exchange risk.

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.

Compliance with and renewal of licenses, permits and other authorizations and continued compliance with safety, health, environmental and zoning laws and regulations may adversely affect the Company's results of operations and financial condition.

Petron is required to maintain licenses, permits, and other authorizations for the operations of its businesses (*see The Company – Permits and Licenses* on page 72). These licenses, permits, and other authorizations contain various requirements that must be complied with to keep the same valid. If the Company fails to meet the terms and conditions of any of the licenses, permits or other authorizations necessary for operations, these operations may be suspended or terminated.

There can be no assurance that the Company will continue to be able to renew the necessary licenses, permits, and other authorizations as necessary or that such licenses, permits, and other authorizations will not be revoked. If the Company is unable to obtain or renew them or is only able to do so on unfavorable terms, this could have an adverse effect on the Company's business, financial condition, and results of operations.

While the Company believes, to the best of its knowledge, that it has, at all relevant times, materially complied with all applicable laws, rules and regulations and that all requirements, permits, and approvals are obtained in a timely manner, there is no assurance that changes in laws, rules or regulations or the interpretation thereof by relevant government agencies, will not result in the Company having to incur substantial additional costs or capital expenditures to upgrade or supplement its existing facilities, or being subject to fines and penalties.

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.

Under the GST tax mechanism, businesses charged and collected GST on all taxable goods and services supplied to consumers and subsequently claimed the amount of GST paid on the business inputs by offsetting against the output tax.

Under the SST tax regime, however, selected operating expenses are subject to SST with no claiming mechanism. This could therefore increase operation cost. The Company has thus applied for some exemption (importation of machinery and selected raw materials) under the Sales Tax Exemption Order to reduce such cost.

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.

The Company has adopted and consistently implemented appropriate corporate governance procedures and policies consistent with Philippine law and industry best practices to reduce or eliminate conflict of interest.

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.

The Company evaluates and studies the impact (if any) of these new standards upon pronouncements of governing bodies. Disclosures of these standards are included in the annual and quarterly notes to financial statements of the Company. Annual trainings and guided simulations are conducted for the concerned personnel prior to the adoption of such standards to ensure proper compliance. Necessary updating and changes in accounting policies and procedures are also undertaken as part of preparation and implementation.

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.

In Malaysia, the threat of political instability remains after the resignation of Mahathir Mohamad as Prime Minister in early 2020. There has been no political party or coalition controlling the strong majority with the replacement Prime Minister constantly being threatened by a vote of no confidence. Mistrust of the government was further intensified with the worsening pandemic situation that the country is currently in.

In August 2021, the sitting prime minister, Muhyiddin Yassin, also resigned and his deputy Prime Minister, Ismail Sabri Yaakob, was appointed as the new prime minister. The new Prime Minister is the third after the general election in 2018. With frequent changes in the government, different priorities in terms of regulations affecting the industry have been endorsed or rescinded.

The Company's Corporate Affairs Department in Malaysia works either individually or together with other oil industry players to constantly engage and collaborate with relevant government agencies to prevent potential negative implication to the oil industry due to changes in government regulations.

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. Nevertheless, the Company does not foresee any such rescission of previously established access to foreign currency in the near future.

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

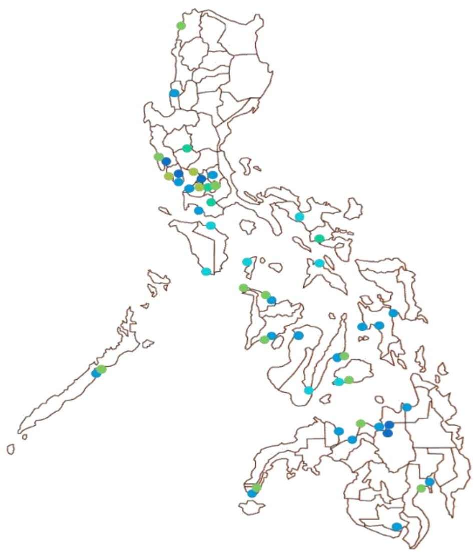
Petron operates the only integrated oil refinery in the Philippines and is a leading oil marketing company. The Company had an overall market share of approximately 22.1%[2] of the Philippine oil market for the year ended December 31, 2020 in terms of sales volume based on Company estimates using its 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. To address the spread of infection, the Government placed Metro Manila and certain neighboring provinces under ECQ from March 29, 2021 until April 11, 2021 and on August 6 to 20, 2021. As of the date of this Prospectus, Metro Manila and certain neighboring provinces are currently under GCQ with Alert Level 4. 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. As of the date of this Prospectus, the Philippines has administered 31.4 million doses of the vaccine, with 18.1 million people fully vaccinated representing 16.7% of the total population of the country.

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 153.

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 June 29, 2021, the Company paid ₱4 million to Foodcrave Marketing, Inc. for additional *Treats* assets.

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. The project is expected to be completed and operational in the second half of 2022 after testing, synchronization and pre-commissioning activities.

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.

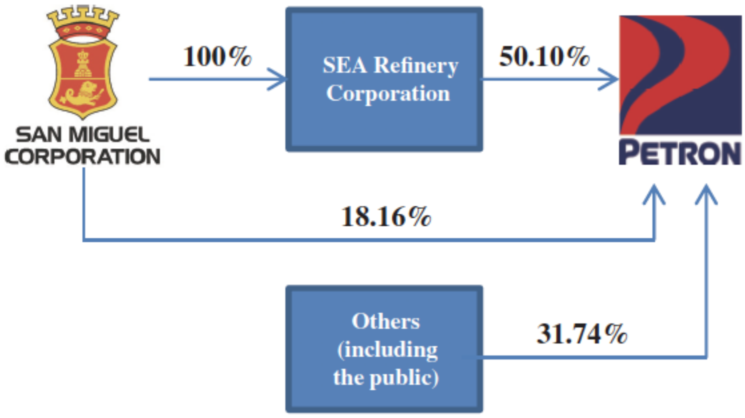
In December 2020, the Company entered into a Registration Agreement with the AFAB pursuant to which the Petron Bataan Refinery complex was approved as a FAB registered enterprise. In the same month, NVRC also entered into a FAB Expansion Area Agreement with the AFAB.

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. On June 29, 2021, the Company paid ₱4 million to Foodcrave Marketing, Inc. for additional *Treats* assets.

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

Name of Company	Place (Date) of Incorporation/ Form of Organization	Company's Equity Interest	Principal Business
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 26.6% is owned by the public)	Manufacturing and marketing of petroleum 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

[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.

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.

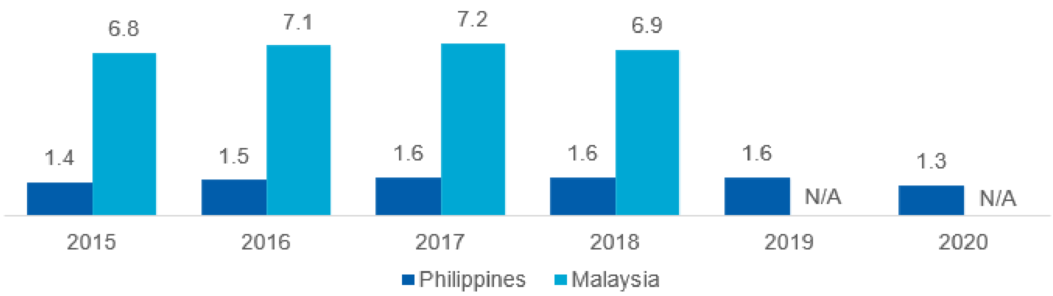
The Company's extensive logistics network (see "*Logistics Network*" map on page 40) includes 28 terminals and 12 airport installations and reaches most key points in the Philippines. Given the challenges of distribution across the Philippine archipelago, this capability plays a significant role in securing 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)

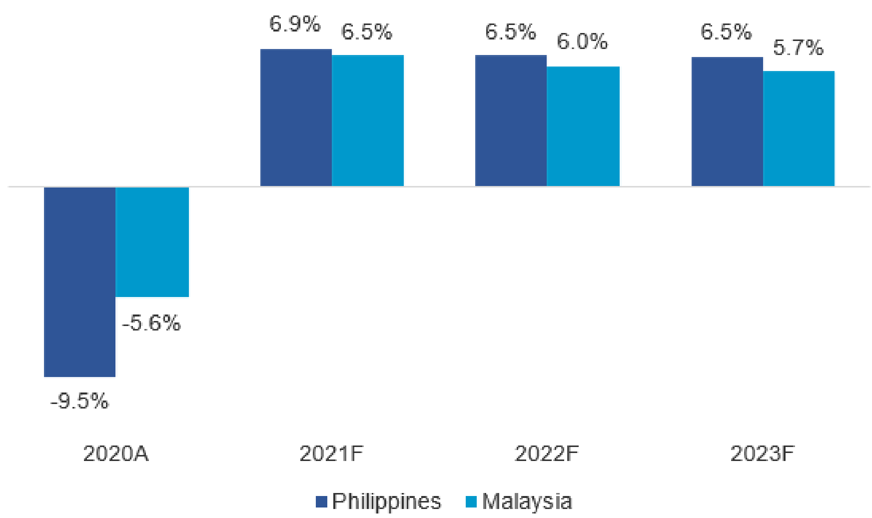


Source: DOE and Malaysia Energy Information Hub. No available MY data for 2019 onwards

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. There are also more than 400 dealer-owned P. Kedai stores in Malaysia, helping improve 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 Company is not dependent on a single customer or a few customers. No single customer of the Company accounts for at least 20% of its sales.

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 534 Petron *Bulilit* Stations are in operation.

The revenue stream of CODOs and DODOs are similar. The revenues earned from both service station models would be imputed in the cost build-up, which includes the cost of crude, refining costs, freight costs, insurance costs, etc.

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. On June 29, 2021, the Company paid ₱4 million to

[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.

Foodcrave Marketing, Inc. for additional *Treats* assets. 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.

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 1,255 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 537 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)	₱44,423 *53%*	₱38,884 *47%*	₱83,307

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[b]	Total
			(in ₱ millions)			
2018						
Revenue	270,760	4,883	27,810	132,397	119,108	554,958
	49%	*1%*	*5%*	*24%*	*21%*	
Property, plant and equipment[b]	12,192	70	499	90	150,567	163,418
	8%	*0%*	*0%*	*0%*	*92%*	
Capital expenditures[b]	3,326	6	14	9	8,989	12,344
	27%	*0%*	*0%*	*0%*	*73%*	
2019						
Revenue	249,210	4,474	25,745	125,314	101,178	511,921
	49%	*1%*	*5%*	*24%*	*1%*	
Property, plant and equipment[b]	9,949	40	303	100	156,868	167,260
	6%	*0%*	*0%*	*0%*	*94%*	
Capital expenditures[b]	1,892	2	5	-	14,951	16,850
	11%	*0%*	*0%*	*0%*	*89%*	
2020						
Revenue	149,406	3,577	20,259	57,889	52,754	283,885
	53%	*1%*	*7%*	*20%*	*19%*	
Property, plant and equipment[b]	9,057	37	258	13	158,924	168,289
	5%	*0%*	*0%*	*0%*	*95%*	
Capital expenditures[b]	2,382	1	12	-	22,234	24,629
	10%	*0%*	*0%*	*0%*	*90%*	
1Q2021						
Revenue	44,220	1,300	5,807	13,197	18,166	82,690
	53%	*2%*	*7%*	*16%*	*22%*	
Property, plant and equipment[b]	9,296	38	244	12	158,565	168,155
	6%	*0%*	*0%*	*0%*	*94%*	
Capital expenditures[b]	1,678	4	12	1	18,472	20,167
	8%	*0%*	*0%*	*0%*	*92%*	

[a] *Under the "Others" account, revenue includes exports and sale to other oil companies.*
[b] *"Property, plant and equipment" and "Capital expenditures" include assets at the refinery and terminals.*

Gasoline and diesel sales account for approximately 70 to 80% of total revenue, followed by Jet A-1 and kerosene sales which comprise about 5 to 10% while LPG accounts for around 5 to 8%. The remaining revenue largely comes from non-fuels, such as sales of petrochemicals and lubricants.

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.

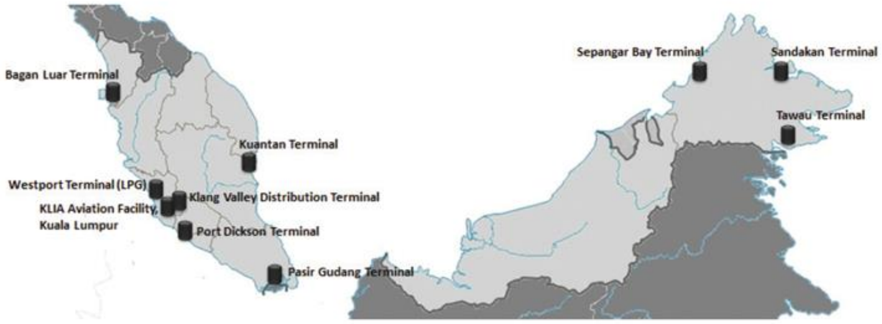
Lubricants and greases in various packages are transported by container vans to bulk plants and terminals outside Metro Manila. Package trucks owned by third parties are utilized to deliver these lubricants and greases to various customers in Metro Manila and Luzon. Sales counters throughout the Philippines 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 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 3,600 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 263 are managerial employees, and 2,382 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. Within the ensuing 12 months, the Company may require additional hiring of employees to support its business operations, the number of which will be determined based on the prevailing requirements of the Company.

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 29% 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.

The Company has not launched any new product in recent years.

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.

The Company is continuously evaluating available properties for sale, the cost or details of which cannot be determined at this time.

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. For a list of the Company's material permits and licenses, please refer to Appendix D of this Prospectus.

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.

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.

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.

In 2020 and in the first three months of 2021, 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.

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 The Chief Executive Officer and top four (4) highly compensated Senior Executive Officers of the Company for 2021 are Ramon S. Ang (President and Chief Executive Officer), Lubin B. Nepomuceno (General Manager), Emmanuel E. Eraña (Senior Vice President and Chief Finance Officer), Archie B. Gupalor (Vice President, National Sales), and Susan Y. Yu (Vice President, Procurement).	2021 (estimated) 2020 2019	₱109.30 Million ₱109.30 Million ₱111.96 Million	₱18.22 Million ₱18.22 Million ₱18.66 Million	₱1.07 Million ₱5.81 Million ₱3.03 Million	₱128.59 Million ₱133.33 Million ₱133.65 Million
All other officers and directors as a group unnamed	2021 (estimated) 2020 2019	₱84.43 Million ₱84.25 Million ₱83.13 Million	₱14.07 Million ₱14.07 Million ₱13.34 Million	₱3.42 Million ₱4.80 Million ₱6.38 Million	₱101.92 Million ₱103.12 Million ₱102.85 Million
All Directors as a Group	2021 (estimated) 2020 2019	₱16.46 Million ₱15.37 Million ₱14.93 Million	- - -	- - -	₱16.46 Million ₱15.37 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 for 2021 were reviewed and favorably endorsed by the Corporate Governance Committee and approved by the Board of Directors on May 4, 2021. The matter was ratified by the stockholders at the Annual Stockholders' Meeting held on May 18, 2021.

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**

As of June 30, 2021, a total of 299,672,260 common shares, 19,730 Series 2B Preferred Shares, 65,805 Series 3A Preferred Shares, and 48,740 Series 3B Preferred Shares equivalent to 3.19% of the Company's total issued and outstanding capital stock, are owned by foreigners while the remaining 96.81% of the company's total issued and outstanding capital stock, are owned by Filipinos.

Security Ownership of Certain Beneficial Owners

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent to Total Outstanding Capital Stock
Common	SEA Refinery Corporation (Filipino) Mandaluyong City – Shareholder of Issuer	San Miguel Corporation – Parent Company of the Record Owner and the Issuer	Filipino	4,696,885,564	49.98%
Common	PCD Nominee Corporation (Filipino / Non-Filipino) Makati City	Various individuals/ Entities	Filipino / Non-Filipino	2,061,016,008	22.17%
Series 2B Preferred Shares				2,382,555	
Series 3A Preferred Shares				13,397,650	
Series 3B Preferred Shares				6,569,700	

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
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 Cynthia 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
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. Jardeleza	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 August 26, 2021, the closing price of the Company's common shares was ₱3.11 with a market capitalization of ₱ 29,437,828,120.58.

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

Consistent with the Company's Manual on Corporate Governance, 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.

Under the Company's Manual on Corporate Governance, it is the policy of the Company 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 94 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 4, 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 respect of the cases discussed below, the Company has not made provisions in its financial statements for possible liabilities arising therefrom.

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.

Swakaya Dispute

In 2015, a disputed trade receivable balance of RM25 million (₱307 million) in favor of POMSB was reclassified to long-term receivables.

The dispute arose from the supply by POMSB of diesel to Swakaya. In 2013, POMSB entered into an agreement to supply diesel to Swakaya who subsequently sold the product to an operator of power plants in Sabah. In 2013, due to a government investigation, Swakaya's bank accounts were frozen which affected its ability to supply the power plants. Swakaya and the power plants operator agreed to ask POMSB to supply the power plants operator directly and, correspondingly, pay POMSB directly. Unknown to POMSB, Swakaya had a financing arrangement with Sabah Development Bank (SDB) which obligated the power plants operator to remit to SDB payments due to Swakaya. Due to some administrative issues, the moneys due to POMSB were remitted by power plants operator into a joint Swakaya/SDB Bank account. Despite SDB's earlier promise to remit the moneys to POMSB once it is established that the payment was indeed for a direct supply to the power plants operator, SDB subsequently refused and set off the moneys against Swakaya's debt to the bank. The sum involved was RM25 million (₱307 million). POMSB sued Swakaya and SDB before the Kota Kinabalu High Court for, among others, breach of trust. Swakaya did not appear in court and judgment was awarded in favor of POMSB and against Swakaya.

In April 2016, the Kota Kinabalu High Court ruled in favor of POMSB and a judgment sum inclusive of interest amounting to RM28 million (₱343 million) was deposited to its solicitor account in August 2016. SDB subsequently filed an appeal to Court of Appeal.

In May 2017, the Court of Appeal re-affirmed the decision of the Kota Kinabalu High Court and dismissed SDB's appeal with costs RM0.015 million (₱0.20 million) awarded to POMSB. In June 2017, SDB filed a Notice of Motion for leave to appeal to the Federal Court against the decision of the Court of Appeal, which was granted in April 2018. After hearing the appeal, in February 2020, the Federal Court allowed the appeal by SDB and set aside the Court of Appeal's decision.

Considering the length of time of litigation matters, a discount of RM8 million (₱95 million) was computed based on the original effective interest rate. Part of the discount, amounting to RM2 million (₱20 million) was unwound in 2019 and recognized as interest income.

The balance amounting to RM23 million (₱282 million) was provided full impairment in 2019.

On 2 August 2021, the Federal Court dismissed the review filed by Petron with costs awarded to SDB in the sum of RM100,000.00.[6] No further action to be taken.

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.

[6] As of 2 August 2021, 1 RM was equivalent to Php11.789.

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.

The Parent Company, certain subsidiaries, associate, joint ventures and SMC and its subsidiaries in the normal course of business, purchase products and services from one another. Transactions with related parties are made at normal market prices and terms. The Group requires approval of the BOD for certain limits on the amount and extent of transactions with related parties.

Amounts owed by/owed to related parties are collectible/to be settled in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

The balances and transactions with related parties as of and for the years ended December 31 follow:

	Note	Year	Revenues from Related Parties (in millions)	Purchases from Related Parties (in millions)	Amounts Owed by Related Parties (in millions)	Amounts Owed to Related Parties (in millions)	Terms	Conditions
Retirement	*a*	**2020**	**P93**	P -	**P1,562**	**P -**	On demand;	Unsecured;
Plan		2019	113	-	1,971	-	long-term;	no impairment
		2018	211	-	2,399	-	interest bearing	
Intermediate	*b, e, g, h*	**2020**	**7**	**174**	**11**	**251**	On demand;	Unsecured;
Parent		2019	13	228	8	95	non-interest	no impairment
		2018	12	1,026	7	25	bearing	
Under Common	*b, c,*	**2020**	**4,764**	**4,445**	**1,157**	**1,918**	On demand;	Unsecured;
Control	*d, g, h, i, j*	2019	6,246	4,904	1,296	2,015	non-interest	no impairment
		2018	6,523	4,904	2,097	889	bearing	
Joint Ventures	*c, f, g, h*	**2020**	**-**	**-**	**4**	**-**	On demand;	Unsecured;
		2019	-	52	1	-	non-interest	no impairment
		2018	7	59	1	-	bearing	
		2020	**P4,864**	**P4,619**	**P2,734**	**P2,169**		
		2019	P6,372	P5,184	P3,276	P2,110		
		2018	P6,753	P5,989	P4,504	P914		

a. As of December 31, 2020 and 2019, the Parent Company has interest bearing advances to PCERP, included as part of "Trade and other receivables - net" in the consolidated statements of financial position, for some investment opportunities.

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

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

d. The Parent Company entered into a lease agreement with San Miguel Properties, Inc. for its office space covering 6,852 square meters with a monthly rate of P6.196 million. The lease, which commenced on June 1, 2018, is for a period of one year and was subsequently renewed on a yearly basis in accordance with the written agreement of the parties.

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

f. TBSB, an operator of LPG bottling plant, provides bottling services to PFISB and another venturer.

g. Amounts owed by related parties consist of trade, non-trade receivables, advances and prepaid expenses.

h. Amounts owed to related parties consist of trade and non-trade payables.

i. In 2015, NVRC leased out certain parcels of its land to SMC Consolidated Power Corporation for a period of 25 years.

j. In December 2019, 50,000 shares of MNHPI representing 0.17% interest were sold to a related party at a gain recognized as part of "Others - net"

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.

As of March 2021, the Company has issued a total of USD236M Million Redeemable Perpetual Securities ("RPS"). The RPS were fully subscribed by San Miguel Corporation. Distributions are payable quarterly.

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, ₱216,698 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 GST. The GST was replaced with an SST on September 1, 2018.

Under the GST tax mechanism, businesses charged and collected GST on all taxable goods and services supplied to consumers and subsequently claimed the amount of GST paid on the business inputs by offsetting against the output tax.

Under the SST tax regime, however, selected operating expenses are subject to SST with no claiming mechanism. This could therefore increase operation cost. The Company has thus applied for some exemption (importation of machinery and selected raw materials) under the Sales Tax Exemption Order to reduce such cost.

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. This account also includes accretion of lease liabilities and asset retirement obligation, and amortization of debt issue costs. Starting 2019, this also include interest expense related to defined benefit obligation.

Interest Income

Interest income primarily includes interest income from money market placements, government securities and trade receivables. 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. Starting 2019, this also includes interest income related to the retirement plan assets.

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 coupled with the lower cost of crude and finished products sold.

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.

Other Operating income

Other operating income decreased by 5% to ₱334 million in 1Q 2021 from ₱352 million in 1Q 2020 due to lower rent income.

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—net

Other income—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 to partly mitigate the unfavorable impact of the pandemic on the Company. Reductions were notable on outsourced services, advertising and promotional expenses, service station and depot maintenance and repairs and employee costs.

Other Operating income

Other operating income decreased by 31% to ₱1,047 million in 2020 from ₱1,507 million in 2019 mainly due to lower rent income as a result of rent concessions granted by the Company to dealers and locators during the ECQ.

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

	(Audited)		
	For the years ended December 31,		
	2018	2019	% Change
	(In millions of ₱)		
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.

Other Operating income

Other operating income increased by 12% to ₱1,507 million in 2019 from ₱1,340 million in 2018 due to higher rent income.

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.

Year ended December 31, 2018 compared to year ended December 31, 2017

	(Audited)		
	For the years ended December 31,		
	2017	2018	% Change
	(In millions of ₱)		
Sales..	434,624	557,386	28%
Cost of goods sold................................	391,969	522,824	33%
Gross profit	42,655	34,562	(19%)
Selling and administrative expenses....	(16,197)	(16,981)	5%
Other operating income.........................	1,180	1,340	14%
Interest expense and other financing charges..	(8,487)	(9,689)	14%
Interest income.....................................	535	706	32%
Share in net income of an associate	63	-	(100%)
Other income (expenses)—net	(907)	517	157%
Income before income tax.....................	18,842	10,455	(45%)
Income tax expense...............................	4,755	3,386	(29%)
Net income..	14,087	7,069	(50%)

Sales

Sales increased by 28% to ₱557,386 million from ₱434,624 million in previous year largely due to the hike in selling prices at the back of higher regional prices of finished petroleum products, additional excise tax with the implementation of the first tranche of TRAIN law and the ₱2.27 depreciation of the average peso exchange rate against the US dollar.

Cost of Goods Sold

Cost of goods sold increased by 33% to ₱522,824 million brought about by the escalation in price of benchmark Dubai crude oil which averaged US$69.42/barrel compared with the US$53.17/barrel in 2017 as well as the additional excise tax imposed by the TRAIN law.

Gross Profit

As the increase in Cost of Goods Sold was higher than the increase in Sales Revenue, gross profit decreased by 19% to ₱34,562 million in 2018 from ₱42,655 million in 2017.

Selling and Administrative Expenses

Selling and administrative expenses increased by 5% to ₱16,981 million in 2018 from ₱16,197 million in 2017, primarily traced to higher terminalling fees as well as increases in non-cash items such as depreciation and provision for bad debts which were partly tempered by lower advertising expenses.

Other Operating income

Other operating income increased by 5% to ₱1,340 million in 2018 from ₱1,180 million in 2017 due to higher rent income.

Interest Expense and Other Financing Charges

Interest expense and other financing charges increased by 14% to ₱9,689 million in 2018 from ₱8,487 million in 2017 attributed to higher average borrowing level and interest rates as well as increased bank charges.

Interest Income

Interest income increased by 32% to ₱706 million in 2018 from ₱535 million in 2017 from mainly due to higher average placement level and rate.

Share in net income of an associate

Share in net income of Manila North Harbour Port Inc (MNHPI) of ₱63 million in 2017 versus nil in 2018. In September 2017, the company's 34.83% shares in MNHPI were sold. Proceeds from the sale were received and all conditions of the transaction were completed in October 2017.

Other Income (Expense)—Net

Other Income - net was ₱517 million in 2018, compared with other expense - net of ₱907 million in 2017 due to the recognition of unrealized commodity hedging gain versus loss in 2017, partly offset by absence of gains on asset disposals in 2018 vs 2017.

Income Tax Expense

Income tax expense decreased by 29% to ₱3,386 million in 2018 compared with ₱4,755 million in 2017 primarily on account of lower pre-tax income.

Net Income

As a result of the foregoing, net income dropped from ₱14,087 million in 2017 to ₱ 7,069 million in 2018.

Financial Position

	(Unaudited) As of March 31,	(Audited) As of December 31,			
	2021	2020	2019	2018	2017
		(In millions of ₱)			
Current assets:					
Cash and cash equivalents	30,027	27,053	34,218	17,405	17,014
Financial assets at fair value	876	603	864	1,126	336
Investments in debt instruments	-	184	109	40	199
Trade and other receivables – net	29,003	27,195	44,657	42,497	38,159

Inventories	39,788	44,922	72,210	63,873	56,604
Other current assets	30,745	32,337	27,430	37,081	33,178
Total current assets	**130,439**	**132,294**	**179,488**	**162,022**	**145,490**
Non-current assets:					
Investments in debt instruments	-	197	311	338	332
Investment in shares of stock of an associate	1,003	-	-	-	-
Property, plant and equipment – net	168,693	168,831	168,267	163,984	177,690
Right-of-use assets - net	6,011	6,045	5,509	-	-
Investment property – net	29,111	30,049	29,935	16,536	75
Deferred tax assets – net	1,992	2,190	262	257	207
Goodwill – net	7,883	8,031	8,319	8,532	8,277
Other non-current assets – net	1,954	2,088	2,744	6,485	5,959
Total non-current assets	**216,647**	**217,431**	**215,347**	**196,132**	**192,540**
Total assets	**347,086**	**349,725**	**394,835**	**358,154**	**338,030**
Current liabilities:					
Short-term loans	76,452	77,704	71,090	82,997	69,583
Liabilities for crude oil and petroleum product importation	24,372	22,320	39,362	25,991	36,920
Trade and other payables	14,792	15,402	28,741	28,471	11,604
Lease liabilities – current portion	1,187	1,243	1,295	-	-
Derivative liabilities	714	1,124	738	614	1,791
Income tax payable	432	162	267	146	808
Current portion of long-term debt - net	32,491	31,114	16,881	17,799	3,789
Total current liabilities	**150,440**	**149,069**	**158,374**	**156,018**	**124,495**
Non-current liabilities:					
Long-term debt – net of current portion	85,870	88,340	116,196	100,201	97,916
Retirement benefits liability	3,619	3,705	3,565	2,433	4,885
Deferred tax liabilities – net	3,172	3,084	6,348	8,450	7,397
Lease liabilities – net of current portion	14,165	14,561	14,454	-	-
Asset retirement obligation	2,900	2,867	1,720	3,592	2,681
Other non-current liabilities	1,790	1,904	1,748	1,274	1,037
Total non-current liabilities	**111,516**	**114,461**	**144,031**	**115,950**	**113,916**
Total liabilities	**261,956**	**263,530**	**302,405**	**271,968**	**238,411**
Equity Attributable to Equity Holders of the Parent Company*:					
Capital stock	9,485	9,485	9,485	9,485	9,485
Additional paid-in capital	37,500	37,500	37,500	19,653	19,653
Capital securities	36,481	36,481	25,183	24,881	30,546
Retained earnings	29,898	29,799	45,510	49,491	49,142
Equity reserves	(19,749)	(18,371)	(16,899)	(14,031)	(5,171)
Treasury stock	(15,122)	(15,122)	(15,122)	(10,000)	(10,000)
Total Equity Attributable to Equity Holders of the Parent Company	**78,493**	**79,772**	**85,657**	**79,479**	**93,655**

Non-controlling interests	6,637	6,423	6,773	6,707	5,964
Total equity	**85,130**	**86,195**	**92,430**	**86,186**	**99,619**
Total liabilities and equity	**347,086**	**349,725**	**394,835**	**358,154**	**338,030**

Quarter ended March 31, 2021 compared to year ended December 31, 2020

The **Consolidated assets** of Petron Corporation and its Subsidiaries as of end March 2021 totaled **₱ 347.09 billion**, 1% or ₱ 2.64 billion lower than end 2020 balance of ₱ 349.73 billion. The decline in total assets can be attributed primarily to inventories.

Cash and cash equivalents increased by 11% to **₱ 30.03 billion** from ₱ 27.05 billion mainly from cash from operating activities reduced by the expenditures on capital projects and payment of loans, cash dividends and distributions during the first quarter of 2021.

Financial assets at fair value went up to **₱ 876 million** from ₱ 603 million due to higher gains on outstanding commodity and currency hedging transactions.

Investments in debt instruments (current and non-current) stood **nil** from end 2020 level of ₱ 381 million as this belonged to Petrogen Insurance Corporation (PIC), which was deconsolidated from the Petron group.

Trade and other receivables - net rose by 7% to **₱ 29.00 billion** attributable to the increase in trade and government receivables of foreign subsidiaries, partly offset by the decrease in trade receivables of the Parent Company.

Inventories dropped by ₱ 5.13 billion to **₱ 39.79 billion** mainly from lower volume of crude and finished products versus the end 2020 level.

Other current assets decreased by 5% to **₱ 30.75 billion** from lower input VAT and prepaid insurance.
The decrease in ownership interest of the Parent Company in PIC from 100% to 25.06% gave rise to the recognition of **Investment in shares of stock of an associate** amounting to **₱ 1.00 billion**.

Deferred tax assets – net went down from ₱ 2.19 billion to **₱ 1.99 billion** brought about by the temporary differences with respect to the methods of depreciation and amortization of pension costs per tax accounting in contrast with financial reporting as well as the impact of CREATE law, partly offset by the effect of the additional Net Operating Loss Carry-over during the quarter.

Other noncurrent assets – net declined to **₱ 1.95 billion** from ₱ 2.09 billion on account of the amortization of deferred input tax and catalysts.

Liabilities for crude oil and petroleum products went up to **₱ 24.37 billion** compared to end-2020 level of ₱ 22.32 billion owing primarily to the continued increase in prices during the first quarter.

Derivative liabilities dropped by 36% to **₱ 714 million** with the decrease in expected settlement on outstanding commodity hedges and currency transactions under hedge accounting.

Income tax payable rose to ₱ 432 million as tax liabilities of foreign subsidiaries increased.

Other noncurrent liabilities stood at **₱ 1.79 billion**, 6% lower than end-2020 level due to lower liabilities from cash flow hedges.

The **negative balance of Equity reserves** increased from ₱ 18.37 billion to **₱ 19.75 billion** principally from the translation loss on the investment in foreign subsidiaries following the strengthening of the peso against the US dollar.

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

The consolidated assets of Petron Corporation and its Subsidiaries as of end-2020 amounted to **₱349.73 billion**, 11% or ₱45.11 billion lower than end-2019 balance of ₱394.84 billion primarily due to the decrease in inventories and trade receivables.

Cash and cash equivalents was reduced by 21% from ₱34.22 billion to **₱27.05 billion** as available cash was used to finance capital projects.

Financial assets at fair value decreased to **₱603 million** from ₱864 million due to lower gains on outstanding commodity and currency hedges.

Investments in debt instruments (current and non-current) went down by 9% to **₱381 million** from the end-2019 level of ₱420 million with the maturity of some government securities and bonds partly offset by the new investment in government securities by the insurance subsidiary.

Trade and other receivables - net dropped by 39% to **₱27.20 billion** attributed to the decrease in sales volume and prices of fuel products.

Inventories was cut by ₱27.29 billion to **₱44.92 billion** mainly from lower prices and volume of crude and finished products on hand compared to the end-2019 level.

Other current assets increased by 18% to **₱32.34 billion** from higher excise tax claims and unused creditable withholding taxes.

Right of Use assets went up by 10% or ₱536 million to **₱6.05 billion** with the remeasurement of the related asset retirement obligation for the refinery.

The change in net tax position of the Parent Company due to the additional Net Operating Loss Carry-Over (NOLCO) in 2020 led to the increase in **Deferred tax assets - net** to **₱2.19 billion** from ₱262 million as of end 2019 and consequently resulted in the reduction in **Deferred tax liabilities – net** from ₱6.35 billion to **₱3.08 billion**.

Other noncurrent assets – net declined to **₱2.09 billion** from ₱2.74 billion on account of the amortization of deferred input tax, usage of catalysts as well as drop in currency hedges under hedge accounting.

Short-term loans increased from ₱71.09 billion to **₱77.70 billion** traced to net loan availment during the year.

Liabilities for crude oil and petroleum products at **₱22.32 billion** was lower by 43% compared to end-2019 level of ₱39.36 billion owing primarily to lower prices and lesser number of outstanding importations as of end 2020.

Trade and other payables was reduced by 46% to **₱15.40 billion** due to lower outstanding liabilities to contractors and vendors.

Derivative liabilities grew by 52% to **₱1.12 billion** with the increase in the expected payout on outstanding commodity hedges, as well as currency hedges under hedge accounting, partly offset by the decrease in marked-to-market (MTM) losses on currency forwards.

Income tax payable fell 39% to ₱162 million as tax liabilities of foreign subsidiaries declined.

Long-term debt (including current portion) decreased to **₱119.45 billion** from end-2019 balance of ₱133.08 billion following the Parent Company’s prepayment and amortization of dollar and peso loans, partly offset by availment of new loans, i.e. USD 150 million, JPY 15 billion and ₱5 billion loan.

Asset retirement obligation increased by more than half to **₱2.87 billion** from ₱1.72 billion traced to the reassessment/re-measurement of future liability.

Other noncurrent liabilities stood at **₱1.90 billion**, 9% higher than end-2019 level due to additional cash bonds received from customers.

Capital securities grew by ₱11.30 billion to **₱36.48 billion** with the issuance of USD 230 million Redeemable Perpetual Securities in the 2nd and 3rd quarters of 2020.

Retained earnings at **₱29.80 billion** was 35% down versus end-2019 level primarily due to the ₱11.38 billion net loss incurred by the equity holders of the Parent Company further reduced by the cash dividends and distributions declared during the period.

The **negative balance of Equity reserves** increased from ₱16.90 billion to **₱18.37 billion** mainly from the translation loss on its investments in foreign subsidiaries as a result of the strengthening of the peso against the US dollar.

Consequently, **Non-controlling interests** slipped from ₱6.77 billion to **₱6.42 billion,** proportionate to its share in net loss during period, the cash dividends declared to minority shareholders coupled by currency translation adjustments.

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

By the end of 2019, the **consolidated assets** of Petron and its Subsidiaries stood at **₱394.84 billion,** higher by 10% from end-2018 balance of ₱358.15 billion largely due to the recognition of relevant assets with the adoption of PFRS 16 (Leases), higher cash and cash equivalents and inventories, partly offset by the decline in other assets (current and non-current).

Cash and cash equivalents almost doubled from ₱17.41 billion to **₱34.22 billion** mostly from funds generated from operations and the issuance of preferred shares.

Financial assets at fair value declined from ₱1.13 billion to **₱864 million** due to lower unrealized gain on outstanding commodity hedges.

Investments in debt instruments (current and non-current) went up by 11% to **₱420 million** from end 2018 level of ₱378 million traced to additional investment in government securities acquired by the Insurance subsidiary.

Trade and other receivables - net increased by **₱2.16 billion** to **₱44.66 billion** owing to higher price and excise tax of fuel products partly offset by the collection of receivables from the Malaysian government.

Inventories rose to **₱72.21 billion** from ₱63.87 billion due to higher volume of finished product and price of crude and the incremental excise tax imposed beginning 2019.

Other current assets dropped by 26% to **₱27.43 billion** mainly due to Petron Malaysia's collection of its Goods and Service Tax refunds from the government and the Parent's utilization of tax credit certificates, partly negated by the increase in prepaid and creditable withholding taxes.

The adoption of PFRS 16 resulted in the recognition of **right-of-use assets** of **₱5.51 billion**, 81% increase in **investment property** to **₱29.94 billion** and a reduction in the prepaid rent which largely accounted for the 53% drop in **other noncurrent assets - net** to **₱3.07 billion**. Corresponding **lease liabilities - current and noncurrent** were also booked totaling **₱15.75 billion**.

Short-term loans decreased to **₱71.09 billion** from ₱83.0 billion mainly due to Parent Company's net payments during the year**.**

Liabilities for crude oil and petroleum products grew by more than half to **₱39.36 billion** on account of higher volume and price of outstanding finished products importations as of end-2019 versus prior year.

Derivative liabilities increased by 20% from ₱614 million to **₱738 million** arising from higher expected payout on outstanding commodity and currency hedges.

Income tax payable climbed to **₱267 million** from ₱146 million largely from higher tax liabilities of Petron Malaysia.

Long-term debt (current and non-current portion) grew by 13% to **₱133.08 billion** as the Parent Company availed of US$800 million loan partly offset by the payment of matured peso and dollar loans.

Retirement benefits liability rose by 47% to **₱3.56 billion** on account of the re-measurement losses on plan assets partly offset by the contributions made to the fund during the year.

Deferred tax liability – net dropped by 25% from ₱8.45 billion to **₱6.35 billion** brought about by the recognition of NOLCO and MCIT by the Parent Company.

Asset retirement obligation declined by more than half to **₱1.72 billion** with the reassessment of future liability.

Other noncurrent liabilities rose by 37% to **₱1.75 billion** vis-a-vis 2018 year-end level traced to higher cash bond, and the derivative liability from additional hedging instrument.

The issuance of ₱20 billion series 3 preferred shares in June 2019 and the redemption of series 2A preferred shares in November 2019 resulted in the increase in **additional paid-in capital** from ₱19.65 billion to **₱37.50 billion** and brought the **negative balance of treasury stock** to **₱15.12 billion**.

Retained earnings at **₱45.51 billion** ended lower by 8% or ₱3.98 billion as the net income attributable to equity holders of the Parent Company in 2019 of ₱1.70 billion was negated by the ₱4.21 billion cash dividends and distributions paid during the year and the ₱1.46 billion impact of PFRS 16 adoption.

With the peso appreciation against the US dollar, the Company incurred currency translation loss on its investments in foreign subsidiaries and increased the **negative balance of Equity reserves** from ₱14.03 billion to **₱16.90 billion**.

Year ended December 31, 2018 compared to year ended December 31, 2017

Petron's consolidated assets as of December 31, 2018 grew 6% (₱20.12 billion) to **₱358.15 billion**, from end-December 2017 level of ₱338.03 billion mainly contributed by higher working capital.

Financial assets at fair value went up from ₱336 million to **₱1.13 billion** on account of higher marked-to-market gains on outstanding commodity hedges**.**

Investment in debt instruments (current and non-current) amounted to **₱378 million,** 29% lower than the ₱531 million balance as of end 2017 with the maturity of investment in corporate bonds.

Trade and other receivables - net increased by 11% from ₱38.16 billion to **₱42.50 billion** reflecting the increase in fuel prices from a year ago and delayed collection of receivables from the Malaysian government.

Inventories - net surged to **₱63.87 billion**, 13% or ₱7.27 billion more than the ₱56.60 billion at end 2017 due to higher volume and prices of finished products.

Other current assets escalated from ₱33.18 billion to **₱37.08 billion** on account of higher input VAT and prepaid taxes.

Property, plant and equipment – net dipped by 8% or ₱13.71 billion to **₱163.98 billion.** Capital expenditures for the refinery, depots and service stations, net of depreciation and disposals during the year was more than offset with the reclassification of leased-out assets that primarily comprised the **₱16.54 billion Investment Property.**

Deferred tax assets - net increased from ₱207 million to **₱257 million** owing to the additional Net Operating Loss Carry-Over (NOLCO) of a subsidiary in Malaysia.

Other noncurrent assets - net climbed to **₱6.49 billion**, 9% or ₱526 million above the December 2017 level of ₱5.96 billion due to higher prepaid rent and the fair value of long-term derivative instruments**.**

Short-term loans rose to **₱83.00 billion** from ₱69.58 billion a year ago as additional funds were sourced to support the increase in working capital requirements given higher cost of inventories and receivables.

Liabilities for crude oil and petroleum products dropped by 30% from ₱36.92 billion to **₱25.99 billion** essentially due to lower volume of crude purchases outstanding as at year-end.

Trade and other payables increased to **₱28.47 billion** from ₱11.60 billion largely liabilities to various contractors and suppliers.

Derivative liabilities slid to **₱614 million** from ₱1.79 billion level in December 2017 owing to lower marked-to-market loss on outstanding commodity hedges.

Income tax payable fell to **₱146 million** from ₱808 million due mainly to Petron Malaysia's lower taxable income in 2018.

Long-term debt (including current portion) went up from ₱101.71 billion to **₱118.00 billion** with the Parent Company's issuance of ₱20.00 billion retail bonds in October 2018.

Retirement benefits liability declined to **₱2.43 billion** from ₱4.89 billion primarily on account of the partial conversion of the Company's advances to the Retirement plan into contribution as well as the actual contribution made during the year.

Deferred tax liabilities amounted to **₱8.45 billion**, 14% higher than the ₱7.40 billion level a year ago largely due to the temporary differences arising from the accelerated method of depreciation used for tax reporting purposes.

Asset retirement obligation grew by 34% to **₱3.59 billion** from ₱2.68 billion attributed to the change in discount rate and lease term of existing leases.

Other noncurrent liabilities increased by 23% to **₱1.27 billion** mainly due to the premium costs of derivative instruments and higher cash bond from customers.

Capital Securities decreased by 19% to **₱24.88 billion** traced to the redemption of the US$750 million Undated Subordinated Capital Securities (USCS) partly offset by the issuance of the US$500 million Senior Perpetual Capital Securities (SPCS).

The negative balance of **Equity reserves** increased to **₱14.03 billion** from ₱5.17 billion due to currency translation loss on the redemption of USCS, partly tempered by the currency translation gains on investments in foreign subsidiaries as a result of the strengthening of the US dollar versus the Philippine peso.

Non-controlling interests rose by 12% to **₱6.71 billion** from the ₱5.96 billion as of end of 2017 corresponding to its proportionate share in net income for the year, net of cash dividends declared to minority shareholders and currency translation adjustment.

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 has been able to pay its trade liabilities as they become due. 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. Additions mostly pertain to various projects including major upkeep and preservation undertakings at the refinery, upgrade of various depots'/terminals' facilities and construction and rehabilitation of service stations.

Net cash flows used in investing activities was ₱11,141 million in 2018. This is primarily reflected in additions to property, plant and equipment. Additions mostly pertain to various refinery projects, network expansion program, and depots/terminals projects.

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, more than 60% of which will be used to fund ongoing refinery projects such as the new Power Plant in Bataan, MY Marine Import Facility and the recently completed Diesel Hydrotreater unit in Port Dickson. 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.

PETRON CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS

Financial Ratios	Formula	March 31, 2021	December 31, 2020	2019	2018	2017
Liquidity						
a) Current Ratio	Current Assets / Current Liabilities	0.87	0.89	1.13	1.04	1.17
b) Quick Ratio	Current Assets less Inventories and Other Current Assets / Current Liabilities	0.4	0.37	0.50	0.39	0.45
Solvency						
c) Debt to Equity Ratio	Total Interest-bearing Liabilities [b] / Total Equity	2.29	2.29	2.21	2.33	1.72
d) Asset to Equity Ratio	Total Assets / Total Equity	4.08	4.06	4.27	4.16	3.39
e) Interest Coverage Ratio	Earnings Before Interests and Taxes / Interest Expense and Other Financing Charges	1.88	-0.43	1.28	2.08	3.22
Profitability						
f) Return on Average Equity	Net Income [a] / Average Total Equity	-5.61%	-12.78%	2.58%	7.61%	14.95%
g) Return on Average Assets	Net Income [a] / Average Total Assets	-1.38%	-3.07%	0.61%	2.03%	4.29%
Operating Efficiency						
h) Volume Growth	[Current Period Volume / Prior Period Volume] -1	-21.42%	-26.53%	-1.42%	0.68%	1.95%
i) Sales Growth	[Current Period Sales / Prior Period Sales] -1	-20.37%	-44.39%	-7.72%	28.25%	26.40%
j) Operating Margin	Income from Operating Activities / Sales	4.40%	-1.62%	3.15%	3.39%	6.36%

[a] trailing 12 months net income
[b] excludes lease liabilities

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

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

Quick Ratio - Total current assets less inventories and other current assets divided by total current liabilities.

This ratio is a cursory indication of a company's ability to service its current obligations using its more liquid assets. Generally, higher quick ratio indicates greater ability of the company to pay currently maturing obligations.

Debt to Equity Ratio - Total liabilities divided by total stockholders' equity (including non-controlling interest).

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

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

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

Interest Rate Coverage Ratio – Earnings before interests and taxes divided by interest expense and other financing charges.

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

Return on Average Equity - Net income divided by average total stockholders' equity.

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

Return on Average Asset - Net income divided by average total asset.

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

Volume Growth – Current period volume divided by prior period volume minus 1.

This ratio measures how much the sales volume of the company increased or decreased from prior period's level. A ratio greater than zero indicates that the company's volume is growing as against comparative period.

Sales Growth – Current period sales revenue divided by prior period sales revenue minus 1.

This ratio measures how much the sales revenue account of the company increased or decreased from prior period's level. This is a function of both volume and price change from period to period. A ratio greater than zero indicates that the company's sales revenue increased compared to previous period.

Operating Margin – Income from operating activities divided sales.

This ratio measures how much profit the company derives from every peso sale made after deducting direct costs and selling and operating expenses. The higher the ratio the greater return is realized by the company from its core business activities.

OTHER MATTERS

- There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Position and Financial Performance.

- There were no material changes in estimates of amounts reported in prior interim periods of the current year or changes in estimates of amounts reported in prior financial years.

- There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.

- Other than the resurgence of the COVID-19 pandemic which poses a risk for the Company as with other businesses broadly affected thereby, there are no other known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation.

- There were no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets.

  The following are the significant contractual obligations and commitments of the Company, default under which will most likely trigger direct or contingent financial obligations that is material to the Company:

  a. *Supply Agreements.* Petron has assigned all its rights and obligations to PSTPL (as assignee) to have a term contract to purchase Petron's crude oil requirements from Saudi Arabian Oil Company ("**Saudi Aramco**"), based on the latter's standard Far East selling prices and Kuwait Petroleum Corporation ("**KPC**") to purchase Kuwait Export Crude Oil ("**KEC**") at pricing based on latter's standard KEC prices. The contract with Saudi Aramco is from November 1, 2013 to December 31, 2014 while the contract with KPC is from January 1, 2015 to December 31, 2015, both with automatic annual extension thereafter unless terminated at the option of either party, upon at least 60 days written notice.

  PMRMB currently has a long-term supply contract of Tapis crude oil and Terengganu condensate for its Port Dickson Refinery from ExxonMobil Exploration and Production Malaysia Inc. ("**EMEPMI"**) and Low Sulphur Waxy Residue Sale/Purchase Agreement with ARC Energy. On the average, around 73% of crude and condensate volume processed are from EMEPMI with balance of around 27% from spot purchases.
  Outstanding liabilities of the Company for such purchases are shown as part of "Liabilities for crude oil and petroleum products" account in the consolidated statements of financial position as of December 31, 2020 and 2019.

  b. *Toll Service Agreement with Innospec Limited (Innospec)*. PFC entered into an agreement with Innospec, a leading global fuel additives supplier, in December 2006. Under the agreement, PFC shall be the exclusive toll blender of Innospec's fuel additives sold in the Asia-Pacific region consisting of the following territories: South Korea, China, Taiwan, Singapore, Cambodia, Japan and Malaysia.

  PFC will provide the tolling services which include storage, blending, filing and logistics management. In consideration of these services, Innospec will pay PFC a service fee based on the total volume of products blended at PFC Fuel Additives Blending facility.

  Tolling services started in 2008 on which PFC recognized revenue amounting to Php97, P113 and P109 in 2020, 2019 and 2018, respectively.

c. *Lease Agreements with Philippine National Oil Company (PNOC).* On September 30, 2009, Petron through NVRC entered into a 30-year lease with PNOC without rent-free period, covering a property which it shall use as site for its refinery, commencing on January 1, 2010 and ending on December 31, 2039. Based on the latest re-appraisal made, the annual rental shall be P138, starting 2012, payable on the 15th day of January each year without the necessity of demand. This non-cancellable lease is subject to renewal options and annual escalation clauses of 3% per annum to be applied starting 2013 until the next re-appraisal is conducted. The leased premises shall be reappraised in 2017 and every fifth year thereafter in which the new rental rate shall be determined equivalent to 5% of the reappraised value, and still subject to annual escalation clause of 3% for the four years following the re-appraisal. Prior to this agreement, Petron had an outstanding lease agreement on the same property from PNOC. Also, as at December 31, 2020 and 2019, Petron leases other parcels of land from PNOC for its bulk plants and service stations.

- The effects of seasonality or cyclicality on the interim operations of the Company's business is not material. The Company's operation is not affected by seasonal demand and supply similar to other basic commodities.

- There were no material off-statements of financial position transactions, arrangements, obligations including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period, except for the outstanding derivative transactions entered by the Company as at and for the period March 31, 2021.

REGULATORY MATTERS

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

PHILIPPINES

Downstream Oil Industry Deregulation Law

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

Under the Oil Deregulation Law, any person 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, engagedin 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 intothe 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 ofthe 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 suchcitizens.

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 tovote is wholly- owned by Filipinos; or

(e) a trustee of funds for pension or other employee retirement or separation benefits, where the trusteeis 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-ownedcorporation. A corporation with more than 40% foreign equity may be allowed to lease private land fora 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 licensed to supply distributors that are appointed by the Malaysian government to sell diesel to unbranded mini stations and to collect subsidies in respect of such sales.

The Company's quotas for subsidized diesel sales are provided and regulated by the MDTCC, which reviews the quotas on a quarterly basis. If the Company requires an increase in its approved quota 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.

D. List of Material Permits and Licenses

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

COVERSHEET

3 1 1 7 1

S. E. C. Registration Number

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

(Company's Full Name)

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

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

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

ATTY. JOEL ANGELO C. CRUZ

Contact Person

8-884-9200

Company Telephone Number

1 2 - 3 1

Month Day

Fiscal Year

SEC Form 17-O 1st Quarter 2021

FORM TYPE

0 5   1 8

Month Day

Annual Meeting

(For 2021)

Permit to offer securities

Secondary License Type, if Applicable

Dept. Requiring this Doc.

N/A

Amended Articles Number/Section

Total Amount of Borrowings

144,959 (as of March 31, 2021)

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

Fiscal Number

LCU

Document I. D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended March 31, 2021.

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

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

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

6. (SEC Use Only)
Industry Classification Code:

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

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

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding (As of March 31, 2021)
Common Stock	9,375,104,497 Shares
Preferred Stock Series 2B	2,877,680 Shares
Preferred Stock Series 3A	13,403,000 Shares
Preferred Stock Series 3B	6,597,000 Shares
Total Liabilities	P261,956 Million

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

Yes [X] No [ ]

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

Philippine Stock Exchange	Common and Preferred Shares
Philippine Dealing & Exchange Corp.	Series A, B, C and D Bonds

12. Indicate by check mark whether the Registrant:

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

Yes [X] No [ ]

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

Yes [X] No [ ]

PETRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Amounts in Million Pesos)

	Note	**Unaudited Marh 31 2021**	Audited December 31 2020
ASSETS			
Current Assets			
Cash and cash equivalents	*9, 10*	**P30,027**	P27,053
Financial assets at fair value	*9, 10*	**876**	603
Investments in debt instruments	*9, 10*	**-**	184
Trade and other receivables - net	*7, 9, 10*	**29,003**	27,195
Inventories		**39,788**	44,922
Other current assets	*7*	**30,745**	32,337
Total Current Assets		**130,439**	132,294
Noncurrent Assets			
Investments in debt instruments	*9, 10*	**-**	197
Investment in shares of stock of an associate	*11*	**1,003**	-
Property, plant and equipment - net	*5, 6*	**168,693**	168,831
Right-of-use assets - net		**6,011**	6,045
Investment property - net		**29,111**	30,049
Deferred tax assets - net		**1,992**	2,190
Goodwill - net		**7,883**	8,031
Other noncurrent assets - net	*9, 10*	**1,954**	2,088
Total Noncurrent Assets		**216,647**	217,431
		P347,086	P349,725

LIABILITIES AND EQUITY			
Current Liabilities			
Short-term loans	*8, 9, 10*	**P76,452**	P77,704
Liabilities for crude oil and petroleum products	*9, 10*	**24,372**	22,320
Trade and other payables	*7, 9, 10*	**14,792**	15,402
Lease liabilities – current portion		**1,187**	1,243
Derivative liabilities	*9, 10*	**714**	1,124
Income tax payable		**432**	162
Current portion of long-term debt - net	*9, 10*	**32,491**	31,114
Total Current Liabilities		**150,440**	149,069

Forward

	Note	Unaudited March 31 2021	Audited December 31 2020
Noncurrent Liabilities			
Long-term debt - net of current portion and debt issue costs	*9, 10*	**P85,870**	P88,340
Retirement benefits liability		**3,619**	3,705
Deferred tax liabilities - net		**3,172**	3,084
Lease liabilities - net of current portion	*9, 10*	**14,165**	14,561
Asset retirement obligation		**2,900**	2,867
Other noncurrent liabilities	*9, 10*	**1,790**	1,904
Total Noncurrent Liabilities		**111,516**	114,461
Total Liabilities		**261,956**	263,530
Equity Attributable to Equity Holders of the Parent Company			
Capital stock		**9,485**	9,485
Additional paid-in capital	*11*	**37,500**	37,500
Capital securities		**36,481**	36,481
Retained earnings	*11*	**29,898**	29,799
Equity reserves		**(19,749)**	(18,371)
Treasury stock		**(15,122)**	(15,122)
Total Equity Attributable to Equity Holders of the Parent Company		**78,493**	79,772
Non-controlling Interests		**6,637**	6,423
Total Equity		**85,130**	86,195
		P347,086	P349,725

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

Certified by:

Myrna C. Geronimo

MYRNA C. GERONIMO
Vice President - Controllers

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

		For the Three Months Ended March 31	
	Note	**2021**	2020
SALES	*5*	**P83,307**	P104,623
COST OF GOODS SOLD		**76,529**	105,566
GROSS PROFIT (LOSS)		**6,778**	(943)
SELLING AND ADMINISTRATIVE EXPENSES		**(3,451)**	(3,818)
OTHER OPERATING INCOME		**334**	352
INTEREST EXPENSE AND OTHER FINANCING CHARGES	*5*	**(2,439)**	(2,967)
INTEREST INCOME	*5*	**133**	199
OTHER INCOME - Net		**793**	192
		(4,630)	(6,042)
INCOME (LOSS) BEFORE INCOME TAX		**2,148**	(6,985)
INCOME TAX EXPENSE (BENEFIT)	*5*	**418**	(2,108)
NET INCOME (LOSS)		**P1,730**	(P4,877)
Attributable to:			
Equity holders of the Parent Company		**P1,400**	(P4,614)
Non-controlling interests		**330**	(263)
		1,730	(P4,877)
BASIC/DILUTED EARNINGS (LOSS) PER COMMON SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	*12*	**P0.01**	(P0.58)

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

Certified by:

Myrna C. Geronimo

MYRNA C. GERONIMO
Vice President - Controllers MB

PETRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(Amounts in Million Pesos)

	For the Three Months Ended March 31	
	2021	2020
NET INCOME (LOSS)	**P1,730**	(P4,877)
OTHER COMPREHENSIVE INCOME		
Equity reserve for retirement plan	**(119)**	-
Income tax benefit	**(236)**	-
	(355)	-
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS		
Net income on cash flow hedges	**126**	38
Exchange differences on translation of foreign operations	**(1,221)**	(2,360)
Unrealized fair value gain (loss) on investments in debt instruments at FVOCI	**-**	(1)
Share in other comprehensive income of a joint venture	**-**	1
Income tax benefit	**(44)**	(12)
	(1,139)	(2,334)
OTHER COMPREHENSIVE LOSS - Net of tax	**(1,494)**	(2,334)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD - Net of tax	**P236**	(P7,211)
Attributable to:		
Equity holders of the Parent Company	**P22**	(P6,627)
Non-controlling interests	**214**	(584)
	P236	(P7,211)

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

Certified by:

MYRNA C. GERONIMO
Vice President – Controllers

PETRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

(Amounts in Million Pesos)

		Equity Attributable to Equity Holders of the Parent Company										
					Retained Earnings		Equity Reserves					
	Note	Capital Stock	Additional Paid-in Capital	Capital Securities	Appro-priated	Unappro-priated	Reserve for Retirement Plan	Other Reserves	Treasury Stock	Total	Non-controlling Interests	Total Equity
As of January 1, 2021 (Audited)		P9,485	P37,500	P36,481	P15,000	P14,799	(P5,148)	(P13,223)	(P15,122)	P79,772	P6,423	P86,195
Net loss on cash flow hedges - net of tax		-	-	-	-	-	(354)	(271)	-	(625)	-	(625)
Unrealized fair value gain on investments in debt instruments at FVOCI - net of tax		-	-	-	-	-	-	352	-	352	-	352
Exchange differences on translation of foreign operations		-	-	-	-	-	-	(1,105)	-	(1,105)	(116)	(1,221)
Other comprehensive loss for the period		-	-	-	-	-	(354)	(1,024)	-	(1,378)	(116)	(1,494)
Net income for the period		-	-	-	-	1,400	-	-	-	1,400	330	1,730
Total comprehensive income (loss) for the period		-	-	-	-	1,400	(354)	(1,024)	-	22	24	236
Cash dividends	*13*					(408)				(408)		(408)
Distributions paid	*13*	-	-	-	-	(893)	-	-	-	(893)	-	(893)
Reversal of Appropriaton	*11*	-	-	-	(8,000)	8,000	-	-	-	-	-	-
Transactions with owners		-	-	-	(8,000)	6,699	-	-	-	(1,301)	-	(1,301)
As of March 31, 2021 (Unaudited)		P9,485	P37,500	P36,481	P7,000	P22,898	(P5,502)	(P14,247)	(P15,122)	P78,493	P6,637	P85,130

Forward

		Equity Attributable to Equity Holders of the Parent Company										
					Retained Earnings		Equity Reserves					
	Note	Capital Stock	Additional Paid-in Capital	Capital Securities	Appro-priated	Unappro-priated	Reserve for Retirement Plan	Other Reserves	Treasury Stock	Total	Non-controlling Interests	Total Equity
As of January 1, 2020 (Audited)		P9,485	P37,500	P25,183	P15,000	P30,510	(P4,704)	(P12,195)	(P15,122)	P85,657	P6,773	P92,430
Net loss on cash flow hedges - net of tax		-	-	-	-	-	-	26	-	26	-	26
Unrealized fair value gain on investments in debt instruments at FVOCI - net of tax		-	-	-	-	-	-	(1)	-	(1)	-	(1)
Share in other comprehensive income of a joint venture		-	-	-	-	-	-	1	-	1	-	1
Exchange differences on translation of foreign operations		-	-	-	-	-	-	(2,039)	-	(2,039)	(321)	(2,360)
Other comprehensive loss for the period		-	-	-	-	-	-	(2,013)	-	(2,013)	(321)	(2,334)
Net loss for the period		-	-	-	-	(4,614)	-	-	-	(4,614)	(263)	(4,877)
Total comprehensive loss for the period		-	-	-	-	(4,614)	-	(2,013)	-	(6,627)	(584)	(7,211)
Cash dividends	*13*	-	-	-	-	(1,334)	-	-	-	(1,334)	-	(1,334)
Distributions paid	*13*	-	-	-	-	(837)	-	-	-	(837)	-	(837)
Transactions with owners		-	-	-	-	(2,171)	-	-	-	(2,171)	-	(2,171)
As of March 31, 2020 (Unaudited)		P9,485	P37,500	P25,183	P15,000	P23,725	(P4,704)	(P14,208)	(P15,122)	P76,859	P6,189	P83,048

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

Certified by:

Myrna C. Geronimo

MYRNA C. GERONIMO
Vice President - Controllers

PETRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)

(Amounts in Million Pesos)

		For the Three Months Ended March 31	
	Note	**2021**	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax		**P2,148**	(P6,985)
Adjustments for:			
Depreciation and amortization	*5*	**2,269**	2,736
Interest expense and other financing charges	*5*	**2,439**	2,967
Retirement benefits costs		**85**	31
Unrealized foreign exchange gains - net		**(40)**	(47)
Interest income	*5*	**(133)**	(199)
Other gains		**(1,196)**	(558)
Operating income (loss) before working capital changes		**5,572**	(2,055)
Changes in noncash assets, certain current liabilities and others		**5,608**	(4,061)
Cash generated from (used in) operations		**11,180**	(6,116)
Contributions to retirement fund		**(150)**	(50)
Interest paid		**(2,265)**	(3,089)
Income taxes paid		**431**	(112)
Interest received		**198**	287
Net cash flows provided by (used in) operating activities		**9,394**	(9,080)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	*6*	**(1,856)**	(2,124)
Proceeds from sale of property and equipment		**26**	4
Additions to investment property		**(145)**	(367)
Increase in other noncurrent assets		**(1)**	(45)
Net cash flows used in investing activities		**(1,976)**	(2,532)

Forward

	Note	For the Three Months Ended March 31	
		2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of loans	*8*	**P33,930**	P74,260
Payments of:			
Loans	*8*	**(36,471)**	(66,472)
Lease liabilities		**(853)**	(587)
Cash dividends and distributions	*13*	**(1,294)**	(1,262)
Net cash flows provided by (used in) financing activities		**(4,688)**	5,939
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**244**	17
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**2,974**	(5,656)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**27,053**	34,218
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**P30,027**	P28,562

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

Certified by:

Myrna C. Geronimo

MYRNA C. GERONIMO
Vice President - Controllers

PETRON CORPORATION AND SUBSIDIARIES

SELECTED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Amounts in Million Pesos, Except Par Value, Number of Shares and Per Share Data, Exchange Rates and Commodity Volumes)

1. Reporting Entity

Petron Corporation (the "Parent Company" or "Petron") was incorporated under the laws of the Republic of the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on December 22, 1966. On September 13, 2013, the SEC approved the extension of the Parent Company's corporate term to December 22, 2066.

Pursuant to the Parent Company's Articles of Incorporation (AOI), it has a corporate life of 50 years or for such longer period as may hereafter be authorized by the laws of the Philippines. Under Section 11 of the Revised Corporation Code of the Philippines, the Parent Company shall have a perpetual existence unless its AOI provides otherwise.

Petron is the only oil refining and the leading marketing company in the Philippines. Petron is committed to its vision to be the leading provider of total customer solutions in the energy sector and its derivative businesses.

The Parent Company is a public company under Section 17.2 of Securities Regulation Code and its shares of stock are listed for trading at the Philippine Stock Exchange (PSE).

The accompanying consolidated interim financial statements comprise the financial statements of Petron Corporation and Subsidiaries (collectively referred to as the "Group") and the Group's interests in an associate and joint ventures.

The intermediate parent company of Petron is San Miguel Corporation (SMC) while its ultimate parent company is Top Frontier Investments Holdings, Inc. Both companies are incorporated in the Philippines.

The registered office address of Petron is SMC Head Office Complex, 40 San Miguel Avenue, Mandaluyong City.

2. Summary of Significant Accounting and Financial Reporting Policies

The Group prepared its interim consolidated financial statements as at and for the period ended March 31, 2021 and the comparative financial statements for the same period in 2020 following the presentation rules under Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

The consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on May 4, 2021.

The consolidated financial statements are presented in Philippine peso and all financial information are rounded off to the nearest million (000,000), except when otherwise indicated.

The principal accounting policies and methods adopted in preparing the interim consolidated financial statements of the Group are the same as those followed in the most recent annual audited consolidated financial statements, except for the changes in accounting policies as explained below.

Adoption of Amended Standards and Framework
The Financial Reporting Standards Council (FRSC) approved the adoption of a number of amended standards and framework as part of PFRS.

Amended Standards and Framework Adopted in 2021

The Group has adopted the following PFRS effective January 1, 2021 and accordingly, changed its accounting policies in the following areas:

- Interest Rate Benchmark Reform - Phase 2 (Amendments to PFRS 9, *Financial Instruments*, PAS 39, *Financial Instruments: Recognition and Measurement*, PFRS 7, *Financial Instruments: Disclosures*, PFRS 4, *Insurance Contracts,* and PFRS 16, *Leases*). To ensure that financial statements best reflect the economic effects of interest rate benchmark reforms, the Phase 2 amendments were issued and focus on the accounting once a new benchmark rate is in place. The reliefs allow companies not to recognize significant modification gains or losses on financial instruments and mitigate the risk of discontinuations of existing hedging relationships because of changes required by reforms. The amendments address issues that might affect financial reporting during the reform in the following key areas:

  - *Practical Expedient for Particular Changes to Contractual Cash Flows*. As a practical expedient, a company will account for a change in the basis for determining the contractual cash flows that is required by the reform by updating the effective interest rate of the financial instrument. If there are other changes to the basis for determining the contractual cash flows, then a company first applies the practical expedient to the changes required by the reform and then applies other applicable requirements of PFRS 9 to other changes. A similar practical expedient applies to insurers applying PAS 39 and lessees for lease modifications required by a reform.

  - *Relief from Specific Hedge Accounting Requirements*. The amendments enable and require companies to continue hedge accounting in circumstances when changes to hedged items and hedging instruments arise as a result of changes required by the reform. A company is required to amend the formal designation of hedging relationships to reflect the changes required by the reform. Reliefs are also provided for amounts accumulated in the cash flow hedge reserve, the separately identifiable requirement, groups of items designated as hedged items and retrospective effectiveness assessment under PAS 39.

  - *Disclosure Requirements*. To enable users of financial statements to understand the effect of reforms on a company's financial instruments and risk management strategy, additional disclosures are required on how transition to alternative benchmark rates are being managed, quantitative information about financial instruments indexed to rates yet to transition due to benchmark reform at the end of the reporting period, and the extent to which changes to the risk management strategy have occurred due to the risks identified in the transition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2021. Earlier application is permitted. The amendments apply retrospectively, but restatement of comparative information is not required. Reinstatement of a discontinued hedging relationship is required if the hedging relationship was discontinued solely because of changes required by the reform, and that discontinued hedging relationship meets all qualifying criteria for hedge accounting at the date of initial application.

The amendments are still subject to the approval by the FRSC.

Except as otherwise indicated, the adoption of the amended standards and interpretation did not have a material effect on the interim consolidated financial statements.

Standards Issued But Not Yet Adopted

A number of new and amended standards are effective for annual periods beginning after January 1, 2021 and have not been applied in preparing the interim consolidated financial statements. Unless otherwise indicated, none of these is expected to have a significant effect on the interim consolidated financial statements.

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

- Property, Plant and Equipment - Proceeds before Intended Use (Amendments to PAS 16, *Property, Plant and Equipment*). The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

  The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

  For the sale of items that are not part of a company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*). The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprise both incremental costs and an allocation of other direct costs.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS Standards 2018-2020. This cycle of improvements contains amendments to four standards:

  - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9). The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  - Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

- o Taxation in Fair Value Measurements (Amendment to PAS 41, *Agriculture*). The amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in PAS 41 with those in PFRS 13, *Fair Value Measurement*.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

- ▪ Reference to the Conceptual Framework (Amendment to PFRS 3, *Business Combinations*). The amendments:

  - o updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;

  - o added a requirement that, for transactions and other events within the scope of PAS 37 or IFRIC 21, *Levies*, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

  - o added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

  The amendments are effective for business combinations occurring in reporting periods starting on or after January 1, 2022. Earlier application is permitted.

- ▪ Classification of Liabilities as Current or Noncurrent (Amendments to PAS 1, *Presentation of Financial Statements*). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:

  - o removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

  - o clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and

  - o clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

  The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. With early application permitted.

- ▪ PFRS 17, *Insurance Contracts*, replaces the interim standard, PFRS 4, *Insurance Contracts*, and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The new standard reflects the view that an insurance contract combines features of both a financial instrument and a service contract, and considers the fact that many insurance contracts generate cash flows with substantial variability over a long period. PFRS 17 introduces a new approach that: (a) combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract; (b) presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and (c) requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognize all insurance finance income or expenses for the reporting period in profit or loss or to recognize some of that income or expenses in other comprehensive income.

Under PFRS 17, groups of insurance contracts are measured based on fulfilment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policy holders, and a contractual service margin, which represents the unearned profit the entity will recognize as it provides services over the coverage period. Subsequent to initial recognition, the liability of a group of insurance contracts represents the liability for remaining coverage and the liability for incurred claims, with the fulfilment cash flows remeasured at each reporting date to reflect current estimates.

Simplifications or modifications to the general measurement model apply to groups of insurance contracts measured using the 'premium allocation approach', investment contracts with discretionary participation features, and reinsurance contracts held.

PFRS 17 brings greater comparability and transparency about the profitability of new and in-force business and gives users of financial statements more insight into an insurer's financial health. Separate presentation of underwriting and financial results will give added transparency about the sources of profits and quality of earnings.

PFRS 17 is effective for annual periods beginning on or after January 1, 2023. Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. Early application is permitted for entities that apply PFRS 9 and PFRS 15, *Revenue from Contracts with Customers*, on or before the date of initial application of PFRS 17.

- Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2, *Making Materiality Judgments*). The key amendments to PAS 1 include requiring entities to disclose material accounting policies rather than significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are material to the financial statements. The amendments to PFRS Practice Statement 2 provide guidance and examples on the application of materiality to accounting policy disclosures.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

- Definition of Accounting Estimates (Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments clarify that accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. Developing an accounting estimate includes selecting a measurement technique (estimate or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in the inputs or measurement techniques are changes accounting estimates.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The amendments apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the entity applies the amendments.

Deferral of the local implementation of Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures*: Sale or Contribution of Assets between an

Investor and its Associate or Joint Venture.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28). The amendments address an inconsistency in the requirements in PFRS 10 and PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

  Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. However, on January 13, 2016, the FRSC decided to postpone the effective date until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. Impact of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law

The CREATE Act, which seeks to reduce the Corporate Income Tax Rates and rationalize the current fiscal incentives by making it time-bound, targeted and performance-based, was passed into law on March 26, 2021. One of the key provisions of the CREATE Law is an immediate 5%-10% point cut in the corporate income tax rate starting July 2020. As a result, the Group has taken up in the books the effect of the application of reduced corporate income tax rate from 30% to 25%.

The impact on the consolidated financial statements of the Group based on balances as at and for the year ended December 31, 2020, which was taken up upon the effectivity of the CREATE law are as follows:

	Increase (decrease)
ASSETS	
Prepaid expenses and other current assets	P4
Deferred tax assets	(224)
	(P220)
LIABILITIES	
Deferred tax liabilities	P28
	P28
EQUITY	
Equity reserves	P366
Retained earnings	(174)
	P192
	(P220)

INCOME TAX EXPENSE	
Current	(P4)
Deferred	(170)
	(P174)

4. Use of Judgments and Estimates

In preparing these consolidated interim financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as of and for the year ended December 31, 2020.

Starting January 1, 2020, the Group adopted the unit of production method (UPM) of accounting for depreciation of refinery and plant equipment used in production. UPM closely reflects the expected pattern of consumption of the future economic benefits embodied in these assets. Depreciation of said assets is computed using the expected consumption over the estimated useful lives of these assets. Previously, depreciation was computed using the straight-line method over the estimated useful lives of the assets.

5. Segment Information

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

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

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

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

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

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

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

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

g. Provision of technical information, assistance and advice relating to the uses, handling and disposition of the products, loaned equipment and the machinery and equipment necessary or appropriate for the customers' needs.

Revenues are mainly derived from the sale of petroleum products to retail and commercial customers in various geographical locations.

The Group has no significant remaining performance obligations as it mainly recognizes revenues in amounts that correspond directly to the value of completed performance obligations.

Segment Assets and Liabilities

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

Inter-segment Transactions

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

Major Customer

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

The following tables present revenue and income information and certain asset and liability information regarding the business segments as of and for the periods ended March 31, 2021, December 31, 2020 and March 31, 2020:

	Petroleum	**Insurance**	**Leasing****	**Marketing**	**Elimination/Others****	**Total**
March 31, 2021						
Revenue:						
External sales	**P82,690**	**P -**	**P288**	**P248**	**P81**	**P83,307**
Inter-segment sales	**14,062**	**25**	**105**	**-**	**(14,192)**	**-**
Operating income	**3,503**	**21**	**47**	**20**	**70**	**3,661**
Net income (loss)	**2,250**	**25**	**51**	**21**	**(617)**	**1,730**
Assets and liabilities:						
Segment assets*	**379,366**	**3,419**	**9,804**	**706**	**(48,201)**	**345,094**
Segment liabilities*	**266,478**	**1,940**	**4,746**	**173**	**(14,553)**	**258,784**
Other segment information:						
Property, plant and equipment - net	**168,155**	**-**	**-**	**104**	**434**	**168,693**
Depreciation and amortization	**2,290**	**-**	**2**	**(23)**	**-**	**2,269**
Interest expense	**2,475**	**-**	**74**	**-**	**(110)**	**2,439**
Interest income	**153**	**4**	**56**	**1**	**(81)**	**133**
Income tax expense (benefit)	**437**	**3**	**(23)**	**2**	**(1)**	**418**

**excluding deferred tax assets and liabilities*

***revenues from the use of loaned equipment are presented as part of leasing while revenues from customer loyalty program and provisions of technical support are presented as part of others.*

	Petroleum	Insurance	Leasing**	Marketing	Elimination/ Others**	Total
December 31, 2020						
Revenue:						
External sales	P283,885	P -	P1,150	P674	P324	P286,033
Inter-segment sales	86,363	76	415	-	(86,854)	-
Operating income (loss)	(5,401)	53	266	79	375	(4,629)
Net income (loss)	(10,628)	104	155	74	(1,118)	(11,413)
Assets and liabilities:						
Segment assets*	387,619	3,353	9,981	659	(54,077)	347,535
Segment liabilities*	274,483	1,907	4,949	147	(21,040)	260,446
Other segment information:						
Property, plant and equipment	168,289	-	-	109	433	168,831
Depreciation and amortization	9,565	-	9	(90)	6	9,490
Interest expense	11,416	-	316	1	(420)	11,313
Interest income	853	30	232	5	(340)	780
Income tax expense	(4,841)	6	61	8	(32)	(4,798)

**excluding deferred tax assets and liabilities*

***revenues from the use of loaned equipment are presented as part of leasing while revenues from customer loyalty program and provisions of technical support are presented as part of other.*

	Petroleum	Insurance	Leasing**	Marketing	Elimination/ Others**	Total
March 31, 2020						
Revenue:						
External sales	P104,033	P -	P279	P225	P86	P104,623
Inter-segment sales	31,411	21	104	-	(31,536)	-
Operating income (loss)	(4,548)	15	62	24	38	(4,409)
Net income (loss)	(4,951)	27	27	28	(8)	(4,877)
Assets and liabilities:						
Segment assets*	402,606	6,787	9,779	694	(52,077)	367,789
Segment liabilities*	289,410	5,389	4,893	129	(18,992)	280,829
Other segment information:						
Property, plant and equipment - net	166,246	-	-	119	576	166,941
Depreciation and amortization	2,755	-	2	(23)	2	2,736
Interest expense	3,005	-	78	-	(116)	2,967
Interest income	213	11	57	3	(85)	199
Income tax expense (benefit)	(2,127)	5	13	3	(2)	(2,108)

**excluding deferred tax assets and liabilities*

***revenues from the use of loaned equipment are presented as part of leasing while revenues from customer loyalty program and provisions of technical support are presented as part of others.*

Inter-segment sales transactions amounted to P14,192, P86,854 and P31,536 for the periods ended March 31, 2021, December 31, 2020 and March 31. 2020, respectively.

The following table presents additional information on the petroleum business segment of the Group as of and for the periods ended March 31, 2021, December 31, 2020 and March 31. 2020:

	Retail	**Lube**	**Gasul**	**Industrial**	**Others**	**Total**
March 31, 2021						
Revenue	**P44,220**	**P1,300**	**P5,807**	**P13,197**	**P18,166**	**P82,690**
Property, plant and equipment	**9,296**	**38**	**244**	**12**	**158,565**	**168,155**
Capital expenditures	**1,678**	**4**	**12**	**1**	**18,472**	**20,167**
December 31, 2020						
Revenue	P149,406	P3,577	P20,259	P57,889	P52,754	P283,885
Property, plant and equipment	9,057	37	258	13	158,924	168,289
Capital expenditures	2,382	1	12	-	22,234	24,629
March 31, 2020						
Revenue	P48,289	P935	P6,471	P25,773	P22,565	P104,033
Property, plant and equipment	9,788	44	282	28	156,104	166,246
Capital expenditures	2,299	3	8	-	17,131	19,441

<u>Geographical Segments</u>

The following table presents segment assets of the Group as of March 31, 2021, December 31, 2020 and March 31. 2020:

	March 31, 2021	December 31, 2020	March 31, 2020
Local	**P272,400**	P282,871	P299,868
International	**72,694**	64,664	67,921
	P345,094	P347,535	P367,789

Disaggregation of Revenue

The following table shows the disaggregation of revenue by geographical segments and the reconciliation of the disaggregated revenue with the Group's business segments for the periods ended March 31, 2021, December 31, 2020 and March 31. 2020:

	Petroleum	Insurance	Leasing**	Marketing	Elimination/ Others**	Total
March 31, 2021						
Local	**P44,070**	**P4**	**P393**	**P248**	**(P292)**	**P44,423**
Export/international	**52,682**	**21**	**-**	**-**	**(13,819)**	**38,884**
December 31, 2020						
Local	**P165,139**	**P -**	**P1,565**	**P674**	**(P558)**	**P166,820**
Export/international	**205,109**	**76**	**-**	**-**	**(85,972)**	**119,213**
March 31, 2020						
Local	P61,212	P6	P383	P225	(P185)	P61,641
Export/international	74,232	14	-	-	(31,264)	42,982

***revenues from the use of loaned equipment are presented as part of leasing while revenues from consumer loyalty program and provisions of technical support are presented as part of others.*

6. Property, Plant and Equipment

The movements and balances as of and for the periods ended March 31, 2021 and December 31, 2020 follow:

	Buildings and Improvements and Related Facilities	Refinery and Plant Equipment	Service Stations and Other Equipment	Computers, Office and Motor Equipment	Land and Leasehold Improvements	Construction In-progress	Total
Cost:							
January 1, 2020 (Audited)	22,717	192,451	19,280	5,652	4,162	16,872	261,134
Adjustments due to reclassification from Long-term Assets	-	422	-	-	-	-	422
January 1, 2020 (as adjusted)	22,717	192,873	19,280	5,652	4,162	16,872	261,556
Additions	243	446	560	222	-	7,009	8,480
Disposals/reclassifications	970	1,360	259	77	71	(3,262)	(525)
Reclassification to/from investment property	(162)	-	-	-	(31)	(143)	(336)
Currency translation adjustment	(271)	(430)	(315)	(64)	(68)	(294)	(1,442)
December 31, 2020 (Audited)	23,497	194,249	19,784	5,887	4,134	20,182	267,733
Additions	**22**	**252**	**42**	**27**	**92**	**1,496**	**1,931**
Disposals/reclassifications	**451**	**1,051**	**(91)**	**32**	**1**	**(1,598)**	**(154)**
Currency translation adjustment	**27**	**(240)**	**(177)**	**(37)**	**(35)**	**(213)**	**(675)**
March 31, 2021 (Unaudited)	**23,997**	**195,312**	**19,558**	**5,909**	**4,192**	**19,867**	**268,835**
Accumulated Depreciation and Amortization:							
January 1, 2020 (Audited)	13,205	61,390	12,832	4,672	1,094	-	93,193
Adjustments due to reclassification from Long-term Assets	-	96	-	-	-	-	96
January 1, 2020 (as adjusted)	13,205	61,486	12,832	4,672	1,094		93,289
Additions	858	4,096	1,028	457	92	-	6,531
Disposals/reclassifications	(73)	76	(44)	(84)	3	-	(122)
Reclassification to/from investment property	-	-	-	-	(7)	-	(7)
Currency translation adjustment	(197)	(318)	(126)	(51)	(1)	-	(693)
December 31, 2020 (Audited)	13,793	65,244	13,690	4,994	1,181	-	98,902
Additions	**214**	**976**	**245**	**108**	**22**	**-**	**1,565**
Disposals/reclassifications	**(22)**	**-**	**1**	**(8)**	**(2)**	**-**	**(31)**
Currency translation adjustment	**10**	**(174)**	**(100)**	**(30)**	**-**	**-**	**(294)**
March 31, 2021 (Unaudited)	**13,995**	**66,046**	**13,836**	**5,064**	**1,201**	**-**	**100,142**
Carrying Amount:							
December 31, 2020 (Audited)	P9,704	P129,005	P6,094	P893	P2,953	P20,182	P168,831
March 31, 2021 (Unaudited)	**P10,002**	**P129,266**	**P5,722**	**P845**	**P2,991**	**P19,867**	**P168,693**

Capital Commitments

As of March 31, 2021 and December 31, 2020, the Group has outstanding commitments to acquire property, plant and equipment amounting to P8,294 and P12,506, respectively.

7. Related Party Disclosures

The Parent Company, certain subsidiaries, associate, joint ventures and SMC and its subsidiaries, in the normal course of business, purchase products and services from one another. Transactions with related parties are made at normal market prices and terms. Amounts owed by/owed to related parties are collectible/to be settled in cash.

The balances and transactions with related parties as of and for the periods ended March 31. 2021 and December 31, 2020 follow:

	Note	Year	Revenues from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Retirement Plan	*a*	**2021**	**P19**	**P -**	**P1,580**	**P -**	On demand;	Unsecured;
		2020	93	-	1,562	-	long-term; interest bearing	no impairment
Intermediate Parent	*b,e,g,h*	**2021**	**4**	**174**	**11**	**290**	On demand;	Unsecured;
		2020	7	174	11	251	non-interest bearing	no impairment
Under Common Control	*b,c,d, g,h,i,j,k*	**2021**	**1,422**	**4,445**	**2,038**	**1,934**	On demand;	Unsecured;
		2020	4,764	4,445	1,157	1,918	non-interest bearing	no impairment
Joint Ventures	*c,f,g*	**2021**	**-**	**-**	**1**	**-**	On demand;	Unsecured
		2020	-	-	4	-	non-interest bearing	no impairment
		2021	**P1,445**	**P4,619**	**P3,630**	**P2,224**		
		2020	**P4,864**	**P4,619**	**P2,734**	**P2,169**		

a. The Parent Company has interest bearing advances to Petron Corporation Employees' Retirement Plan (PCERP), included as part of "Trade and other receivables - net" account in the consolidated interim statements of financial position, for some investment opportunities.

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

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

d. The Parent Company entered into a lease agreement with San Miguel Properties, Inc. for its office space covering 6,852 square meters with a monthly rental of P6. The lease, which commenced on June 1, 2018, is for a period of one year and was subsequently renewed on a yearly basis in accordance with the written agreement of the parties.

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

f. Terminal Bersama Sdn Bhd, an operator of Liquefied Petroleum Gas (LPG) bottling plant, provides bottling services to Petron Fuel International Sdn Bhd (PFISB) and another venturer.

g. Amounts owed by related parties consist of trade, non-trade receivables, advances and prepaid expenses.

h. Amounts owed to related parties consist of trade and non-trade payables.

i. In 2015, the New Ventures Realty Corporation (NVRC) leased out certain parcels of its land to SMC Consolidated Power Corporation for a period of 25 years.

j. Remaining 51,000 shares of MNHPI representing 0.17% interest was sold to a related party at a gain in 2020.

k. In February 4, 2021, Petrogen Insurance Corporation became an associate of the Parent Company due to the decrease in ownership interest from 100% to 25.06% as a result of the subscription of SMC to 1,494,973 shares in Petrogen.

8. Loans and Borrowings

Short-term Loans

The movements of short-term loans for three months ended March 31, 2021 follow:

Balance as of January 1, 2021	**P77,704**
Loan availments	**33,930**
Loan repayments	**(35,060)**
Currency translation adjustment	**(122)**
Balance as of March 31, 2021	**P76,452**

This account pertains to unsecured Philippine peso, US dollar and Malaysian ringgit-denominated loans obtained from various banks with maturities ranging from 12 to 90 days and annual interest ranging from 1.27% to 2.95% and 0.92% to 6.75% as of and for the periods ended March 31, 2021 and December 31, 2020, respectively. These loans are intended to fund the importation of crude oil and petroleum products and working capital requirements.

Long-term Loans

Certain loan agreements contain, among others, covenants relating to merger and consolidation, maintenance of certain financial ratios, restrictions on loans and guarantees, disposal of a substantial portion of assets, significant changes in the ownership or control of subsidiaries, payments of dividends and redemption of capital stock.

The Group has two financial covenants, namely, net leverage ratio not to exceed 6.5x and ratio of consolidated gross debt to consolidated net worth not to exceed 2.75x. In November 2020, the Group secured consent to amend the testing of its net leverage ratio from semi-annual to incurrence-based, while the ratio of consolidated gross debt to consolidated net worth remained to be tested quarterly.

As of March 31, 2021 and December 31, 2020 the Group has complied with the provisions of its debt agreements.

9. Financial Risk Management Objectives and Policies

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

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

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

Risk Management Structure

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

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

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

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

b. The Treasurers Department, which is in charge of foreign currency hedging transactions.

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

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

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

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

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

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

a. The Audit Committee is responsible for overseeing the Senior Management in establishing and maintaining an adequate, effective and efficient internal control framework. It 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.

   The Internal Audit Department and the External Auditor directly report to the Audit Committee regarding the direction, scope and coordination of audit and any related activities.

b. The Risk Oversight Committee is responsible for the oversight of the enterprise risk management system of the Group to ensure its functionality and effectiveness.

c. The Compliance Officer, who is a senior officer of the Parent Company, reports to the BOD chairperson. Among other functions, he monitors compliance with the provisions and requirements of the Corporate Governance Manual and relevant laws and regulations and determines any possible violations and recommends corresponding penalties, subject to review and approval of the BOD. The Compliance Officer identifies and monitors compliance risk. Lastly, the Compliance Officer represents the Group before the SEC regarding matters involving compliance with the Corporate Governance Manual and other relevant rules and regulations of the SEC.

Foreign Currency Risk

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

In addition, starting March 31, 2012, the Group's exposure to foreign currency risks also arise from US dollar-denominated sales and purchases, principally of crude oil and petroleum products, of Petron Malaysia whose transactions are in Malaysian ringgit, which are subsequently converted into US dollar before ultimately translated to equivalent Philippine peso amount using applicable rates for the purpose of consolidation.

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

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

The Group assesses the existence of an economic relationship between the hedged item and the hedging instrument based on the currency, amount, and timing of their respective cash flows. For derivatives designated in a hedging relationship, the Group determines whether the derivatives are expected to be highly effective in offsetting the changes in the cash flows of the hedged item using the cumulative dollar-offset method. The dollar-offset method approximates the changes in the fair value of the hedged item using a hypothetical derivative which mirrors the terms of the derivative used as hedging instrument.

For currency hedges, the Group maintains a 1:1 hedge ratio since a similar amount of hedging instrument is expected to offset the changes in the cash flows of the hedged item. The main sources of ineffectiveness are:

a. the effect of the counterparty and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in the exchange rates; and

b. changes in the timing of the hedged transactions.

The Group is exposed to foreign currency risk of its short-term loans and US dollar-denominated sales and purchases. On the other hand, both foreign currency and interest rate risks arise in the Group's long-term debts. The Group determined that foreign currency risk is a separately identifiable and measurable risk component eligible for designation since it is caused by fluctuations in US dollar to Philippine peso exchange rates and benchmark closing prices used to measure the fluctuations are available in the market.

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

	March 31, 2021		December 31, 2020	
	US dollar (in millions)	**Philippine peso Equivalent**	US dollar (in millions)	Philippine peso Equivalent
Assets				
Cash and cash equivalents	**504**	**24,484**	455	21,827
Trade and other receivables	**208**	**10,094**	137	6,589
Other assets	**15**	**709**	18	869
	727	**35,287**	610	29,285
Liabilities				
Short-term loans	**138**	**6,699**	124	5,971
Liabilities for crude oil and petroleum products	**466**	**22,636**	434	20,853
Long-term debt (including current maturities)	**1,256**	**60,948**	1,266	60,786
Other liabilities	**117**	**5,666**	134	6,430
	1,977	**95,949**	1,958	94,040
Net foreign currency -denominated monetary liabilities	**(1,250)**	**(60,662)**	(1,348)	(64,755)

The Group incurred net foreign currency exchange gains (losses) amounting to P32 and (P215) for the periods ended March 31, 2021 and 2020, respectively, which were mainly countered by marked-to-market and hedging gains or losses (Note 10). The foreign currency rates from Philippine peso (PhP) to US dollar (US$) as of reporting dates are shown in the following table:

	PhP to US$
March 31, 2021	**48.530**
December 31, 2020	48.023
March 31, 2020	50.680

Management of foreign currency risk is also supplemented by monitoring the sensitivity of the financial instruments to various foreign currency exchange rate scenarios. Foreign currency movements affect reported equity through the retained earnings arising from increases or decreases in unrealized and realized foreign currency gains or losses.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, to profit before tax and equity as of March 31, 2021 and December 31, 2020:

	P1 Decrease in the US dollar Exchange Rate		**P1 Increase in the US dollar Exchange Rate**	
March 31, 2021	**Effect on Income Before Income Tax**	**Effect on Equity**	**Effect on Income Before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P354)**	**(P416)**	**P354**	**P416**
Trade and other receivables	**(15)**	**(205)**	**15**	**205**
Other assets	**(7)**	**(13)**	**7**	**13**
	(376)	**(634)**	**376**	**634**
Short-term loans	**20**	**133**	**(20)**	**(133)**
Liabilities for crude oil and petroleum products	**141**	**565**	**(141)**	**(565)**
Long-term debts (including current maturities)	**1,256**	**942**	**(1,256)**	**(942)**
Other liabilities	**23**	**119**	**(23)**	**(119)**
	1,440	**1,759**	**(1,440)**	**(1,759)**
	P1,064	**P1,125**	**(P1,064)**	**(P1,125)**

December 31, 2020	P1 Decrease in the US dollar Exchange Rate		P1 Increase in the US dollar Exchange Rate	
	Effect on Income Before Income Tax	Effect on Equity	Effect on Income Before Income Tax	Effect on Equity
Cash and cash equivalents	(P351)	(P349)	P351	P349
Trade and other receivables	(14)	(148)	14	148
Other assets	(5)	(17)	5	17
	(370)	(514)	370	514
Short-term loans	20	118	(20)	(118)
Liabilities for crude oil and petroleum products	262	618	(262)	(618)
Long-term debts (including current maturities)	1,266	886	(1,266)	(886)
Other liabilities	36	123	(36)	(123)
	1,584	1,745	(1,584)	(1,745)
	P1,214	P1,231	(P1,214)	(P1,231)

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

Interest Rate Risk

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

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

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

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

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

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) and equity by P152 and P538 for the period ended March 31, 2021 and for the year ended December 31, 2020, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect.

Interest Rate Risk Table

As of March 31, 2021 and December 31, 2020, the terms and maturity profile of the interest-bearing financial instruments, together with its gross amounts, are shown in the following tables:

March 31, 2021	**<1 Year**	**1-<2 Years**	**2-<3 Years**	**3-<4 Years**	**4-<5 Years**	**>5 Years**	**Total**
Fixed Rate							
Philippine peso denominated	**P19,580**	**P6,018**	**P10,393**	**P15,521**	**P7,113**	**P -**	**P58,625**
Interest rate	**4.0% - 5.8%**	**4.6% - 5.8%**	**4.5% - 5.5%**	**4.6% - 7.8%**	**4.6% - 8.1%**		
Floating Rate							
US$ denominated (expressed in Php)	**12,424**	**18,026**	**18,372**	**5,546**	**-**	**-**	**54,368**
Interest rate*	**1, 3, 6 mos. Libor + margin**	**1, 3, 6 mos. Libor + margin**	**1, 3, 6 mos. Libor + margin**	**1, 3, 6 mos. Libor + margin**			
JP¥ denominated (expressed in Php)	**940**	**1,880**	**1,880**	**1,880**	**-**	**-**	**6,580**
Interest rate*	**1, 3, 6 mos. Libor + margin**	**1, 3, 6 mos. Libor + margin**	**1, 3, 6 mos. Libor + margin**	**1, 3, 6 mos. Libor + margin**			
	P32,944	**P25,924**	**P30,645**	**P22,947**	**P7,113**	**P -**	**P119,573**

**The Parent Company reprices every month but has been given an option to reprice every 3 or 6 months.*

December 31, 2020	<1 Year	1-<2 Years	2-<3 Years	3-<4 Years	4-<5 Years	>5 Years	Total
Fixed Rate							
Philippine peso denominated	P19,268	P6,893	P10,393	P16,057	P7,425	P -	P60,036
Interest rate	4.0% - 5.8%	4.6% - 5.8%	4.5% - 5.5%	4.6% - 7.8%	4.6% - 8.1%		
Floating Rate							
US$ denominated (expressed in Php)	12,294	17,837	18,180	5,489	-	-	53,800
Interest rate*	1, 3, 6 mos. Libor + margin	1, 3, 6 mos. Libor + margin	1, 3, 6 mos. Libor + margin	1, 3, 6 mos. Libor + margin			
JP¥ denominated (expressed in Php)	-	1,996	1,996	1,996	998	-	6,986
Interest rate*	1, 3, 6 mos. Libor + margin	1, 3, 6 mos. Libor + margin	1, 3, 6 mos. Libor + margin	1, 3, 6 mos. Libor + margin			
	P31,562	P26,726	P30,569	P23,542	P8,423	P -	P120,822

**The Parent Company reprices every month but has been given an option to reprice every 3 or 6 months.*

Credit Risk

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

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

	March 31, 2021	December 31, 2020
Cash in banks and cash equivalents	**P22,650**	P25,970
Derivative assets	**602**	334
Investments in debt instruments	**-**	381
Trade and other receivables - net	**29,003**	27,195
Noncurrent deposits	**120**	121
	P52,375	P54,001

Cash and Cash Equivalents, Derivative Assets and Noncurrent Deposits
Cash and cash equivalents, derivative assets and noncurrent deposits are held with counterparties with high external credit ratings. The credit quality of these financial assets is considered to be high grade. Impairment on cash and cash equivalents, derivative assets and noncurrent deposits has been measured on a 12-month Expected Credit Loss (ECL) basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents, derivative assets and noncurrent deposits have low credit risk based on the external credit ratings of its counterparties.

Investments in Debt Instruments
The Group limits its exposure to credit risk by investing only in liquid debt instruments and proprietary membership shares and only with counterparties that have high credit ratings. The Group monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Group supplements this by reviewing changes in bond yields.

Trade and Other Receivables
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. Details of concentration of revenue are included in Note 5.

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

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

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

Class C “*Low Grade*” are accounts with high probability of delinquency and default.

Collaterals. To the extent practicable, the Group also requires collateral as security for a credit facility to mitigate credit risk in trade receivables. Among the collaterals held are letters of credit, bank guarantees, real estate mortgages, cash bonds, cash deposits and corporate guarantees valued at P4,989 and P4,784 as of March 31, 2021 and December 31, 2020, respectively. These securities may only be called on or applied upon default of customers.

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

The tables below present the summary of the Group's exposure to credit risk and shows the credit quality of the financial assets by indicating whether the assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

	March 31, 2021					
	Financial Assets at Amortized Cost					
	12-month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Financial Assets at Fair Value Through Profit or Loss (FVPL)**	**Financial Assets at FVOCI**	**Total**
Cash in banks and cash equivalents	**P22,650**	**P -**	**P -**	**P -**	**P -**	**P22,650**
Trade and other receivables	**-**	**29,003**	**1,006**	**-**	**-**	**30,009**
Derivative assets not designated as cash flow hedge	**-**	**-**	**-**	**597**	**-**	**597**
Derivative assets designated as cash flow hedge	**-**	**-**	**-**	**-**	**5**	**5**
Proprietary membership shares	**-**	**-**	**-**	**282**	**-**	**282**
Long-term receivables	**-**	**-**	**302**	**-**	**-**	**302**
Noncurrent deposits	**120**	**-**	**-**	**-**	**-**	**120**
	P22,770	**P29,003**	**P1,308**	**P879**	**P5**	**P53,965**

	December 31, 2020					
	Financial Assets at Amortized Cost					
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Financial Assets at FVPL	Financial Assets at FVOCI	Total
Cash in banks and cash equivalents	P25,970	P -	P -	P -	P -	P25,970
Trade and other receivables	-	27,195	995	-	-	28,190
Derivative assets not designated as cash flow hedge	-	-	-	322	-	322
Derivative assets designated as cash flow hedge	-	-	-	-	12	12
Investments in debt instruments	255	-	-	-	126	381
Long-term receivables	-	-	307	-	-	307
Noncurrent deposits	121	-	-	-	-	121
	P26,346	P27,195	P1,302	P322	P138	P55,303

<u>Liquidity Risk</u>

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

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

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

The Group also uses derivative instruments such as forwards and swaps to manage liquidity.

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted payments used for liquidity management as of March 31, 2021 and December 31, 2020.

March 31, 2021	**Carrying Amount**	**Contractual Cash Flow**	**1 Year or Less**	**>1 Year - 2 Years**	**>2 Years - 5 Years**	**Over 5 Years**
Financial Assets						
Cash and cash equivalents	**P30,027**	**P30,027**	**P30,027**	**P -**	**P -**	**P -**
Trade and other receivables - net	**29,003**	**29,003**	**29,003**	**-**	**-**	**-**
Derivative assets (including noncurrent portion)	**602**	**602**	**601**	**1**	**-**	**-**
Proprietary membership shares	**282**	**282**	**282**	**-**	**-**	**-**
Noncurrent deposits	**120**	**120**	**-**	**-**	**3**	**117**
Financial Liabilities						
Short-term loans	**76,452**	**83,900**	**83,900**	**-**	**-**	**-**
Liabilities for crude oil and petroleum products	**24,372**	**24,372**	**24,372**	**-**	**-**	**-**
Trade and other payables*	**10,434**	**10,434**	**10,434**	**-**	**-**	**-**
Derivative liabilities (including noncurrent portion)	**879**	**879**	**714**	**133**	**32**	**-**
Long-term debts (including current maturities)	**118,361**	**129,906**	**36,486**	**29,066**	**64,354**	**-**
Lease liability (including current portion)	**15,352**	**27,190**	**2,125**	**1,849**	**5,179**	**18,037**
Cash bonds	**953**	**953**	**-**	**937**	**15**	**1**
Cylinder deposits	**622**	**622**	**-**	**-**	**-**	**622**
Other noncurrent liabilities**	**50**	**50**	**-**	**6**	**27**	**17**

**excluding specific taxes and other taxes payable, retirement benefits liability, deferred income and others*
***excluding cash bonds, cylinder deposits and derivative liabilities*

December 31, 2020	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P27,053	P27,053	P27,053	P -	P -	P -
Trade and other receivables - net	27,195	27,195	27,195	-	-	-
Derivative assets (including noncurrent portion)	334	334	328	6	-	-
Proprietary membership shares	275	275	275	-	-	-
Investments in debt instruments	381	585	381	142	62	-
Noncurrent deposits	121	121	-	-	3	118
Financial Liabilities						
Short-term loans	77,704	77,704	77,704	-	-	-
Liabilities for crude oil and petroleum products	22,320	22,320	22,320	-	-	-
Trade and other payables*	9,402	9,402	9,402	-	-	-
Derivative liabilities (including noncurrent portion)	1,416	1,416	1,124	201	91	-
Long-term debts (including current maturities)	119,454	133,312	36,690	30,031	66,591	-
Lease liability (including current portion)	15,804	22,406	1,913	1,731	4,735	14,027
Cash bonds	947	947	-	931	15	1
Cylinder deposits	617	617	-	-	-	617
Other noncurrent liabilities**	48	48	-	11	19	18

**excluding specific taxes and other taxes payable, retirement benefits liability, deferred income and others*
***excluding cash bonds, cylinder deposits and derivative liabilities*

Commodity Price Risk

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

To minimize the Group’s risk of potential losses due to volatility of international crude and product prices, the Group implemented commodity hedging for crude and petroleum products. The hedges are intended to protect crude inventories from risks of downward price and squeezed margins. Hedging policy (including the use of commodity price swaps, time-spreads, put options, collars and 3-way options) developed by the CRMD is in place. Decisions are guided by the conditions set and approved by the Group’s management.

Other Market Price Risk

The Group’s market price risk arises from its investments carried at fair value (certain financial assets at FVPL and certain debt instruments at FVOCI). The Group manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

Capital Management

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

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

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

	March 31, 2021	December 31, 2020
Total assets	**P347,086**	P349,725
Total liabilities	**261,956**	263,530
Total equity	**85,130**	86,195
Debt to equity ratio	**3.1:1**	3.1:1
Assets to equity ratio	**4.1:1**	4.1:1

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

The Group is not subject to externally-imposed capital requirements.

10. Financial Assets and Financial Liabilities

Recognition and Initial Measurement. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Group recognizes a financial asset or a financial liability in the consolidated interim statements of financial position when it becomes a party to the contractual provisions of the instrument.

A financial asset (unless a trade receivable without a significant financing component) or financial liability is initially measured at the fair value of the consideration given or received. The initial measurement of financial instruments, except for those designated as at FVPL, includes transaction costs. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial Assets
The Group classifies its financial assets, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL. The classification depends on the contractual cash flow characteristics of the financial assets and the business model of the Group for managing the financial assets.

Subsequent to initial recognition, financial assets are not reclassified unless the Group changes the business model for managing financial assets. All affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

The business model refers to how the Group manages the financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The Group considers the following information in assessing the objective of the business model in which a financial asset is held at a portfolio level, which reflects the way the business is managed and information is provided to management:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how employees of the business are compensated; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

The Group considers the contractual terms of the instrument in assessing whether the contractual cash flows are solely payments of principal and interest. For purposes of this assessment, "Principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. The assessment includes whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Group considers the following in making the assessment:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

For purposes of subsequent measurement, financial assets are classified in the following categories: financial assets at amortized cost, financial assets at FVOCI (with or without recycling of cumulative gains and losses) and financial assets at FVPL.

Financial Assets at Amortized Cost. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in consolidated interim statements of income when the financial assets are derecognized, modified or impaired.

The Group's cash and cash equivalents, trade and other receivables, certain investments in debt instruments at amortized cost, noncurrent receivables and deposits and restricted cash are included under this category.

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

Financial Assets at FVOCI. Investment in debt instruments is measured at FVOCI if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in the fair value in OCI. This election is made on an instrument-by-instrument basis.

Financial assets at FVOCI are subsequently measured at fair value. Changes in fair value are recognized in OCI.

Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment on investment in debt instruments are recognized in consolidated interim statements of income. When investment in debt instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the consolidated interim statements of changes in equity are transferred to and recognized in consolidated interim statements of income.

Dividends earned on holding an investment in equity instrument are recognized as dividend income in consolidated interim statements of income when the right to receive the payment has been established, unless the dividend clearly represents a recovery of the part of the cost of investment. When investment in equity instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the consolidated interim statements of changes in equity are never reclassified to consolidated interim statements of income.

The Group's investments in equity and debt instruments at FVOCI are classified under this category.

Financial Assets at FVPL. All financial assets not classified as measured at amortized cost or FVOCI are measured at FVPL. This includes derivative assets not designated as cash flow hedge. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVPL.

At initial recognition, the Group may be irrevocably designate a financial asset as at FVPL if the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on different bases.

The Group carries financial assets at FVPL using their fair values. Attributable transaction costs are recognized in consolidated interim statements of income as incurred. Changes in fair value and realized gains or losses are recognized in consolidated interim statements of income. Fair value changes from derivatives accounted for as part of an effective cash flow hedge are recognized in OCI. Any interest earned from investment in debt instrument accounted as at FVPL is recognized in consolidated interim statements of income. Any dividend income from investment in equity instrument classified as at FVPL is recognized in consolidated interim statements of income when the right to receive payment has been established, unless the dividend clearly represents a recovery of the part of the cost of investment.

The Group's derivative assets not designated as cash flow hedge and investments in proprietary membership shares are classified under this category.

Financial Liabilities

The Group determines the classification of its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

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

The Group carries financial liabilities at FVPL using their fair values and reports fair value changes in consolidated interim statements of income. Fair value changes from derivatives accounted for as part of an effective accounting hedge are recognized in OCI and presented in the consolidated interim statements of changes in equity. Any interest expense incurred is recognized as part of "Interest expense and other financing charges" account in consolidated interim statements of income.

The Group's derivative liabilities not designated as cash flow hedge are classified under this category.

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability. The effective interest rate amortization is included in "Interest expense and other financing charges" account in consolidated interim statements of income. Gains and losses are recognized in consolidated interim statements of income when the liabilities are derecognized as well as through the amortization process.

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in consolidated interim statements of income.

The Group's liabilities arising from its trade or borrowings such as loans payable, accounts payable and accrued expenses, long-term debt, lease liabilities and other noncurrent liabilities are included under this category.

Derecognition of Financial Assets and Financial Liabilities

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

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

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group is required to repay.

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

Impairment of Financial Assets

The Group recognizes allowance for expected credit loss (ECL) on financial assets at amortized cost and investments in debt instruments at FVOCI.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive), discounted at the effective interest rate of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

The Group recognizes an allowance for impairment based on either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group recognizes lifetime ECL for receivables that do not contain significant financing component. The Group uses provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the borrowers and the economic environment.

The Group considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the restructuring of a financial asset by the Group on terms that the Group would not consider otherwise;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

The Group directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the contractual cash flows on a financial asset, either partially or in full. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The ECLs on financial assets at amortized cost are recognized as allowance for impairment losses against the gross carrying amount of the financial asset, with the resulting impairment losses (or reversals) recognized in consolidated interim statements of income. The ECLs on investments in debt instruments at FVOCI are recognized as accumulated impairment losses in OCI, with the resulting impairment losses (or reversals) recognized in consolidated interim statements of income.

Classification of Financial Instruments between Liability and Equity

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;

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

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

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

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole or in part, the amount separately determined as the fair value of the liability component on the date of issue.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated interim statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The table below presents a comparison by category of carrying amounts and fair values of the Group's financial instruments as of March 31, 2021 and December 31, 2020:

	March 31, 2021		December 31, 2020	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial assets (FA):				
Cash and cash equivalents	**P30,027**	**P30,027**	P27,053	P27,053
Trade and other receivables – net	**29,003**	**29,003**	27,195	27,195
Investments in debt instruments	**-**	**-**	255	255
Noncurrent deposits	**120**	**120**	121	121
FA at amortized cost	**59,150**	**59,150**	54,624	54,624
Investments in debt instruments	**-**	**-**	126	126
Derivative assets designated as cash flow hedge	**5**	**5**	12	12
FA at FVOCI	**5**	**5**	138	138
Proprietary membership shares	**282**	**282**	275	275
Derivative assets not designated as cash flow hedge	**597**	**597**	322	322
FA at FVPL	**879**	**879**	597	597
Total financial assets	**P60,034**	**P60,034**	P55,359	P55,359
Financial liabilities (FL):				
Short-term loans	**P76,452**	**P76,452**	P77,704	P77,704
Liabilities for crude oil and petroleum products	**24,372**	**24,372**	22,320	22,320
Trade and other payables*	**10,434**	**10,434**	9,402	9,402
Long-term debts including current portion	**118,361**	**118,361**	119,454	119,454
Derivative liabilities designated as cash flow hedge	**418**	**418**	592	592
Cash bonds	**953**	**953**	947	947
Cylinder deposits	**622**	**622**	617	617
Other noncurrent liabilities**	**50**	**50**	47	47
Other FL	**231,662**	**231,662**	231,083	231,083
Derivative liabilities not designated as cash flow hedge	**461**	**461**	824	824
Total financial liabilities	**P232,123**	**P232,123**	P231,907	P231,907

**excluding specific taxes and other taxes payable, retirement benefits liability, deferred income and others*
***excluding cash bonds, cylinder deposits and derivative liabilities*

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

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

Derivatives. The fair values of freestanding and bifurcated forward currency transactions are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Marked-to-market valuation of commodity hedges are based on forecasted crude and product prices by third parties. The fair values of derivative instruments designated as cash flow hedges are computed by discounting the future cash flows and using the valuation model based on applicable market rates of similar instruments.

Financial Assets at FVPL. The fair values of publicly traded instruments and similar investments are based on published market prices.

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

Cash Bonds, Cylinder Deposits and Other Noncurrent Liabilities. Fair value is estimated as the present value of all future cash flows discounted using the applicable market rates for similar types of instruments as of reporting date. Effective rates used as of March 31, 2021 and December 31, 2020 are 7.54% and 7.45% respectively.

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

Derivative Financial Instruments and Hedge Accounting

The Group uses derivative financial instruments, such as forwards, swaps and options to manage its exposure on foreign currency, interest rate and commodity price risks. Derivative financial instruments are initially recognized at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Changes in fair value of derivatives that are not designated as hedging instruments are recognized in the consolidated interim statements of income.

Freestanding Derivatives

The Group designates certain derivatives as hedging instruments to hedge the exposure to variability in cash flows associated with recognized liabilities arising from changes in foreign exchange rates.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedging instrument are expected to offset the changes in cash flows of the hedged item.

Cash Flow Hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in OCI and accumulated in the "Hedging reserve" account in the consolidated interim statements of changes in equity. The effective portion of changes in the fair value of the derivative that is recognized in OCI is limited to the cumulative change in fair value of the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the consolidated interim statements of income.

The Group designates only the intrinsic value of options and the change in fair value of the spot element of forward contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the time value of options, the forward element of forward contracts and the foreign currency basis spread of financial instruments are separately accounted for as cost of hedging and recognozed in OCI. The cost of hedging is removed from OCI and recognized in the consolidated interim statements of income, either over the period of the hedge if the hedge is time related, or when the hedged transaction consolidated interim statements of income if the hedge is transaction related.

When the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is transferred and included in the initial cost of the hedged asset or liability. For all other hedged transactions, the amount accumulated in equity is reclassified to consolidated interim statements of income as a reclassification adjustment in the same period or periods during which the hedged cash flows affect consolidated interim statements of income.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument expires, is sold, is terminated or is exercised, hedge accounting is discontinued prospectively. The amount that has been accumulated in equity is: (a) retained until it is included in the cost of non-financial item on initial recognition, for a hedge of a transaction resulting in the recognition of a non-financial item; or (b) reclassified to consolidated interim statements of income as a reclassification adjustment in the same period or periods as the hedged cash flows affect consolidated interim statements of income, for other cash flow hedges.. If the hedged future cash flows are no longer expected to occur, the amounts that have been accumulated in equity are immediately reclassified to the consolidated interim statements of income.

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

An embedded derivative is separated from the host contract and accounted for as a derivative if the host contract is not a financial asset and all of the following conditions are met:

(a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;

(b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

(c) the hybrid or combined instrument is not recognized as at FVPL.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL.

Derivative Instruments Accounted for as Cash Flow Hedges

The Group designated the following derivative financial instruments as cash flow hedges:

March 31, 2021	**Maturity**			
	1 Year or Less	**> 1 Year - 2 Years**	**> 2 Years - 5 Years**	**Total**
Foreign currency risk				
Call spread swaps				
Notional amount (in million)	**US$40**	**US$40**		**US$80**
Average strike rate	**P51.96 TO P54.35**	**P51.96 TO P54.47**		
Foreign currency and interest rate risk				
Cross currency swap				
Notional amount (in million)	**US$20**	**US$30**	**US$30**	**US$80**
Average strike rate	**P47.00 to P57.00**	**P47.00 to P56.83**	**P47.00 to P56.50**	
Fixed interest rate	**4.19% to 5.75%**	**4.19% to 5.75%**	**4.19% to 5.75%**	
Interest rate risk				
Interest rate collar				
Notional amount (in million)	**US$15**	**US$30**	**US$45**	**US$90**
Interest rate	**0.44% to 1.99%**	**0.44% to 1.99%**	**0.44% to 1.99%**	

December 31, 2020	Maturity			
	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Total
Foreign currency risk				
Call spread swaps				
Notional amount (in million)	US$50	US$50		US$100
Average strike rate	P52.41 TO P54.87	P52.41 TO P55.02		
Foreign currency and interest rate risk				
Cross currency swap				
Notional amount (in million)	US$20	US$30	US$30	US$80
Average strike rate	P47.00 to P57.00	P47.00 to P56.83	P47.00 to P56.50	
Fixed interest rate	4.19% to 5.75%	4.19% to 5.75%	4.19% to 5.75%	
Interest rate risk				
Interest rate collar				
Notional amount (in million)	US$15	US$30	US$45	US$90
Interest rate	0.44% to 1.99%	0.44% to 1.99%	0.44% to 1.99%	

The table below summarizes the amounts pertaining to the designated hedged item.

March 31, 2021	**Change in Fair Value Used for Measuring Hedge Ineffectiveness**	**Hedging Reserve**	**Cost of Hedging Reserve**
Foreign currency risk			
US dollar-denominated loan	**P47**	**P-**	**(P20)**
Foreign currency and interest rate risks			
US dollar-denominated loan	**P338**	**(P166)**	**P134**
Interest rate risks			
US dollar-denominated loan	**P21**	**(P16)**	**P-**

December 31, 2020	Change in Fair Value Used for Measuring Hedge Ineffectiveness	Hedging Reserve	Cost of Hedging Reserve
Foreign currency risk			
US dollar-denominated loan	P85	P-	(P40)
Foreign currency and interest rate risks			
US dollar-denominated loan	P467	(P187)	P94
Interest rate risks			
US dollar-denominated loan	P28	(P20)	P-

There are no balances remaining in the hedging reserve from hedging relationship for which hedge accounting is no longer applied.

The following are the amounts related to the designated hedging instruments:

March 31, 2021	**Notional amount (in million)**	**Carrying Amount Assets**	**Carrying Amount Liabilities**	**Line tem in the consolidated statement of financial position where the hedging instrument is included**	**Changes in the fair value of the hedging instrument recognized in OCI**	**Cost of hedging recognized in OCI**	**Amount reclassified from hedging reserve to profit or loss**	**Amount reclassified from cost of hedging reserve to profit or loss**	**Line item in the consolidated statement of income affected by the reclassification**
Foreign currency risk:									
Call spread swaps	US$80	P12	P59	Financial assets at FVPL, Other noncurrent assets, Derivative liabilities, Other noncurrent liabilities	(P47)	P13	(P7)	P18	Other income (expenses) - net
Foreign currency and interest rate risks:									
Cross currency swap	US$80	P-	P338	Other noncurrent assets, Derivative liabilities, Other noncurrent liabilities	(P338)	(P4)	(P40)	P48	Interest expense and other financing charges, Other income (expenses) - net
Interest rate risk									
Interest rate collar	US$90	P-	P21	Other noncurrent assets, Derivative liabilities, Other noncurrent liabilities	(P21)	(P4)	P-	P4	Interest expense and other financing charges

December 31, 2020	Notional amount (in million)	Carrying Amount Assets	Carrying Amount Liabilities	Line tem in the consolidated statement of financial position where the hedging instrument is included	Changes in the fair value of the hedging instrument recognized in OCI	Cost of hedging recognized in OCI	Amount reclassified from hedging reserve to profit or loss	Amount reclassified from cost of hedging reserve to profit or loss	Line item in the consolidated statement of income affected by the reclassification
Foreign currency risk:									
Call spread swaps	US$100	P11	P96	Financial assets at FVPL, Other noncurrent assets, Derivative liabilities, Other noncurrent liabilities	(P85)	(P23)	P28	P166	Other income (expenses) - net
Foreign currency and interest rate risks:									
Cross currency swap	US$80	P-	P467	Derivative liabilities, Other noncurrent liabilities	(P467)	(P234)	P129	P200	Interest Expense and other financing charges, and Other income (expenses) - net
Interest rate risk									
Interest rate collar	US$90	P-	P28	Derivative liabilities, Other noncurrent liabilities	(P28)	(P9)	P-	P9	Interest expense and other financing charges

No ineffectiveness was recognized in the 2021 and 2020 consolidated statements of income.

The table below provides a reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting.

	March 31, 2021		December 31, 2020	
	Hedging Reserve	**Cost of Hedging Reserve**	Hedging Reserve	Cost of Hedging Reserve
Balance at beginning of period	**(P207)**	**P54**	(P201)	(P21)
Changes in fair value:				
Foreign currency risk	**7**	**13**	(28)	(23)
Foreign currency risk and interest rate risk	**85**	**(4)**	(102)	(234)
Interest rate risk	**7**	**(4)**	(35)	(9)
Amount reclassified to profit or loss				
Foreign currency risk	**(7)**	**18**	28	166
Foreign currency risk and interest rate risk	**(40)**	**48**	129	200
Interest rate risk	**-**	**4**	-	9
Income tax effect	**(27)**	**(15)**	2	(34)
Balance at end of period	**(P182)**	**P114**	(P207)	P54

Derivative Instruments Not Designated as Hedges

The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding and embedded derivatives found in host contracts, which are not designated as accounting hedges. Changes in fair value of these instruments are recognized directly in consolidated interim statements of income.

Call Spread Swaps. As of March 31, 2021, the Group has outstanding call spread swaps US$40 million maturing on June 2021. The net negative fair value of these call spread swaps amounted to P13.55 million.

Cross Currency Swaps. As of March 31, 2021, the Group has outstanding cross currency swaps with a notional amount US$20 million maturing on May 2021 and June 2021. The net negative fair value of these cross currency swaps amounted to P78.12 million.

Interest Rate Collar. As of March 31, 2021, the Group has outstanding interest rate collar with a notional amount US$15 million maturing on May 2021. The net negative fair value of this interest rate collar amounted to P0.41 million.

Freestanding Derivatives

Freestanding derivatives consist of interest rate, foreign currency and commodity derivative contracts entered into by the Group.

Currency Forwards. As of March 31, 2021 and December 31, 2020, the Group has outstanding foreign currency forward contracts with aggregate notional amount of US$289 million and US$395 million, respectively, and with various maturities. As of March 31, 2021 and December 31, 2020, the net fair value of these currency forwards amounted to P17 and (P48), respectively.

Commodity Swaps. The Group has outstanding swap agreements covering its oil requirements, with various maturities. Under the agreements, payment is made either by the Group or its counterparty for the difference between the hedged fixed price and the relevant monthly average index price. Total outstanding equivalent notional quantity covered by the commodity swaps were 32.1 million barrels and 32.8 million barrels as of March 31. 2021 and December 31, 2020, respectively. The estimated net receipts (pay-outs) for these transactions amounted to P203 and (P754) as of March 31, 2021 and December 31, 2020, respectively.

Commodity Options. As of March 31, 2021 and December 31, 2020, the Group has no outstanding 3-way options entered as hedge of forecasted purchases of crude oil.

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

As of March 31, 2021 and December 31, 2020, the total outstanding notional amount of currency forwards embedded in non-financial contracts is minimal. These non-financial contracts consist mainly of foreign currency-denominated service contracts, purchase orders and sales agreements. The embedded forwards are not clearly and closely related to their respective host contracts. As of March 31, 2021 and December 31, 2020, the net positive fair value of these embedded currency forwards is minimal.

For the periods ended March 31, 2021 and 2020, the Group recognized marked-to-market gains from freestanding and embedded derivatives amounting to P840 and P439, respectively.

<u>Fair Value Measurements</u>
The Group measures a number of financial and non-financial assets and liabilities at fair value.

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

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

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

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

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

Fair Value Hierarchy

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

The table below analyzes financial instruments carried at fair value, by valuation method, as of March 31, 2021 and December 31, 2020.

	Level 2	
	March 31, 2021	December 31, 2020
Financial Assets:		
FVPL	**P282**	P275
Derivative assets	**602**	334
Investments in debt instruments	**-**	126
Financial Liabilities:		
Derivative liabilities	**(879)**	(1,416)

The Group has no financial instruments valued based on Level 1 and Level 3 as of March 31, 2021 and December 31, 2020. During the period, there were no transfers between, into and out of Level 1 and Level 2 fair value measurements.

11. Significant Transactions During the Period

a. On December 3, 2020, the BOD of Petrogen approved the increase in its authorized capital stock from P750, divided into 750,000 shares, to P2,250, divided into 2,250,000 shares, with a par value of P1,000 per share. On the same date, Petrogen's BOD also approved the subscription of SMC to 1,494,973 shares at a book value of about P2,007 per share for an aggregate subscription price of P3,000. Petrogen received the SEC approval on February 8, 2021 on Petrogen's increase in authorized capital stock dated February 4, 2021 and issued 1,494,973 common shares with an aggregate par value of P1,495 to SMC for a total subscription price of P3,000. On March 1, 2021, the corresponding stock certificate was issued to SMC

   As a result, the Parent Company's ownership interest in Petrogen decreased from 100% to 25.06% and Petrogen was deconsolidated from the Parent Company effective February 4, 2021.

b. On February 22, 2021, the Asset Purchase Agreement with San Miguel Foods, Inc. and Foodcrave Marketing, Inc. for the acquisition by the Parent Company of the Treats convenience store business was executed with completion date of March 1, 2021, for an aggregate purchase price of P64.

c. On March 9, 2021, the BOD of the Parent Company approved the reversal of P8,000 of the P15,000 appropriated retained earnings of the Parent Company since majority of the 2016 and 2017 capital projects were already completed while others were deferred. The remaining P7,000 is maintained for the Power plan project.

12. Basic and Diluted Earnings (Loss) per Share

Basic and diluted earnings (loss) per share amounts for the three months ended March 31, 2021 and 2020 are computed as follows:

	2021	2020
Net income (loss) attributable to equity holders of the Parent Company	**P1,400**	(P4,614)
Dividends on preferred shares for the period	**(408)**	(397)
Distributions to the holders of capital securities for the period	**(893)**	(420)
Net income (loss) attributable to common shareholders of the Parent Company (a)	**P99**	(P5,431)
Weighted average number of common shares outstanding (in millions) (b)	**9,375**	9,375
Basic/diluted earnings (loss) per common share attributable to equity holders of the Parent Company (a/b)	**P0.01**	(P0.58)

As of March 31, 2021 and 2020, the Parent Company has no potential dilutive debt or equity instruments.

13. Cash Dividends and Distributions

<u>Dividends</u>

The BOD of the Parent Company approved the declaration of cash dividends for common and series 2 and 3 preferred shareholders with the following details:

Type	Per Share	Date of Declaration	Date of Record	Date of Payment
2021				
Series 2B	17.14575	March 9, 2021	April 7, 2021	May 3, 2021
Series 3A	17.17825	March 9, 2021	June 2, 2021	June 25, 2021
Series 3B	17.84575	March 9, 2021	June 2, 2021	June 25, 2021
2020				
Common	P0.10000	March 10, 2020	March 24, 2020	April 8, 2020
Series 2B	17.14575	March 10, 2020	April 7, 2020	May 4, 2020
Series 3A	17.17825	March 10, 2020	June 1, 2020	June 25, 2020
Series 3B	17.84575	March 10, 2020	June 1, 2020	June 25, 2020
Series 2B	17.14575	May 26, 2020	July 9, 2020	August 3, 2020
Series 3A	17.17825	May 26, 2020	September 2, 2020	September 25, 2020
Series 3B	17.84575	May 26, 2020	September 2, 2020	September 25, 2020
Series 2B	17.14575	August 4, 2020	October 9, 2020	November 3, 2020
Series 3A	17.17825	August 4, 2020	December 2, 2020	December 28, 2020
Series 3B	17.84575	August 4, 2020	December 2, 2020	December 28, 2020
Series 2B	17.14575	November 3, 2020	January 8, 2021	February 3, 2021
Series 3A	17.17825	November 3, 2020	March 2, 2021	March 25, 2021
Series 3B	17.84575	November 3, 2020	March 2, 2021	March 25, 2021

Distributions

Payments of distributions pertaining to SPCS and RPS were made on respective dates: January 15, 2021 (P789), February 10, 2021 (P44), February 26, 2021 (P3) and March 22 (P57).

14. Commitments and Contingencies

Supply and Lease Agreements

The Parent Company has assigned all its rights and obligations to PSTPL (as Assignee) to have a term contract to purchase the Parent Company's crude oil requirements from Saudi Arabian Oil Company (Saudi Aramco), based on the latter's standard Far East selling prices and Kuwait Petroleum Corporation (KPC) to purchase Kuwait Export Crude Oil (KEC) at pricing based on latter's standard KEC prices. The contract with Saudi Aramco is from November 1, 2013 to December 31, 2014 while the contract with KPC is from January 1, 2015 to December 31, 2015 both with automatic annual extension thereafter unless terminated at the option of either party, upon at least 60 days written notice. The contract with KPC was mutually agreed to be terminated by the parties effective January 1, 2021.

Petron Malaysia Refining & Marketing Bhd (PMRMB) currently has a long-term supply contract of Tapis crude oil and Terengganu condensate for its Port Dickson Refinery from ExxonMobil Exploration and Production Malaysia Inc. (EMEPMI) and Low Sulphur Waxy Residue Sale/Purchase Agreement with Exxon Trading Asia Pacific, a division of ExxonMobil Asia Pacific Pte. Ltd. On the average, around 65% of crude and condensate volume processed are from EMEPMI with balance of around 35% from spot purchases.

Outstanding liabilities of the Group for such purchases are shown as part of "Liabilities for crude oil and petroleum products" account in the consolidated interim statements of financial position as of March 31, 2021 and December 31, 2020.

On September 30, 2009, the Parent Company through NVRC entered into a 30-year lease with Philippine National Oil Company (PNOC) without rent-free period, covering a property which it shall use as site for its refinery, commencing January 1, 2010 and ending on December 31, 2039. Based on the latest re-appraisal made, the annual rental shall be P138, starting 2012, payable on the 15th day of January each year without the necessity of demand. This non-cancelable lease is subject to renewal options and annual escalation clauses of 3% per annum to be applied starting 2013 until the next re-appraisal is conducted. The leased premises were reappraised in 2017 (Note 16) and every fifth year thereafter in which the new rental rate shall be determined equivalent to 5% of the reappraised value, and still subject to annual escalation clause of 3% for the four years following the re-appraisal. Prior to this agreement, Petron had an outstanding lease agreement on the same property from PNOC. Also, as of March 31. 2021, Petron leases other parcels of land from PNOC for its bulk plants and service stations.

Unused Letters of Credit and Outstanding Standby Letters of Credit

The Group has unused letters of credit totaling approximately P20,506 and P14,847 as of March 31, 2021 and December 31, 2020, respectively.

Oil Spill Incident in Guimaras

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

Other complaints for non-payment of compensation for the clean-up operations during the oil spill were filed with the RTC of Guimaras by a total of 1,063 plaintiffs who allegedly did not receive any payment of their claims for damages arising from the oil spill. The total claims amounted to P292. The cases were pending as at March 31, 2021. In the course of plaintiffs' presentation of evidence, they moved for trial by commissioner, which was denied by the trial court. The plaintiffs elevated the matter by way of a petition for certiorari to the Court of Appeals in Cebu City (CA). On January 9, 2020, the CA issued a Resolution granting plaintiffs' motion for reconsideration of the earlier resolution denying their petition and ordering the Parent Company to file its comment on plaintiffs' petition within 10 days. On February 6, 2020, the Parent Company filed a motion for reconsideration of said Resolution which remains pending to date. In the meantime, proceedings before the trial court continues. Less than 200 of the plaintiffs have testified so far.

Other Proceedings

The Group is also a 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, Management believes that the final outcome of these other proceedings will not have a material adverse effect on the Group's business, financial condition or results of operations.

15. Events After the Reporting Period

a. On April 19, 2021, Petron issued US$550 million SPCS at an issue price of 100%, with an initial distribution rate of 5.95% per annum. The securities were listed in the Singapore Exchange Securities Trading Limited on April 20, 2021. The net proceeds will be applied for the repayment of indebtedness and for general corporate purposes.

b. On May 3, 2021, the BOD of the Parent Company approved the declaration of cash dividends for Series 2B and Series 3 preferred shareholders with the following details:

Type	Per Share	Date of Record	Date of Payment
Series 2B	17.14575	July 8, 2021	August 3, 2021
Series 3A	17.17825	September 2, 2021	September 27, 2021
Series 3B	17.84575	September 2, 2021	September 27, 2021

16. Other Matters

a. Lease Agreements with PNOC

On October 20, 2017, Petron filed with the RTC of Mandaluyong City a complaint against the PNOC for the reconveyance of the various landholdings it conveyed to PNOC in 1993 as a result of the government-mandated privatization of the Parent company.

The subject 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 Petron of the conveyed lots for its business operation. Thus, PNOC and the Parent 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 which expired in August 2018, with a provision for automatic renewal for another 25 years. In 2009, the Parent 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 alleges that PNOC committed a fundamental breach of the lease agreements when it refused 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.

On December 11, 2017, the trial court granted Parent company's prayer for a writ of preliminary injunction, enjoining PNOC from committing any act aimed at ousting the Parent company from possession of the subject properties until the case is decided.

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 Parent company also filed a motion for summary judgment on May 17, 2019. In a resolution dated November 13 2019, the trial court granted the Parent company's motion for summary judgment and ordered: (i) the rescission of the Deeds of Conveyance dated 1993 relating to the Parent company's conveyance of such leased premises to PNOC pursuant to a property dividend declaration in 1993, (ii) the reconveyance by PNOC to the Parent company's of all such properties, and (iii) the payment by the Parent company to PNOC of the amount of P143, 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 Parent company also filed a motion for partial reconsideration seeking a modification of the judgment to include an order directing PNOC to return to the Parent 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 Parent company filed their respective notices of appeal with the trial court. The case was raffled off to the 5th Division of the Court of Appeals. The Parent 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.

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

c. There were no material off-statements of financial position items, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period, except for the notional values of outstanding derivative transactions entered by the Group as of and for the period ended March 31, 2021.

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

Gross Domestic Product (GDP)

GDP contracted year-on-year by 9.5% in 2020, compared to the recorded growth of 6.0% in 2019. This is the sharpest dip on record and the first GDP decline since 1998 (-0.5%).

Economic growth (*in percentage*)	**2019**	**2020**
GDP	6.0	(9.5)
By Industry		
Agriculture	1.2	(0.2)
Industry	4.7	(13.1)
Services	7.5	(9.1)
By Expenditure		
Household Consumption	5.9	(7.9)
Government Consumption	9.6	10.4
Capital Formation	2.5	(35.8)
Exports	2.4	(16.7)
Imports	1.8	(21.9)

Capital Formation was the main driver of the decline in demand at 35.8% which was mainly attributed to the COVID-19 pandemic. With strict quarantine measures causing restrictions on mobility and halting of non-essential business operations, work stoppages in construction and lower investments in durable equipment caused a significant impact on the economy. Household Consumption was negatively affected as unemployment rate rose to 10.3%, equivalent to 4.5 million unemployed Filipinos. Trade was also heavily affected by weakness in the global market. However, despite mass layoffs worldwide, repatriations, and lockdowns, remittances of overseas Filipinos fell by only 0.8% to $33.2 billion in 2020, as workers found ways to send home much-needed funds to help support their families in the Philippines. Government Consumption increased due to spending for the pandemic such as support programs for vulnerable groups (low income households, farmers, OFWs and SMEs).

On the supply side, Industry and Services were both adversely affected by the implementation of ECQ. Agriculture was resilient albeit at low decline of less than 1%.

91-Day Treasury-Bill (T-bill) Rate
91-day T-Bill rates averaged 1.0% in 1Q 2021, lower compared to 3.1% of the same period last year.

Bangko Sentral ng Pilipinas (BSP) has retained its policy interest rates to its current all-time low rate at 2%, the same level since November 2020 to support economic activity as the local economy stays in recession with quarantine restrictions still getting in the way of a full recovery.

Peso-Dollar Exchange Rate
The peso averaged P48.3/$ as of Ytd-March, a 5.2% appreciation from P50.8/$ in the same period last year. Strength in peso is due in large part to BSP’s all-time low interest rates, balance-of-payments surplus, and rising international reserves.

Inflation
The rate of increase in prices of commodities and services accelerated to 4.5% as of Ytd-March 2021, from 2.7% in the same period last year. Uptick was mainly caused by the increase in meat prices due to

the African swine fever outbreak. Transportation costs also continued to rise becoming the second major driver of inflation.

Industry Oil Demand

Oil demand[1] in the country declined by 21.3% to 63,563 MB in 1H 2020 from 80,781 MB in 1H 2019. The decline was mainly due to quarantine measures causing reduced economic activity affecting the demand of transport fuels.

Oil Market

Year-on-year prices of Dubai grew by 18% to $60.0/bbl in 1Q 2021 vs. $50.7/bbl in the same period last year, as OPEC+ manage the increase in production causing tighter global crude supply. Ytd-March 2021 Gasoline crack strengthened by about 6.7% to $7.1/bbl while Diesel and Kero-Jet cracks declined by 51.1% to $5.8/bbl and 61.4% to $3.3/bbl respectively. Improvement in gasoline crack is due to low global gasoline inventory with a strong demand outlook. Recovery of air travel has been slow causing slower jet recovery as compared with other fuels.

Existing or Probable Government Regulations

Corporate Recovery and Tax Incentives for Enterprises Act ("CREATE Act"). Republic Act 11534 or the CREATE Act, approved into law last March 26, 2021 includes the reduction of regular corporate income tax rates from 30% to 25% for large corporations and 20% for small and medium corporations (with net taxable income less than P5 million and total assets excluding land less than P100 million), reduction of minimum corporate income tax rate from 2% to 1% of gross income and exemption from paying income taxes on dividends received from foreign subsidiaries which are at least 20% owned by a domestic corporation. In addition, 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. This provision will level the playing field as domestic petroleum refineries are now taxed on finished products, similar to importers of refined fuel who only pay after sales tax.

Tax Reform for Acceleration and Inclusion (the "TRAIN Law"). Republic Act 10963 imposes phased increase in excise taxes on petroleum products from 2018-2020. Schedule of increase is P2.65-2-1/li per year for gasoline, P2.50-2-1.50/li for diesel and fuel oil, P1-1-1/kg for LPG, and P0.33-0-0/li for jet fuel. The incremental excise tax will further be 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.

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. While the cost for the fuel marker would be shouldered by the government in the initial year of implementation, the cost was eventually passed on to oil companies thru the issuance of DOF-BIR-BOC Joint Memorandum Order No. 1 -2020. As stipulated in the joint memorandum, government commenced with marker fee collection on September 4, 2020 and fuel marker fee is at Php .06884 per liter.

[1] Based on DOE data. Includes only Gasoline, Kerosene, Avturbo, Diesel, IFO and LPG. Does not include Direct Imports by end-users of Naphtha, Condensate, Avturbo, LPG, Diesel, and Asphalt. 1H 2020 is the latest published data.

Biofuels Act of 2006 (the "Biofuels Act"). The Biofuels Act and its implementing circulars mandate that gasoline and diesel volumes contain 10% bioethanol and 2% biodiesel/coco methyl ester (CME) components, respectively. To produce compliant fuels, the Company invested in CME injection systems at the Petron Bataan Refinery and the depots. On the bioethanol component, the Department of Energy (DOE) issued in June 2015 its Circular No. 2015-06-0005 entitled "Amending Department Circular No. 2011-02-0001 entitled Mandatory Use of Biofuel Blend" which currently exempts premium plus gasoline from the 10% blending requirement.

Renewable Energy Act of 2008 (the "Renewable Energy Act"). The Renewable Energy Act aims to promote development and commercialization of renewable and environment-friendly energy resources (e.g., biomass, solar, wind, hydro, geothermal) through various tax incentives such as seven (7)-year income tax holiday and duty-free importation of renewable energy equipment and machinery. The sale of power generated from these sources is also exempt from value-added tax under the TRAIN Law. The growth in renewable energy may displace or reduce use of oil-based power plants affecting the Company's sales to the power sector.

Clean Air Act of 1999 (the "Clean Air Act"). The Clean Air Act established air quality guidelines and emission standards for stationary and mobile equipment. It also included the required specifications for gasoline, diesel and IFO to allow attainment of emission standards. Petron invested in a gasoil hydrotreater plant and an isomerization plant to enable it to produce diesel and gasoline compliant with the standards set by law.

Laws on Controlled Chemicals (Presidential Decree No. 1866 as amended by Republic Act No. 9516). The implementing rules and regulations for this amended law were approved on June 9, 2016 and listed the chemicals under the control of the Philippine National Police. These rules reduced the controlled list from 101 to 32 chemicals and further classified 15 chemicals as high-risk and 17 as low-risk substances. The rules also outline the procedures for regulating, storing, handling and transporting chemicals.

Department Circular 2019-05-008. The Department of Energy issued this circular to require oil companies to submit a detailed computation, with corresponding explanation and supporting documents, of the cost components of liquid fuel and LPG on a per liter and per product basis. The circular has not been implemented following the temporary restraining orders and writs of preliminary injunction issued by the Regional Trial Courts in Taguig and Mandaluyong.

Compliance with Euro 4 standards. In September 2010, the Department of Environment and Natural Resources issued Administrative Order 2010-23 mandating that, by 2016, all new motor vehicles that would be introduced in the market shall comply with Euro 4 emission limits, subject to Euro 4 fuel availability. In June 2015, the DOE issued Circular 2015-06-0004 entitled "Implementing the Corresponding Philippine National Standard Specifications for the Euro 4/IV PH Fuels Complying with the Euro 4/IV Emissions" directing all oil companies to adopt Euro 4-compliant fuels. With its Refinery Master Plan-2, Petron is now producing Euro 4-compliant fuels ahead of the 2016 mandate.

Department Circular 2014-01-0001. The DOE issued Department Circular 2014-01-0001 directed at ensuring safe and lawful practices by all LPG industry participants as evidenced by standards compliance certificates. The circular also mandates that all persons engaged or intending to engage as a refiller of LPG shall likewise strictly comply with the minimum standards requirements set by the Department of Trade and Industry and the DOE. The circular imposes penalties for, among others, underfilling, illegal refilling and adulteration.

Laws on Oil Pollution. To address issues on marine pollution and oil spillage, the Maritime Industry Authority (MARINA) mandated the use of double-hull vessels for transporting black products beginning end-2008 and white products by 2011. Petron has been using double-hull vessels in transporting all its products.

Oil Marine Pollution Circulars. The Philippine Coast Guard has memorandum circulars prescribing the rules and regulations on the prevention, containment, abatement and control of oil marine pollution by all marine vessels, coastal and offshore facilities and other facilities utilizing or storing petroleum products. The circulars identify the prohibited acts and provide the penalties.

Anti-Competition Law (the "Philippine Competition Act"). The Philippine Competition Act, approved in July 2015, prohibits anti-competitive agreements, abuses of dominant positions, and mergers and acquisitions that limit, prevent, and restrict competition. To implement the national competition policy and attain the objectives and purposes of the law, the Philippine Competition Commission (PCC) was created. Among the powers of the PCC is the review of mergers and acquisitions based on factors it may deem relevant. The PCC, after due notice and hearing, may impose administrative fines on any entity found to have violated the provisions of the law on prohibited arrangements or to have failed to provide prior notification to the PCC of certain mergers and acquisitions. The PCC is empowered to impose criminal penalties on an entity that enters into any anti-competitive agreement and, when the entities involved are juridical persons, on its officers, directors, or employees holding managerial positions who are knowingly and willfully responsible for such violation.

Amended Price Freeze Act of 2013. This law mandates the implementation of a 15-day price freeze of basic necessities, including LPG and kerosene, for areas declared under a state of emergency or calamity.

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

LPG Bill. The LPG Bill, currently pending in the Philippine Congress, will mandate stricter standards on industry practices, which includes a proposal for a Cylinder Exchange Program and Cylinder Improvement Program. Senate has already passed their version on third reading, while the version from the House of Representatives is still awaiting submission and discussion in their plenary.

Executive Order No. 113 (2020): Temporarily Modifying the Rates of Import Duty on Crude Petroleum Oil and Refined Petroleum Products Under Section 1611 of Republic Act No. 10863, otherwise known as "The Customs Modernization and Tariff Act." Executive Order No. 113, which was signed by President Rodrigo R. Duterte on May 2, 2020, modified the import duty of petroleum from zero to 10%. Under this executive order, crude oil and finished petroleum products are subjected to an import duty of 10%. The modified rate will revert back to zero once the Bayanihan to Heal as One Act ceases to be in effect or as soon as the trigger price for international oil has been reached. Subsequently, the Bureau of Customs issued Customs Memorandum Circular (BOC MC) No. 125-2020 which serves as the implementing guidelines of this order, specifying date of effectivity by May 6, 2020. Rates were reverted back to zero on 24 June 2020, based on BOC MC- 128-2020.

PETRON CORPORATION AND SUBSIDIARIES

RECEIVABLES
As of March 31, 2021
(Amounts in Million Pesos)

Breakdown:

Accounts Receivable – Trade	**P20,594**
Accounts Receivable – Non-Trade	**8,409**
Total Accounts Receivable - Net	**P29,003**

AGING OF TRADE ACCOUNTS RECEIVABLES

Receivables	1 – 30 days	P19,954
	31 – 60 days	334
	61 – 90 days	77
	Over 90 days	1,062
Total		**21,427**
Allowance for doubtful accounts		(833)
Accounts Receivable – Trade		**P20,594**

Interim Financial Report as of March 31, 2021

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

Financial Performance

1Q 2021 vs 1Q 2020

Petron Corporation's positive momentum continued well into the first quarter (1Q) of 2021 from the fourth quarter (4Q) of 2020 as it reported a consolidated net income of **₱** 1.73 billion, a turnaround from the **₱** 4.88 billion net loss in the same quarter last year. The upswing in the financial results can be attributed mainly to inventory holding gains resulting from the recent improvements in international oil prices and further boosted by the decline in other importation costs, reduced selling and administrative expenses and lower financing costs.

			Variance- Fav (Unfav)	
(In Million Pesos)	**2021**	**2020**	**Amt**	**%**
Sales	**83,307**	**104,623**	**(21,316)**	**(20)**
Cost of Goods Sold	**76,529**	**105,566**	**29,037**	**28**
Gross Profit (Loss)	**6,778**	**(943)**	**7,721**	**(high)**
Selling and Administrative Expenses (net of Other Operating Income)	**3,117**	**3,466**	**349**	**10**
Non-operating Charges	**1,513**	**2,576**	**1,063**	**41**
Net Income (Loss)	**1,730**	**(4,877)**	**6,607**	**(high)**
EBITDA	**6,388**	**(1,498)**	**7,886**	**(high)**
Sales Volume (MB)	**19,379**	**24,661**	**(5,282)**	**(21)**
Earnings (Loss) per Share (₱)	**0.01**	**(0.58)**	**0.59**	**(high)**
Return on Sales (%)	**2.1**	**(4.7)**	**6.8**	**(high)**

Earnings before interest, taxes, depreciation and amortization (EBITDA) significantly improved to **₱ 6.39** billion, while, **earnings per share** was **₱ 0.01**.

Highlights of the first quarter performance follow:

- **Consolidated sales volume** dropped by 21% to **19.4 million barrels (MMB)** from previous year's 24.7 MMB due to continued depressed demand brought about by the pandemic. Commercial and Supply sales were lower due to air travel restrictions and limited economic activities significantly affecting fuel consumption. Meanwhile, the strict mobility and lesser motorists essentially reduced Retail sales.

- **Net sales** was down by 20% to **₱ 83.31 billion** from LY's ₱ 104.62 billion due to the 5.3 MB decrease in sales volume partly offset by the upturn in selling price. The improvement in selling price can be traced to higher MOPS in the region, partly offset by the 5% or P2.54 appreciation of the peso versus the US dollar. Benchmark crude Dubai reached US$64.4/bbl in March 2021, from US$49.8/bbl in December bringing the 1Q2021 average to US$60.0/bbl, 18% higher than the US$50.7/bbl average in 1Q 2020.

- **Cost of goods sold (CGS)** was lower by 28% at **₱ 76.53 billion** from ₱ 105.57 billion a year ago also due to the decrease in volume. Despite the lower volume, Petron delivered a gross margin of **₱ 6.78 billion**, a turnaround from the ₱ 943 million loss reported LY owing to inventory gains as opposed to losses in 1Q2020 as well as savings on importation costs, partly tempered by the thinner product cracks.

- **Selling and administrative expenses (OPEX)** dropped by 10% or ₱ 349 million to **₱ 3.12 billion** primarily due to the decreases in LPG cylinder purchases, terminalling & storage costs, promo & advertising expenses, and employee costs, partly offset by higher maintenance & repairs.

- **Net financing costs and other charges** declined by 41% from ₱ 2.58 billion to **₱ 1.51 billion** traced to reduced interest rate and borrowing level. This favorable variance was further improved by higher marked-to-market gains on outstanding commodity hedges and lower foreign exchange swap costs.

- **Income tax expense** in 1Q 2021 amounted to **₱ 418 million** owing to the income before tax position during the period, a reversal of the ₱ 2.11 billion income tax benefit from the loss before tax a year ago.

<u>1Q 2020 vs 1Q 2019</u>

Petron Corporation posted a consolidated net loss of **₱ 4.88 billion** during the first quarter (1Q) of 2020, a reversal from last year's income of (LY) ₱ 1.30 billion. The Company incurred substantial inventory losses as prices collapsed both in local and international markets. As prices plunged, refining margins continued to be weak amid demand slowdown.

			Variance- Fav (Unfav)	
(In Million Pesos)	**2020**	**2019**	**Amt**	**%**
Sales	**104,623**	**124,558**	**(19,935)**	**(16)**
Cost of Goods Sold	**105,566**	**116,083**	**10,517**	**9**
Gross Margin (Loss)	**(943)**	**8,475**	**(9,418**	**High**
Selling and Administrative Expenses (net of Other Operating Income)	**3,466**	**3,610**	**144**	**4**
Non-operating Charges	**2,576**	**3,152**	**576**	**18**
Net Income (Loss)	**(4,877)**	**1,303**	**(6,180)**	**High**
EBITDA	**(1,498)**	**8,000**	**(9,498)**	**High**
Sales Volume (MB)	**24,661**	**26,343**	**(1,682)**	**(6)**
Earnings (Loss) per Share (₱)	**(0.58)**	**0.05**	**(0.63)**	**High**
Return on Sales (%)	**(4.7)**	**1.0**	**(5.7)**	

Earnings before interest, taxes, depreciation and amortization (EBITDA) ended at negative **₱ 1.50** billion, while, **loss per share** was **₱ 0.58**.

The following factors influenced the first quarter's performance:

- **Consolidated sales volume** decreased by 6% to **24.7 million barrels (MMB)** from previous year's 26.3 MMB largely due to the drastic drop in demand starting on the 2nd half of March with the implementation of Enhanced Community Quarantine (ECQ) in the Philippines and Movement Control Order (MCO) in Malaysia. The limited mobility and reduced economic activities dampened domestic sales. Commercial sales went down with travel bans imposed within and in and out of the country and reduced withdrawals of consumer and industrial accounts while Retail sales declined due to lesser motorists on the road. These were tempered by the increase in trading volume of PSTPL.

- **Net sales** significantly fell by 16% to **₱ 104.62 billion** from LY's ₱ 124.56 billion due to the combined effect of lower selling price and volume. Drop in selling price was traced to the plunge in regional prices of finished products partly offset by the additional excise tax following the implementation of the last tranche of the TRAIN law.

- **Cost of goods sold (CGS)** at **₱ 105.57 billion** was 9% or ₱ 10.5 billion lower than LY largely due to the decline in sales volume and further pulled down by lower cost per liter. Average price of benchmark crude Dubai dropped by 20% to US$50.7/bbl from US$63.5/bbl in 1Q 2019. The sharp dip in Dubai started on March 9 when it dropped 32% overnight settling at US$23.4/bbl by end-March.

- **Selling and administrative expenses (OPEX)** was lower by 4% or ₱ 144 million to **₱ 3.47 billion** on account of lower advertising expenses, employee cost, rent and depreciation.

- **Net financing costs and other charges** dropped by 18% from ₱ 3.15 billion to **₱ 2.58 billion** due to lower average interest rate despite higher average borrowing level, higher net forex hedging gain and the unrealized commodity hedging gains recognized this quarter as opposed to the unrealized loss LY..

- **Income tax benefit** amounted to **₱ 2.1 billion in 1Q 2020** owing to the loss before tax, as against last year's ₱ 410 million expense.

<u>Financial Position</u>

<u>1Q 2021 vs 2020</u>

The **Consolidated assets** of Petron Corporation and its Subsidiaries as of end March 2021 totaled **₱ 347.09 billion**, 1% or ₱ 2.64 billion lower than end 2020 balance of ₱ 349.73 billion. The decline in total assets can be attributed primarily to inventories.

Cash and cash equivalents increased by 11% to **₱ 30.03 billion** from ₱ 27.05 billion mainly from operating activities reduced by the expenditures on capital projects and payment of loans, cash dividends and distributions during the first quarter of 2021.

Financial assets at fair value went up to **₱ 876 million** from ₱ 603 million due to higher gains on outstanding commodity and currency hedging transactions.

Investments in debt instruments (current and non-current) stood **nil** from end 2020 level of ₱ 381 million as this belonged to Petrogen Insurance Corporation (PIC), which was deconsolidated from the Petron group.

Trade and other receivables - net rose by 7% to **₱ 29.00 billion** attributable to the increase in trade and government receivables of foreign subsidiaries, partly offset by the decrease in trade receivables of the Parent Company.

Inventories dropped by ₱ 5.13 billion to **₱ 39.79 billion** mainly from lower volume of crude and finished products versus the end 2020 level.

Other current assets decreased by 5% to **₱ 30.75 billion** from lower input VAT and prepaid insurance.

The decrease in ownership interest of the Parent Company in PIC from 100% to 25.06% gave rise to the recognition of **Investment in shares of stock of an associate** amounting to **₱ 1.00 billion** .

Deferred tax assets – net went down from ₱ 2.19 billion to **₱ 1.99 billion** brought about by the temporary differences with respect to the methods of depreciation and amortization of pension costs per tax accounting in contrast with financial reporting as well as the impact of Create law, partly offset by the effect of the additional Net Operating Loss Carry-over during the quarter.

Other noncurrent assets – net declined to **₱ 1.95 billion** from ₱ 2.09 billion on account of the amortization of deferred input tax and catalysts.

Liabilities for crude oil and petroleum products went up to **₱ 24.37 billion** compared to end-2020 level of ₱ 22.32 billion owing primarily to the continued increase in prices during the first quarter.

Derivative liabilities dropped by 36% to **₱ 714 million** with the decrease in expected settlement on outstanding commodity hedges and currency transactions under hedge accounting.

Income tax payable rose to ₱ 432 million as tax liabilities of foreign subsidiaries increased.

Other noncurrent liabilities stood at **₱ 1.79 billion**, 6% lower than end-2020 level due to lower liabilities from cash flow hedges.

The **negative balance of Equity reserves** increased from ₱ 18.37 billion to **₱ 19.75 billion** principally from the translation loss on the investment in foreign subsidiaries following the strengthening of the peso against the US dollar.

1Q 2020 vs 2019

As of March 31, 2020, the **consolidated assets** of Petron Corporation and its Subsidiaries reached **₱ 368.12 billion**, 7% or ₱ 26.72 billion lower than the end-2019 balance of ₱ 394.84 billion. Aside from the decrease in cash and cash equivalents, inventories and trade receivables also dropped due to lower prices. These were partly offset by the increase in other current assets.

Cash and cash equivalents decreased by ₱ 5.66 billion to **₱ 28.56 billion** as funds were used to finance the increase in working capital requirements and in payment of interests and dividends

Financial assets at fair value went up to **₱ 2.21 billion** from ₱ 864 million on account of higher marked-to-market (MTM) gains on outstanding commodity hedges.

Investments in debt instruments (current and non-current) rose by 7% to **₱ 448 million** traced to additional investment in government securities by the Insurance subsidiary.

Trade and other receivables - net dropped by ₱ 3.30 billion to **₱ 41.36 billio**n due to lower prices of fuel products partly offset by higher claims from the government.

Inventories fell by 26% from ₱ 72.21 billion to **₱ 53.62 billion** with the drop in prices of crude and finished products.

Other current assets increased by 8% to **₱ 29.55 billion** from ₱ 27.43 billion due to higher prepaid insurance, input tax and unused creditable withholding taxes.

Deferred tax assets - net rose from ₱ 262 million to **₱ 331 million** with the recognition of the Net Operating Loss Carry-Over (NOLCO) of a subsidiary in Malaysia.

Goodwill – net declined by 5% to **₱ 7.90 billion** owing to currency translation loss with the depreciation of the Ringgit against the US dollar.

Short-term loans climbed to **₱ 80.19 billion** from ₱ 71.09 billion with the net proceeds from the loans availed for working capital during the quarter.

Liabilities for crude oil and petroleum products was cut by more than half from ₱ 39.36 billion to **₱ 18.73 billion** with the drop in prices of inventories and lesser outstanding importations as of end-March 2020.

Trade and other payables went down by 10% from ₱ 28.74 billion to **₱ 25.83 billion** with the settlement of various liabilities to contractors and vendors.

Derivative liabilities grew more than double from ₱ 738 million to **₱ 1.92 billion** attributed to higher expected payout on outstanding commodity hedges.

Income tax payable declined from ₱ 267 million to **₱ 146 million** brought about by lower tax liabilities of foreign subsidiaries.

Deferred tax liability – net decreased by 33% from ₱ 6.35 billion to **₱ 4.24 billion** largely due to the recognition of NOLCO by the Parent Company and a Malaysian subsidiary.

Other noncurrent liabilities rose by 5% to **₱ 1.84 billion** traced to higher LPG cylinder deposit.

Retained earnings dropped by 15% to **₱ 38.73 billion**, on account of the ₱ 4.61 billion net loss attributable to the equity holders of the Parent Company during the quarter, coupled with the payment of cash dividends and distributions totaling ₱ 2.17 billion.

The **negative balance of Equity reserves** increased from ₱ 12.20 billion to **₱ 14.21 billion** mainly due to the translation loss on its investments in foreign subsidiaries as a result of the strengthening of the peso against the US dollar.
Non-controlling interests decreased by 9% to **₱ 6.19 billion** from the ₱ 6.77 billion as of end 2019 corresponding to its proportionate share in net loss during the quarter, as well as the cash dividends declared to minority shareholders and currency translation adjustment.

<u>Cash Flows</u>

<u>1Q 2021 vs 1Q 2020</u>

As of end-March 2021, cash and cash equivalents stood at **₱ 30.03 billion**. During the first three months, cash generated from operations amounting to ₱ 11.18 billion were used to settle matured loans, finance various capital expenditure at the refinery, service stations and terminals and pay dividends, distributions and interests.

In Million Pesos	**Mar. 31, 2021**	**Mar. 31, 2020**	**Change**
Operating (outflows) inflows	9,394	(9,080)	18,474
Investing (outflows) inflows	(1,976)	(2,532)	556
Financing inflows (outflows)	(4,688)	5,939	(10,627)

1Q 2020 vs 1Q 2019

Cash and cash equivalents amounted to ₱ 28.56 billion as of end-March 2020. Cash generated from financing activities of ₱ 5.94 billion was used to finance the increase in working capital requirements. Available cash was also spent on various projects at the refinery, terminals and service stations (₱ 2.12 billion) and in payments of interest and taxes (₱ 3.20 billion) as well as dividends and distributions (₱ 1.26 billion).

Discussion of the company's key performance indicators:

Ratio	**31-Mar-21**	31-Dec-20
Current Ratio	**0.9**	0.9
Total Interest-bearing Debt to Equity Ratio	**2.3**	2.3
Return on Equity (%)	**(5.6)**	(12.8)
Interest Rate Coverage Ratio	**1.9**	(0.4)
Assets to Equity Ratio	**4.1**	4.1

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

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

Debt to Equity Ratio - Total liabilities divided by total stockholders' equity (including non-controlling interest).

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

Return on Equity – Trailing 12 months Net income divided by average total stockholders' equity.

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

Interest Rate Coverage Ratio – Earnings before interests and taxes divided by interest expense and other financing charges.

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

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

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

PART II – OTHER INFORMATION

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

NONE.

SIGNATURES

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

Registrant: **PETRON CORPORATION**

Signature and Title:

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

Date: May 12, 2021

Principal Financial/Accounting Officer/Controller

Signature and Title:

MYRNA C. GERONIMO
Vice President - Controllers

Date: May 12, 2021

PETRON CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS

Financial Ratios	Formula	March 31, 2021	December 31, 2020
Liquidity			
a) Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	**0.87**	0.89
b) Quick Ratio	$\frac{\text{Current Assets less Inventories and Other Current Assets}}{\text{Current Liabilities}}$	**0.40**	0.37
Solvency			
c) Debt to Equity Ratio	$\frac{\text{Total Interest-bearing Liabilities}^{b}}{\text{Total Equity}}$	**2.29**	2.29
d) Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	**4.08**	4.06
e) Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$	**1.88**	-0.43
Profitability			
f) Return on Average Equity	$\frac{\text{Net Income}^{a}}{\text{Average Total Equity}}$	**-5.61%**	-12.78%
g) Return on Average Assets	$\frac{\text{Net Income}^{a}}{\text{Average Total Assets}}$	**-1.38%**	-3.07%
Operating Efficiency			
h) Volume Growth	$\left(\frac{\text{Current Period Volume}}{\text{Prior Period Volume}}\right) -1$	**-21.42%**	-26.53%
i) Sales Growth	$\left(\frac{\text{Current Period Sales}}{\text{Prior Period Sales}}\right) -1$	**-20.37%**	-44.39%
j) Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Sales}}$	**4.40%**	-1.62%

[a] *trailing 12 months net income*
[b] *excludes lease liabilities*

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

PETRON

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Petron Corporation and Its Subsidiaries** (collectively referred to as the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended **December 31, 2020 and 2019**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors (the "Board") is responsible for overseeing the Group's financial reporting process.

The Board reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

R.G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

RAMON S. ANG
President, Chief Executive Officer and Acting Chairman

EMMANUEL E. ERAÑA
Senior Vice President and Chief Finance Officer

Signed this 9th day of March 2021

SUBSCRIBED AND SWORN TO before me, a Notary Public for and in the City of Mandaluyong, Metro Manila, this MAR 09 2021, affiants being personally known to me and signed this instrument in my presence and avowed under penalty of law to the whole truth of contents thereof.

Name	Competent Evidence of Identity	Date/Place of Issue
Ramon S. Ang	Passport No. P2247867B	22 May 2019/ DFA Manila
Emmanuel E. Eraña	Passport No. P0502156B	01 Feb 2019/ DFA NCR East

Doc. No. 250;
Page No. 51;
Book No. I;
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

PETRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020, 2019 and 2018

With Independent Auditors' Report

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226

Telephone	+63 (2) 8885 7000
Fax	+63 (2) 8894 1985
Internet	www.home.kpmg/ph
Email	ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Petron Corporation
SMC Head Office Complex
40 San Miguel Avenue
Mandaluyong City

Opinion

We have audited the consolidated financial statements of Petron Corporation and Subsidiaries (the “Group”), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audits of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition (P286,033 million)
Refer to Note 3, *Significant Accounting Policies* and Note 37, *Segment Information* to the consolidated financial statements.

The risk
Revenue is an important measure used to evaluate the performance of the Group. It is accounted for when the sales transactions have been completed and control over the goods and services has been transferred to the customer. Whilst revenue recognition and measurement is not complex for the Group, voluminous sales transactions and the sales target which form part of the Group's key performance measure may provide venue to improperly recognize revenue.

Our response
We performed the following audit procedures, among others, on revenue recognition:

- We tested operating effectiveness of the key controls over revenue recognition. We involved our information technology specialists, as applicable, to assist in the audit of automated controls, including interface controls between different information technology applications for the evaluation of relevant information technology systems and the design and operating effectiveness of controls over the recording of revenue transactions.

- We checked on a sampling basis, the sales transactions to the delivery documents for the year.

- We checked on a sampling basis, sales transactions for the last month of the financial year and also the first month of the following financial year to the delivery documents to assess whether these transactions are recorded in the correct financial year.

- We tested journal entries posted to revenue accounts, including any unusual or irregular items.

- We tested credit notes recorded after the financial year to identify potential reversals of revenue which were inappropriately recognized in the current financial year.

Valuation of Inventories (P44,922 million)
Refer to Note 3, *Significant Accounting Policies*, Note 4, *Significant Accounting Judgments, Estimates and Assumptions* and Note 9, *Inventories* to the consolidated financial statements.

The risk
There is a risk over the recoverability of the Group's inventories due to market price volatility of crude and petroleum products. Such volatility can lead to potential issues over the full recoverability of inventory balances. In addition, determining the net realizable values of inventories is subject to management's judgment and estimation. This includes estimating the selling price of finished goods and the cost of conversion of raw materials based on available market price forecasts and current costs.

Our response
We performed the following audit procedures, among others, on the valuation of inventories:

- We obtained and reviewed the calculation of write-down of the Group's raw materials and finished goods based on the net realizable values of finished goods at yearend.

- For raw materials, projected production yield was used to estimate the cost of conversion for the raw materials as at yearend. We assessed the projected yield by comparing it to the actual yield achieved from crude oil production runs during the year. We then compared the estimated costs of finished goods to the net realizable values to determine any potential write-down.

- For finished goods, we assessed the reasonableness of estimated selling prices by checking various products' sales invoices issued around and after yearend. Any write-down is computed based on the difference between the net realizable value and the cost of inventory held at yearend.

Valuation of Goodwill (P8,031 million)
Refer to Note 3, *Significant Accounting Policies*, Note 4, *Significant Accounting Judgments, Estimates and Assumptions* and Note 13, *Investment in Shares of Stock of Subsidiaries, Goodwill and Non-Controlling Interests* to the consolidated financial statements.

The risk
The Group has significant amount of goodwill arising from business acquisitions. We particularly focused on the valuation of goodwill allocated to Petron Oil and Gas International Sdn. Bhd. Group (Petron Malaysia Group) which accounts for 99% of total goodwill. The annual impairment test was significant to our audit as the assessment process is complex by nature and is based on management's judgment and assumptions on future market and/or economic conditions. The assumptions used include future cash flow projections, growth rates and discount rates.

Our response
We performed the following audit procedures, among others, on the valuation of goodwill:

- We tested the integrity of the discounted cash flow model used by the Group. This involved using our own valuation specialist to assist us in evaluating the models used and assumptions applied and comparing these assumptions to external data, where applicable. The key assumptions include sales volume, selling price and gross profit margin.

- We compared the Group's assumptions to externally derived data as well as our own assessments in relation to key inputs such as projected economic growth, competition, cost of inflation and discount rates, as well as performing break-even analysis on the assumptions.

- We also assessed the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions used in the valuation of goodwill.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Mr. Darwin P. Virocel.

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-031-2019
Issued August 7, 2019; valid until August 6, 2022
PTR No. MKT 8533922
Issued January 4, 2021 at Makati City

March 19, 2021
Makati City, Metro Manila

PETRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Million Pesos)

		December 31	
	Note	**2020**	2019
ASSETS			
Current Assets			
Cash and cash equivalents	*5, 34, 35*	**P27,053**	P34,218
Financial assets at fair value	*6, 14, 34, 35*	**603**	864
Investments in debt instruments	*7, 34, 35*	**184**	109
Trade and other receivables - net	*4, 8, 28, 34, 35*	**27,195**	44,657
Inventories - net	*4, 9*	**44,922**	72,210
Other current assets	*14, 28*	**32,337**	27,430
Total Current Assets		**132,294**	179,488
Noncurrent Assets			
Investments in debt instruments	*7, 34, 35*	**197**	311
Property, plant and equipment - net	*2, 4, 10, 12, 37*	**168,831**	168,267
Right-of-use assets - net	*4, 11*	**6,045**	5,509
Investment property - net	*4, 10, 12*	**30,049**	29,935
Deferred tax assets - net	*4, 27*	**2,190**	262
Goodwill - net	*4, 13*	**8,031**	8,319
Other noncurrent assets - net	*2, 4, 6, 14, 34, 35*	**2,088**	2,744
Total Noncurrent Assets		**217,431**	215,347
		P349,725	P394,835
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term loans	*15, 33, 34, 35*	**P77,704**	P71,090
Liabilities for crude oil and petroleum products	*16, 28, 31, 34, 35*	**22,320**	39,362
Trade and other payables	*17, 28, 30, 33, 34, 35, 39*	**15,402**	28,741
Lease liabilities - current portion	*4, 31, 33, 34*	**1,243**	1,295
Derivative liabilities	*34, 35*	**1,124**	738
Income tax payable		**162**	267
Current portion of long-term debt - net	*18, 33, 34, 35*	**31,114**	16,881
Total Current Liabilities		**149,069**	158,374
Noncurrent Liabilities			
Long-term debt - net of current portion	*18, 33, 34, 35*	**88,340**	116,196
Retirement benefits liability - net	*30*	**3,705**	3,565
Deferred tax liabilities - net	*27*	**3,084**	6,348
Lease liabilities - net of current portion	*4, 31, 33, 34*	**14,561**	14,454
Asset retirement obligation	*4, 19*	**2,867**	1,720
Other noncurrent liabilities	*20, 34, 35*	**1,904**	1,748
Total Noncurrent Liabilities		**114,461**	144,031
Total Liabilities		**263,530**	302,405

Forward

	Note	December 31 2020	2019
Equity Attributable to Equity Holders of the Parent Company	*21*		
Capital stock		**P9,485**	P9,485
Additional paid-in capital		**37,500**	37,500
Capital securities		**36,481**	25,183
Retained earnings		**29,799**	45,510
Equity reserves		**(18,371)**	(16,899)
Treasury stock		**(15,122)**	(15,122)
Total Equity Attributable to Equity Holders of the Parent Company		**79,772**	85,657
Non-controlling Interests	*13*	**6,423**	6,773
Total Equity		**86,195**	92,430
		P349,725	P394,835

See Notes to the Consolidated Financial Statements.

PETRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Million Pesos, Except Per Share Data)

	Note	**2020**	2019	2018
SALES	*28, 31, 37*	**P286,033**	P514,362	P557,386
COST OF GOODS SOLD	*22*	**277,320**	483,855	522,824
GROSS PROFIT		**8,713**	30,507	34,562
SELLING AND ADMINISTRATIVE EXPENSES	*23*	**(14,389)**	(15,815)	(16,981)
OTHER OPERATING INCOME	*4, 29*	**1,047**	1,507	1,340
INTEREST EXPENSE AND OTHER FINANCING CHARGES	*26, 37*	**(11,313)**	(13,490)	(9,689)
INTEREST INCOME	*26, 37*	**780**	1,340	706
OTHER INCOME (EXPENSES) - Net	*26*	**(1,049)**	(312)	517
		(24,924)	(26,770)	(24,107)
INCOME (LOSS) BEFORE INCOME TAX		**(16,211)**	3,737	10,455
INCOME TAX EXPENSE (BENEFIT)	*27, 36, 37*	**(4,798)**	1,434	3,386
NET INCOME (LOSS)		**(P11,413)**	P2,303	P7,069
Attributable to:				
Equity holders of the Parent Company	*32*	**(P11,380)**	P1,701	P6,218
Non-controlling interests	*13*	**(33)**	602	851
		(P11,413)	P2,303	P7,069
BASIC/DILUTED EARNINGS (LOSS) PER COMMON SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	*32*	**(P1.58)**	(P0.17)	P0.28

See Notes to the Consolidated Financial Statements.

PETRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Million Pesos)

	Note	**2020**	2019	2018
NET INCOME (LOSS)		**(P11,413)**	P2,303	P7,069
OTHER COMPREHENSIVE LOSS				
Item that will not be reclassified to profit or loss				
Equity reserve for retirement plan	*30*	**(631)**	(2,531)	(1,133)
Income tax benefit	*27*	**191**	751	339
		(440)	(1,780)	(794)
Items that may be reclassified to profit or loss				
Net income (loss) on cash flow hedges	*35*	**100**	(208)	(110)
Exchange differences on translation of foreign operations		**(1,330)**	(1,133)	1,372
Unrealized fair value gains (losses) on investments in debt instruments at fair value through other comprehensive income	*7*	**1**	15	(10)
Share in other comprehensive income of a joint venture		**10**	-	-
Income tax benefit (expense)	27	**(30)**	58	36
		(1,249)	(1,268)	1,288
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax		**(1,689)**	(3,048)	494
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR - Net of tax		**(P13,102)**	(P745)	P7,563
Attributable to:				
Equity holders of the Parent Company		**(P12,852)**	(P1,167)	P6,570
Non-controlling interests		**(250)**	422	993
		(P13,102)	(P745)	P7,563

See Notes to the Consolidated Financial Statements.

PETRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

(Amounts in Million Pesos)

		Equity Attributable to Equity Holders of the Parent Company										
					Retained Earnings		Equity Reserves					
	Note	**Capital Stock**	**Additional Paid-in Capital**	**Capital Securities**	**Appro-priated**	**Unappro-priated**	**Reserve for Retirement Plan**	**Other Reserves**	**Treasury Stock**	**Total**	**Non-controlling Interests**	**Total Equity**
As of December 31, 2019		**P9,485**	**P37,500**	**P25,183**	**P15,000**	**P30,510**	**(P4,704)**	**(P12,195)**	**(P15,122)**	**P85,657**	**P6,773**	**P92,430**
Net income on cash flow hedges - net of tax	*35*	**-**	**-**	**-**	**-**	**-**	**-**	**70**	**-**	**70**	**-**	**70**
Unrealized fair value losses on investments in debt instruments		**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**1**	**-**	**1**
Exchange differences on translation of foreign operations		**-**	**-**	**-**	**-**	**-**	**-**	**(1,109)**	**-**	**(1,109)**	**(221)**	**(1,330)**
Share in other comprehensive income of a joint venture		**-**	**-**	**-**	**-**	**-**	**-**	**10**	**-**	**10**	**-**	**10**
Equity reserve for retirement plan - net of tax		**-**	**-**	**-**	**-**	**-**	**(444)**	**-**	**-**	**(444)**	**4**	**(440)**
Other comprehensive loss		**-**	**-**	**-**	**-**	**-**	**(444)**	**(1,028)**	**-**	**(1,472)**	**(217)**	**(1,689)**
Net loss for the year		**-**	**-**	**-**	**-**	**(11,380)**	**-**	**-**	**-**	**(11,380)**	**(33)**	**(11,413)**
Total comprehensive loss for the year		**-**	**-**	**-**	**-**	**(11,380)**	**(444)**	**(1,028)**	**-**	**(12,852)**	**(250)**	**(13,102)**
Cash dividends	*21*	**-**	**-**	**-**	**-**	**(2,515)**	**-**	**-**	**-**	**(2,515)**	**(100)**	**(2,615)**
Distributions paid	*21*	**-**	**-**	**-**	**-**	**(1,816)**	**-**	**-**	**-**	**(1,816)**	**-**	**(1,816)**
Issuance of redeemable perpetual securities	*21*	**-**	**-**	**11,298**	**-**	**-**	**-**	**-**	**-**	**11,298**	**-**	**11,298**
Transactions with owners		**-**	**-**	**11,298**	**-**	**(4,331)**	**-**	**-**	**-**	**6,967**	**(100)**	**6,867**
As of December 31, 2020		**P9,485**	**P37,500**	**P36,481**	**P15,000**	**P14,799**	**(P5,148)**	**(P13,223)**	**(P15,122)**	**P79,772**	**P6,423**	**P86,195**

Forward

	Note	Equity Attributable to Equity Holders of the Parent Company										
					Retained Earnings		Equity Reserves					
	Note	Capital Stock	Additional Paid-in Capital	Capital Securities	Appro-priated	Unappro-priated	Reserve for Retirement Plan	Other Reserves	Treasury Stock	Total	Non-controlling Interests	Total Equity
As of December 31, 2018		P9,485	P19,653	P24,881	P15,160	P34,331	(P2,940)	(P11,091)	(P10,000)	P79,479	P6,707	P86,186
Adjustment due to adoption of Philippine Financial Reporting Standard (PFRS) 16	*3*	-	-	-	-	(1,461)	-	-	-	(1,461)	(178)	(1,639)
As of January 1, 2019, as adjusted		9,485	19,653	24,881	15,160	32,870	(2,940)	(11,091)	(10,000)	78,018	6,529	84,547
Net loss on cash flow hedges - net of tax	*35*	-	-	-	-	-	-	(145)	-	(145)	-	(145)
Unrealized fair value losses on investments in debt instruments		-	-	-	-	-	-	10	-	10	-	10
Exchange differences on translation of foreign operations		-	-	-	-	-	-	(969)	-	(969)	(164)	(1,133)
Equity reserve for retirement plan - net of tax		-	-	-	-	-	(1,764)	-	-	(1,764)	(16)	(1,780)
Other comprehensive loss		-	-	-	-	-	(1,764)	(1,104)	-	(2,868)	(180)	(3,048)
Net income for the year		-	-	-	-	1,701	-	-	-	1,701	602	2,303
Total comprehensive income (loss) for the year						1,701	(1,764)	(1,104)	-	(1,167)	422	(745)
Cash dividends	*21*	-	-	-	-	(2,515)	-	-	-	(2,515)	(178)	(2,693)
Distributions paid	*21*	-	-	-	-	(1,697)	-	-	-	(1,697)	-	(1,697)
Issuance of preferred shares	*21*	-	17,847	-	-	-	-	-	2,000	19,847	-	19,847
Redemption of preferred shares	*21*	-	-	-	-	-	-	-	(7,122)	(7,122)	-	(7,122)
Issuance of redeemable perpetual securities	*21*	-	-	302	-	-	-	-	-	302	-	302
Reversal of retained earnings appropriation	*21*	-	-	-	(160)	160	-	-	-	-	-	-
Share issuance cost	*13*	-	-	-	-	(9)	-	-	-	(9)	-	(9)
Transactions with owners		-	17,847	302	(160)	(4,061)	-	-	(5,122)	8,806	(178)	8,628
As of December 31, 2019		P9,485	P37,500	P25,183	P15,000	P30,510	(P4,704)	(P12,195)	(P15,122)	P85,657	P6,773	P92,430

Forward

	Note	Capital Stock	Additional Paid-in Capital	Capital Securities	Retained Earnings: Appropriated	Retained Earnings: Unappropriated	Equity Reserves: Reserve for Retirement Plan	Equity Reserves: Other Reserves	Treasury Stock	Total (Equity Attributable to Equity Holders of the Parent Company)	Non-controlling Interests	Total Equity
As of December 31, 2017		P9,485	P19,653	P30,546	P15,160	P33,982	(P2,146)	(P3,025)	(P10,000)	P93,655	P5,964	P99,619
Adjustment due to adoption of PFRS 9		-	-	-	-	42	-	-	-	42	(2)	40
As of January 1, 2018, as adjusted		9,485	19,653	30,546	15,160	34,024	(2,146)	(3,025)	(10,000)	93,697	5,962	99,659
Net loss on cash flow hedges - net of tax	*35*	-	-	-	-	-	-	(77)	-	(77)	-	(77)
Unrealized fair value losses on investments in debt instruments		-	-	-	-	-	-	(8)	-	(8)	-	(8)
Exchange differences on translation of foreign operations		-	-	-	-	-	-	1,231	-	1,231	141	1,372
Equity reserve for retirement plan - net of tax		-	-	-	-	-	(794)	-	-	(794)	1	(793)
Other comprehensive income (loss)		-	-	-	-	-	(794)	1,146	-	352	142	494
Net income for the year		-	-	-	-	6,218	-	-	-	6,218	851	7,069
Total comprehensive income (loss) for the year		-	-	-	-	6,218	(794)	1,146	-	6,570	993	7,563
Cash dividends	*21*	-	-	-	-	(2,052)	-	-	-	(2,052)	(237)	(2,289)
Distributions paid	*21*	-	-	-	-	(3,839)	-	-	-	(3,839)	-	(3,839)
Redemption of undated subordinated capital securities	*21*	-	-	(30,546)	-	-	-	(9,223)	-	(39,769)	-	(39,769)
Issuance of senior perpetual capital securities	*21*	-	-	24,881	-	-	-	-	-	24,881	-	24,881
Acquisition of additional interest in a subsidiary	*13*	-	-	-	-	(20)	-	11	-	(9)	(11)	(20)
Transactions with owners		-	-	(5,665)	-	(5,911)	-	(9,212)	-	(20,788)	(248)	(21,036)
As of December 31, 2018		P9,485	P19,653	P24,881	P15,160	P34,331	(P2,940)	(P11,091)	(P10,000)	P79,479	P6,707	P86,186

See Notes to the Consolidated Financial Statements.

PETRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

(Amounts in Million Pesos)

	Note	**2020**	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		**(P16,211)**	P3,737	P10,455
Adjustments for:				
Depreciation and amortization	*25, 37*	**9,490**	13,245	11,543
Interest expense and other financing charges	*26, 37*	**11,313**	13,490	9,689
Retirement benefits costs	*30*	**289**	70	523
Interest income	*26*	**(780)**	(1,340)	(706)
Unrealized foreign exchange losses (gains) - net		**(2,308)**	(2,573)	2,484
Other losses (gains) - net		**(994)**	139	(1,738)
Operating income before working capital changes		**799**	26,768	32,250
Changes in noncash assets, certain current liabilities and others	*33*	**12,031**	11,847	(15,616)
Cash generated from operations		**12,830**	38,615	16,634
Contribution to retirement fund	*30*	**(315)**	(940)	(1,068)
Interest paid		**(10,758)**	(12,722)	(9,035)
Income taxes paid		**(110)**	(949)	(1,980)
Interest received		**886**	1,358	496
Net cash flows provided by operating activities		**2,533**	25,362	5,047
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment	*10*	**(8,167)**	(17,547)	(10,416)
Proceeds from sale of property and equipment		**144**	43	58
Acquisition of investment property	*12*	**(591)**	(2,466)	(852)
Proceeds from sale of investment property		**-**	116	-
Increase in other noncurrent assets		**(43)**	(582)	(79)
Proceeds from disposal (acquisition) of:				
Investment in subsidiary - net	*13*	**181**	-	-
Investments in debt instruments	*7*	**39**	(31)	148
Net cash flows used in investing activities		**(8,437)**	(20,467)	(11,141)

Forward

	Note	**2020**	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availment of loans	*33*	**P151,408**	P386,875	P339,581
Payments of:				
Loans	*33*	**(155,604)**	(381,558)	(312,564)
Lease liabilities	*29, 33*	**(2,361)**	(1,128)	-
Cash dividends and distributions	*21, 33*	**(4,423)**	(4,100)	(6,160)
Issuance of preferred shares	*21*	**-**	19,847	-
Redemption of preferred shares	*21*	**-**	(7,122)	-
Issuance of redeemable and senior perpetual capital securities	*21*	**11,298**	302	24,881
Redemption of undated subordinated capital securities	*21*	**-**	-	(39,769)
Acquisition of additional interest in a subsidiary	*13*	**-**	-	(20)
Net cash flows provided by financing activities		**318**	13,116	5,949
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(1,579)**	(1,198)	536
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(7,165)**	16,813	391
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**34,218**	17,405	17,014
CASH AND CASH EQUIVALENTS AT END OF YEAR	*5*	**P27,053**	P34,218	P17,405

See Notes to the Consolidated Financial Statements.

PETRON CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Million Pesos, Except Par Value, Number of Shares and Per Share Data, Exchange Rates and Commodity Volumes)

1. Reporting Entity

Petron Corporation (the "Parent Company" or "Petron") was incorporated under the laws of the Republic of the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on December 22, 1966. On September 13, 2013, the SEC approved the extension of the Parent Company's corporate term to December 22, 2066. The accompanying consolidated financial statements comprise the financial statements of Petron Corporation and Subsidiaries (collectively referred to as the "Group") and the Group's interests in an associate and joint ventures.

Pursuant to the Parent Company's Articles of Incorporation (AOI), it has a corporate life of 50 years or for such longer period as may hereafter be authorized by the laws of the Philippines. Under Section 11 of the Revised Corporation Code of the Philippines, the Parent Company shall have a perpetual existence unless its AOI provides otherwise.

Petron is the only oil refining and the leading marketing company in the Philippines. Petron is committed to its vision to be the leading provider of total customer solutions in the energy sector and its derivative businesses.

Petron operates the modern refinery in Bataan, with a rated capacity of 180,000 barrels a day. Petron's Integrated Management Systems (IMS) - certified refinery processes crude oil into a full range of world-class petroleum products including liquefied petroleum gas (LPG), gasoline, diesel, jet fuel, kerosene, and petrochemicals. From the refinery, Petron moves its products mainly by sea to more than 30 terminals strategically located across the country. Through this network, Petron supplies fuels to its service stations and various essential industries such as power-generation, transportation, manufacturing, agriculture, etc. Petron also supplies jet fuel at key airports to international and domestic carriers.

With over 2,000 service stations and hundreds of industrial accounts, Petron remains the leader in the Philippine fuel market. Petron retails gasoline and diesel to motorists and public transport operators. Petron also sells its LPG brands "Gasul" and "Fiesta" to households and other industrial consumers through an extensive dealership network. In line with efforts to increase its presence in the regional market, Petron exports various products to Asia-Pacific countries.

Petron sources its fuel additives from its blending facility in Subic Bay. This gives Petron the capability to formulate unique additives suitable for the driving conditions in the Philippines. Petron also has a facility in Mariveles, Bataan where the refinery's propylene production is converted into higher-value polypropylene resin.

Today, Petron is one of the leading oil companies in Malaysia with an integrated business which includes an 88,000 barrel-per-day refinery, 11 terminals and facilities, and a network of more than 700 service stations.

The Parent Company is a public company under Section 17.2 of Securities Regulation Code (SRC) and its shares of stock are listed for trading at the Philippine Stock Exchange (PSE). As of December 31, 2020, the Parent Company's public float stood at 26.73%.

The intermediate parent company of Petron is San Miguel Corporation (SMC) while its ultimate parent company is Top Frontier Investment Holdings, Inc. Both companies are incorporated in the Philippines.

The registered office address of Petron is SMC Head Office Complex, 40 San Miguel Avenue, Mandaluyong City.

2. Basis of Preparation

Statement of Compliance

The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

The consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on March 9, 2021.

Basis of Measurement

The consolidated financial statements of the Group have been prepared on the historical cost basis of accounting except for the following which are measured on an alternative basis at each reporting date:

Items	Measurement Bases
Derivative financial instruments	Fair value
Financial assets at fair value through profit or loss (FVPL)	Fair value
Investments in debt instruments at fair value through other comprehensive income (FVOCI)	Fair value
Retirement benefits liability	Present value of the defined benefit obligation less fair value of plan assets

Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency. All financial information presented in Philippine peso is rounded off to the nearest million (P000,000), except when otherwise indicated.

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries. These subsidiaries are:

Name of Subsidiary	Percentage of Ownership 2020	2019	Country of Incorporation
Overseas Ventures Insurance Corporation Ltd. (Ovincor)	**100.00**	100.00	Bermuda
Petrogen Insurance Corporation (Petrogen)	**100.00**	100.00	Philippines
Petron Freeport Corporation (PFC)	**100.00**	100.00	Philippines
Petron Singapore Trading Pte., Ltd. (PSTPL)	**100.00**	100.00	Singapore
Petron Marketing Corporation (PMC)	**100.00**	100.00	Philippines
New Ventures Realty Corporation (NVRC) and Subsidiaries	**85.55**	85.55	Philippines
Petrofuel Logistics Inc. (PLI), formerly Limay Energen Corporation (LEC)	**-**	100.00	Philippines
Petron Global Limited (PGL)	**100.00**	100.00	British Virgin Islands
Petron Finance (Labuan) Limited (PFL)	**100.00**	100.00	Malaysia
Petron Oil and Gas Mauritius Ltd. (POGM) and Subsidiaries	**100.00**	100.00	Mauritius
Petrochemical Asia (HK) Limited (PAHL) and Subsidiaries	**100.00**	100.00	Hong Kong

Petrogen and Ovincor are both engaged in the business of non-life insurance and re-insurance.

The primary purpose of PFC and PMC is to, among others, sell on wholesale or retail and operate service stations, retail outlets, restaurants, convenience stores and the like.

PSTPL's principal activities include those relating to the procurement of crude oil, ethanol, catalysts, additives, coal and various petroleum finished products; crude vessel chartering and commodity risk management.

NVRC's primary purpose is to acquire real estate and derive income from its sale or lease. As of December 31, 2020 and 2019, NVRC owns 100% of Las Lucas Construction and Development Corporation (LLCDC), Parkville Estates & Development Corporation (PEDC), South Luzon Prime Holdings, Inc. (SLPHI), Abreco Realty Corporation (ARC) and 60% of Mariveles Landco Corporation (MLC).

On July 8, 2019, the BOD and stockholders of LEC approved the amendment of its Amended AOI to reflect the change in LEC's name to Petrofuel Logistics, Inc., change in the LEC's primary purpose and the increase in its authorized capital stock. On September 27, 2019, the application for the amendment in AOI was approved by the SEC. The amended primary purpose of LEC is to engage in the business of providing logistics and freight forwarding services related to transportation and storage of various goods and products, including owning and operating real or personal properties in relation to the business, and to engage in necessary and/or incidental business or activities.

On August 28, 2020, the Parent Company signed the Share Purchase Agreement with San Miguel Integrated Logistics Services, Inc. (SMILSI) for the sale by the Parent Company of its 100% ownership in PLI's equity which is equivalent to the entire 2,010,000 outstanding shares of PLI. The closing of the transaction occurred on September 1, 2020 (Note 13).

PGL is a holding company incorporated in the British Virgin Islands.

POGM is a holding company incorporated under the laws of Mauritius. POGM owns an offshore subsidiary Petron Oil and Gas International Sdn. Bhd. (POGI).

As of December 31, 2020 and 2019, POGI owns 73.4% of Petron Malaysia Refining & Marketing Bhd (PMRMB) and 100% of both Petron Fuel International Sdn Bhd (PFISB) and Petron Oil (M) Sdn Bhd (POMSB), collectively hereinafter referred to as "Petron Malaysia".

Petron Malaysia is involved in the refining and marketing of petroleum products in Malaysia.

PFL is a holding company incorporated under the laws of Labuan, Malaysia.

PAHL is a holding company incorporated in Hong Kong in March 2008. As of December 31, 2020 and 2019, PAHL owns 100% of Robinsons International Holdings Limited (RIHL) which owns 100% of Philippine Polypropylene, Inc. (PPI) and 40% of MLC.

A subsidiary is an entity controlled by the Group. The Group controls an entity if and only if, the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Intergroup balances and transactions, including intergroup unrealized profits and losses, are eliminated in preparing the consolidated financial statements.

Non-controlling interests represent the portion of consolidated statements of income and net assets not attributable to the Parent Company and are presented in the consolidated statements of income, consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the equity attributable to equity holders of the Parent Company.

Non-controlling interests represent the interests not held by the Parent Company in NVRC and PMRMB in 2020 and 2019.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, the Group: (i) derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests and the cumulative transaction differences recorded in equity; (ii) recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in consolidated statements of income; and (iii) reclassify the Parent Company's share of components previously recognized in other comprehensive income (OCI) to consolidated statements of income or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Reclassification
Certain accounts have been reclassified to conform with the current year's presentation.

The effect of the reclassification on the consolidated statements of financial position as at December 31, 2019 is summarized below:

	Note	**As Previously Presented**	**Reclassification**	**As Reclassified**
Property, Plant and Equipment - net	*10*	P167,941	P326	P168,267
Other noncurrent assets - net	*14*	3,070	(326)	2,744

The reclassification did not have an effect on the consolidated income, consolidated total comprehensive income and cash flows for the year ended December 31, 2019.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, except for the changes in accounting policies as explained below.

Adoption of New and Amended Standards and Interpretations
The Group has adopted the following new and amended standards and interpretations effective January 1, 2020 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of the amended standards and framework did not have a material effect on the consolidated financial statements.

- Amendments to References to Conceptual Framework in PFRS sets out amendments to PFRS, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes: (a) a new chapter on measurement; (b) guidance on reporting financial performance; (c) improved definitions of an asset and a liability, and guidance supporting these definitions; and (d) clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee's Framework for the Preparation and Presentation of Financial Statements adopted by the IASB in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework and make other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

- Definition of a Business (Amendments to PFRS 3, *Business Combinations*). The amendments narrowed and clarified the definition of a business. The amendments also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments: (a) confirmed that a business must include inputs and a process, and clarified that the process must be substantive and the inputs and process must together significantly contribute to creating outputs; (b) narrowed the definition of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and (c) added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

- Definition of Material (Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments refine the definition of what is considered material. The amended definition of what is considered material states that such information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of what is considered material and its application by: (a) raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence'; (b) including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition; (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework; (d) clarifying the explanatory paragraphs accompanying the definition; and (e) aligning the wording of the definition of what is considered material across PFRS and other publications. The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

The Group has early adopted the below PFRS effective June 1, 2020 and accordingly, changed its accounting policy:

- Coronavirus Disease 2019 (COVID-19) Related Rent Concessions (Amendment to PFRS 16, *Leases*). The amendment introduces an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The practical expedient apply if:

  - the revised consideration is substantially the same or less than the original consideration;

  - the reduction in lease payments relates to payments due on or before June 30, 2021; and

  - no other substantive changes have been made to the terms of the lease.

  The Group has lease agreements with rent concessions that ranges from one to two months of rental payments in 2020. The rent concessions decreased the lease liabilities and increased other income by P23 (Note 26).

Standards Issued but Not Yet Adopted

A number of new and amended standards are effective for annual periods beginning after January 1, 2020 and have not been applied in preparing the consolidated financial statements. Unless otherwise indicated, none of these is expected to have a significant effect on the consolidated financial statements.

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

- Interest Rate Benchmark Reform - Phase 2 (Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4, *Insurance Contracts* and PFRS 16). To ensure that financial statements best reflect the economic effects of interest rate benchmark reforms, the Phase 2 amendments were issued and focus on the accounting once a new benchmark rate is in place. The reliefs allow companies not to recognize significant modification gains or losses on financial instruments and mitigate the risk of discontinuations of existing hedging relationships because of changes required by reforms. The amendments address issues that might affect financial reporting during the reform in the following key areas:

  - *Practical Expedient for Particular Changes to Contractual Cash Flows*. As a practical expedient, a company will account for a change in the basis for determining the contractual cash flows that is required by the reform by updating the effective interest rate of the financial instrument. If there are other changes to the basis for determining the contractual cash flows, then a company first applies the practical expedient to the changes required by the reform and then applies other applicable requirements of PFRS 9 to other changes. A similar practical expedient applies to insurers applying PAS 39 and lessees for lease modifications required by a reform.

- *Relief from Specific Hedge Accounting* . The amendments enable and require companies to continue hedge accounting in circumstances when changes to hedged items and hedging instruments arise as a result of changes required by the reform. A company is required to amend the formal designation of hedging relationships to reflect the changes required by the reform. Reliefs are also provided for amounts accumulated in the cash flow hedge reserve, the separately identifiable requirement, groups of items designated as hedged items and retrospective effectiveness assessment under PAS 39.

- *Disclosure Requirements*. To enable users of financial statements to understand the effect of reforms on a company's financial instruments and risk management strategy, additional disclosures are required on how transition to alternative benchmark rates are being managed, quantitative information about financial instruments indexed to rates yet to transition due to benchmark reform at the end of the reporting period, and the extent to which changes to the risk management strategy have occurred due to the risks identified in the transition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2021. Earlier application is permitted. The amendments apply retrospectively, but restatement of comparative information is not required. Reinstatement of a discontinued hedging relationship is required if the hedging relationship was discontinued solely because of changes required by the reform, and that discontinued hedging relationship meets all qualifying criteria for hedge accounting at the date of initial application.

The amendments are still subject to the approval by the FRSC.

- Property, Plant and Equipment - Proceeds before Intended Use (Amendments to PAS 16, *Property, Plant and Equipment*). The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

For the sale of items that are not part of a Company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*). The amendments clarify that the costs of fulfilling a contract comprise both the incremental costs (e.g., direct labor and materials); and an allocation of other direct costs (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS Standards 2018 - 2020. This Cycle of improvements contains amendments to four standards, of which the following are applicable to the Group:

  - Fees in the ’10 per cent’ Test for Derecognition of Financial Liabilities (Amendment to PFRS 9*).* This amendment clarifies that for the purpose of performing the ‘10 per cent test’ for derecognition of financial liabilities, in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

  - Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application permitted.

- Reference to the Conceptual Framework (Amendment to PFRS 3*).* The amendments:

  - updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;

  - added a requirement that, for transactions and other events within the scope of PAS 37 or IFRIC 21, *Levies*, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

  - added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

  The amendments are effective for business combinations occurring in reporting periods starting on or after January 1, 2022, with earlier adoption permitted.

- Classification of Liabilities as Current or Noncurrent (Amendments to PAS 1). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

  - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and

  - clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

  The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

- PFRS 17, *Insurance Contracts*, replaces the interim standard, PFRS 4, *Insurance Contracts*, and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The new standard reflects the view that an insurance contract combines features of both a financial instrument and a service contract, and considers the fact that many insurance contracts generate cash flows with substantial variability over a long period. PFRS 17 introduces a new approach that: (a) combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract; (b) presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and (c) requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognize all insurance finance income or expenses for the reporting period in profit or loss or to recognize some of that income or expenses in other comprehensive income (OCI).

  Under PFRS 17, groups of insurance contracts are measured based on fulfilment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policy holders, and a contractual service margin, which represents the unearned profit the entity will recognize as it provides services over the coverage period. Subsequent to initial recognition, the liability of a group of insurance contracts represents the liability for remaining coverage and the liability for incurred claims, with the fulfilment cash flows remeasured at each reporting date to reflect current estimates.

  Simplifications or modifications to the general measurement model apply to groups of insurance contracts measured using the 'premium allocation approach', investment contracts with discretionary participation features, and reinsurance contracts held.

  PFRS 17 brings greater comparability and transparency about the profitability of new and in-force business and gives users of financial statements more insight into an insurer's financial health. Separate presentation of underwriting and financial results will give added transparency about the sources of profits and quality of earnings.

PFRS 17 is effective for annual periods beginning on or after January 1, 2023. Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. Early application is permitted for entities that apply PFRS 9 and PFRS 15, *Revenue from Contracts with Customers*, on or before the date of initial application of PFRS 17.

Deferral of the local implementation of Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures*: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28). The amendments address an inconsistency in the requirements in PFRS 10 and PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

  Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. However, on January 13, 2016, the FRSC decided to postpone the effective date until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when: (a) it is expected to be settled in the normal operating cycle; (b) it is held primarily for trading; (c) it is due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

Financial Instruments

Recognition and Initial Measurement. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument.

A financial asset (unless a trade receivable without a significant financing component) or financial liability is initially measured at the fair value of the consideration given or received. The initial measurement of financial instruments, except for those designated as at FVPL, includes transaction costs. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial Assets
The Group classifies its financial assets, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL. The classification depends on the contractual cash flow characteristics of the financial assets and the business model of the Group for managing the financial assets.

Subsequent to initial recognition, financial assets are not reclassified unless the Group changes the business model for managing financial assets. All affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

The business model refers to how the Group manages the financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The Group considers the following information in assessing the objective of the business model in which a financial asset is held at a portfolio level, which reflects the way the business is managed and information is provided to management:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;

- how the performance of the portfolio is evaluated and reported to the Group's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how employees of the business are compensated; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

The Group considers the contractual terms of the instrument in assessing whether the contractual cash flows are solely payments of principal and interest. For purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin. The assessment includes whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Group considers the following in making the assessment:

- contingent events that would change the amount or timing of cash flows;

- terms that may adjust the contractual coupon rate, including variable rate features;

- prepayment and extension features; and

- terms that limit the Group's claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

For purposes of subsequent measurement, financial assets are classified in the following categories: financial assets at amortized cost, financial assets at FVOCI (with or without recycling of cumulative gains and losses) and financial assets at FVPL.

Financial Assets at Amortized Cost. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model with the objective of holding financial assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the consolidated statements of income when the financial asset is derecognized, modified or impaired.

The Group's cash and cash equivalents, trade and other receivables, investment in debt instruments at amortized cost, noncurrent receivables and deposits, and restricted cash are included under this category.

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

Financial Assets at FVOCI. Investment in debt instruments is measured at FVOCI if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in the fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Financial assets at FVOCI are subsequently measured at fair value. Changes in fair value are recognized in OCI.

Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment on investment in debt instruments are recognized in the consolidated statements of income. When investment in debt instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the consolidated statements of changes in equity are transferred to and recognized in the consolidated statements of income.

Dividends earned on holding an investment in equity instrument are recognized as dividend income in the consolidated statements of income when the right to receive the payment has been established, unless the dividend clearly represents a recovery of the part of the cost of the investment. When investment in equity instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the consolidated statements of changes in equity are never reclassified to the consolidated statements of income.

The Group's investments in equity and debt instruments at FVOCI are classified under this category.

Financial Assets at FVPL. All financial assets not classified as measured at amortized cost or FVOCI are measured at FVPL. This includes derivative financial assets that are not designated as cash flow hedge. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVPL.

At initial recognition, the Group may irrevocably designate a financial asset as at FVPL if the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on different bases.

The Group carries financial assets at FVPL using their fair values. Attributable transaction costs are recognized in the consolidated statements of income as incurred. Changes in fair value and realized gains or losses are recognized in the consolidated statements of income. Fair value changes from derivatives accounted for as part of an effective cash flow hedge are recognized in other comprehensive income. Any interest earned from investment in debt instrument designated as at FVPL is recognized in the consolidated statements of income. Any dividend income from investment in equity instrument is recognized in the consolidated statements of income when the right to receive payment has been established, unless the dividend clearly represents a recovery of the part of the cost of the investment.

The Group's derivative assets that are not designated as cash flow hedge and investments in equity instruments at FVPL are classified under this category.

<u>Financial Liabilities</u>
The Group determines the classification of its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

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

The Group carries financial liabilities at FVPL using their fair values and reports fair value changes in the consolidated statements of income. Any interest expense incurred is recognized as part of "Interest expense and other financing charges" account in the consolidated statements of income.

The Group's derivative liabilities that are not designated as cash flow hedge are classified under this category.

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at FVOCI or amortized cost using the effective interest method. Fair value changes from derivatives accounted for as part of an effective accounting hedge are recognized in other comprehensive income and presented in the consolidated statements of changes in equity. Amortized cost of other financial liabilities is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability. The effective interest rate amortization is included in "Interest expense and other financing charges" account in the consolidated statements of income. Gains and losses are recognized in the consolidated statements of income when the liabilities are derecognized as well as through the amortization process.

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in the consolidated statements of income.

The Group's liabilities arising from its trade or borrowings such as loans payable, accounts payable and accrued expenses, long-term debt, lease liabilities and other noncurrent liabilities are included under this category.

<u>Derecognition of Financial Assets and Financial Liabilities</u>
Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

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

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group is required to repay.

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

Impairment of Financial Assets
The Group recognizes allowance for expected credit loss (ECL) on financial assets at amortized cost and investments in debt instruments at FVOCI.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive), discounted at the effective interest rate of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

The Group recognizes an allowance for impairment based on either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group recognizes lifetime ECLs for receivables that do not contain significant financing component. The Group uses provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the borrowers and the economic environment.

At each reporting date, the Group assesses whether these financial assets at amortized cost and investments in debt instruments at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the restructuring of a financial asset by the Group on terms that the Group would not consider otherwise;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

The Group considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants.

The Group directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the contractual cash flows on a financial asset, either partially or in full. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The ECLs on financial assets at amortized cost are recognized as allowance for impairment losses against the gross carrying amount of the financial asset, with the resulting impairment losses (or reversals) recognized in the consolidated statements of income. The ECLs on investments in debt instruments at FVOCI are recognized as accumulated impairment losses in other comprehensive income, with the resulting impairment losses (or reversals) recognized in the consolidated statements of income.

Classification of Financial Instruments between Liability and Equity

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;

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

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

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

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole or in part, the amount separately determined as the fair value of the liability component on the date of issue.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative Financial Instruments and Hedge Accounting

The Group uses derivative financial instruments, such as forwards, swaps and options to manage its exposure on foreign currency, interest rate and commodity price risks. Derivative financial instruments are initially recognized at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Changes in the fair value of derivatives that are not designated as hedging instruments are recognized in the consolidated statements of income.

Freestanding Derivatives

The Group designates certain derivatives as hedging instruments to hedge the exposure to variability in cash flows associated with recognized liabilities arising from changes in foreign exchange rates and interest rates.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedging instrument are expected to offset the changes in cash flows of the hedged item.

Cash Flow Hedge. When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the “Other reserves” account in the consolidated statements of changes in equity. The effective portion of changes in the fair value of the derivative that is recognized in other comprehensive income is limited to the cumulative change in fair value of the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the consolidated statements of income.

The Group designates only the intrinsic value of options and the change in fair value of the spot element of forward contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the time value of options, the forward element of forward contracts and the foreign currency basis spread of financial instruments are separately accounted for as cost of hedging and recognized in other comprehensive income. The cost of hedging is removed from other comprehensive income and recognized in the consolidated statements of income, either over the period of the hedge if the hedge is time related, or when the hedged transaction affects the consolidated statements of income if the hedge is transaction related.

When the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is transferred and included in the initial cost of the hedged asset or liability. For all other hedged transactions, the amount accumulated in equity is reclassified to the consolidated statements of income as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the consolidated statements of income.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument expires, is sold, is terminated or is exercised, hedge accounting is discontinued prospectively. The amount that has been accumulated in equity is: (a) retained until it is included in the cost of non-financial item on initial recognition, for a hedge of a transaction resulting in the recognition of a non-financial item; or (b) reclassified to the consolidated statements of income as a reclassification adjustment in the same period or periods as the hedged cash flows affect the consolidated statements of income, for other cash flow hedges. If the hedged future cash flows are no longer expected to occur, the amounts that have been accumulated in equity are immediately reclassified to the consolidated statements of income.

The Group has outstanding derivatives accounted for as cash flow hedge as at December 31, 2020 and 2019 (Note 35).

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

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

(a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;

(b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

(c) the hybrid or combined instrument is not recognized as at FVPL.

However, an embedded derivative is not separated if the host contract is a financial asset.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL.

The Group has embedded derivatives as at December 31, 2020 and 2019 (Note 35).

Inventories

Inventories are carried at the lower of cost or net realizable value (NRV). For petroleum products and crude oil, the NRV is the estimated selling price in the ordinary course of business, less the estimated costs to complete and/or market and distribute.

For financial reporting purposes, the Group uses the first-in, first-out method in costing petroleum products and crude oil. Cost is determined using the moving-average method in costing lubes and greases, blending components, polypropylene, materials and supplies inventories. For income tax reporting purposes, cost of all inventories is determined using the moving-average method.

For financial reporting purposes, duties and taxes related to the acquisition of inventories are capitalized as part of inventory cost. For income tax reporting purposes, such duties and taxes are treated as deductible expenses in the year these charges are incurred.

Business Combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included as part of "Selling and administrative expenses" account in the consolidated statements of income.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at the acquisition date fair values and any resulting gain or loss is recognized in the consolidated statements of income.

The Group measures goodwill at the acquisition date as: a) the fair value of the consideration transferred; plus b) the recognized amount of any non-controlling interests in the acquiree; plus c) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less d) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in the consolidated statements of income. Subsequently, goodwill is measured at cost less any accumulated impairment in value. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in the consolidated statements of income. Costs related to the acquisition, other than those associated with the issuance of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in the consolidated statements of income.

- *Goodwill in a Business Combination.*

  Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities are assigned to those units or groups of units.

  Each unit or group of units to which the goodwill is allocated:

  - represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

  - is not larger than an operating segment determined in accordance with PFRS 8, *Operating Segments*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit or group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. An impairment loss with respect to goodwill is not reversed.

- *Intangible Assets Acquired in a Business Combination.*
  The cost of an intangible asset acquired in a business combination is the fair value at the date of acquisition, determined using discounted cash flows as a result of the asset being owned.

  Following initial recognition, intangible asset is carried at cost less any accumulated amortization and impairment losses, if any. The useful life of an intangible asset is assessed to be either finite or indefinite.

  An intangible asset with finite life is amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each reporting date.

  A change in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for as a change in accounting estimate. The amortization expense on intangible asset with finite life is recognized in the consolidated statements of income.

<u>Business Combinations under Common Control</u>
The Group accounts for business combinations involving entities that are ultimately controlled by the same ultimate parent before and after the business combination and the control is not transitory, using the pooling of interests method.

The assets and liabilities of the combining entities are reflected in the consolidated statements of financial position at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments are those to align accounting policies between the combining entities.

No new goodwill is recognized as a result of the business combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is recognized in equity.

The consolidated statements of income reflect the results of the combining entities for the full year, irrespective of when the combination took place.

Comparatives are presented as if the entities had been combined for the period that the entities were under common control.

Non-controlling Interests
The acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. Any difference between the purchase price and the net assets of the acquired entity is recognized in equity. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

Interest in Joint Ventures
A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's 33.33% joint venture interest in Pandacan Depot Services, Inc. (PDSI) and 50.00% joint venture interest in Terminal Bersama Sdn Bhd (TBSB), included under "Other noncurrent assets - net" account in the consolidated statements of financial position, are accounted for under the equity method of accounting. The interest in joint ventures is carried in the consolidated statements of financial position at cost plus post-acquisition changes in the Group's share in net income (loss) of the joint ventures, less any impairment in value. The consolidated statements of income reflect the Group's share in the results of operations of the joint ventures presented as part of "Other expenses" account. As of December 31, 2020, the Group has capital commitments amounting to P0.1 and nil for TBSB and PDSI, respectively. The Group has no contingent liabilities in relation to its interest in these joint ventures.

Results of operations as well as financial position balances of PDSI and TBSB were less than 1% of the consolidated balances of the Group and as such are assessed as not material; hence, not separately disclosed.

Property, Plant and Equipment
Property, plant and equipment, except land, are stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment at the time that cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less any impairment in value, if any.

The initial cost of property, plant and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as an expense in the period the costs are incurred. Major repairs are capitalized as part of property, plant and equipment only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the items can be measured reliably.

Construction in progress (CIP) represents structures under construction and is stated at cost. This includes the costs of construction and other direct costs. Borrowing costs that are directly attributable to the construction of plant and equipment are capitalized during the construction period. CIP is not depreciated until such time that the relevant assets are ready for use.

For financial reporting purposes, depreciation and amortization for property, plant and equipment other than those assets used in production such as refinery and plant equipment, which commences when the assets are available for its intended use, are computed using the straight-line method. 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. The estimated useful lives of the assets are as follows:

	Number of Years
Buildings and improvements and related facilities	7 - 50
Refinery and plant equipment	4 - 34
Service stations and other equipment	3 - 33
Computers, office and motor equipment	2 - 20
Land and leasehold improvements	10- 12 or the term of the lease, whichever is shorter

For financial reporting purposes, duties and taxes related to the acquisition of property, plant and equipment are capitalized. For income tax reporting purposes, such duties and taxes are treated as deductible expenses in the year these charges are incurred.

For income tax reporting purposes, depreciation and amortization are computed using the double-declining balance method.

The remaining useful lives, residual values, and depreciation and amortization method are reviewed and adjusted periodically, if appropriate, to ensure that such periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property, plant and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the consolidated statements of income in the period of retirement and disposal.

Leases

Policy Applicable from January 1, 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use:

- the Group has the right to obtain substantially all the economic benefits from use of the identified asset; and

- the Group has the right to direct the use of the identified asset.

Group as a Lessee
The Group recognizes a right-of-use asset and a lease liability at the lease commencement date (i.e., the date the underlying asset is available for use). The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise of the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. The carrying amount of the lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or a change in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognized in the consolidated statements of income if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognize right-of use assets and lease liabilities for short-term leases (i.e., lease that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets, including pallets and computer equipment. The Group recognizes the lease payments associated with these leases as expense on a straight-line basis over the lease term.

The Group has applied COVID-19-Related Rent Concessions. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification.

Group as a Lessor
The Group determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, the lease is classified as a finance lease; if not, it is classified as an operating lease. As part of the assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the recognition exemption, it classifies the sublease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies PFRS 15 to allocate the consideration in the contract.

The Group identified the use of loaned equipment related to the sale of goods to be accounted for under PFRS 16. The Group provides equipment such as pumps, tanks, signage and other ancillary equipment necessary for the operation of the business. These are loaned to the customers for the duration of the contract for the sole purpose of storing, handling and selling products and shall, at all times, remain the property of Petron. The Group allocates portion of the revenue to the use of loaned equipment and presented as part of "Net sales" in the consolidated statements of income based on adjusted market assessment approach. Lease revenue from the use of loaned equipment is contingent to, and recognized at the same time as, the sale of goods.

The Group recognizes lease payments received under operating leases as rent income on a straight-line basis over the lease term.

Policy Applicable before January 1, 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) a renewal option is exercised or an extension is granted, unless the term of the renewal or extension was initially included in the lease term;

(c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or

(d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d), and at the date of renewal or extension period for scenario (b) above.

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Obligations arising from plant assets under finance lease agreement are classified in the consolidated statements of financial position as finance lease liabilities.

Lease payments are apportioned between financing charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Financing charges are recognized in the consolidated statements of income.

Capitalized leased assets are depreciated over the estimated useful lives of the assets when there is reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating Lease
Group as a Lessee. Leases which do not transfer to the Group substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statements of income on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

Group as a Lessor. Leases where the Group does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rent income. Contingent rents are recognized as income in the period in which they are earned.

Investment Property
Investment property consists of property held to earn rentals and/or for capital appreciation but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment property, except for land, is measured at cost including transaction costs less accumulated depreciation and amortization and any accumulated impairment in value. Cost also includes any related asset retirement obligation (ARO), if any. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

Depreciation and amortization, which commence when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Buildings and improvements	7 - 50
Land and leasehold improvements	10 or the term of the lease, whichever is shorter

The useful lives and depreciation and amortization method are reviewed and adjusted, if appropriate, at each reporting date.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognized in the consolidated statements of income in the period of retirement or disposal.

Transfers are made to investment property when, and only when, there is an actual change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is an actual change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditures are recognized in the consolidated statements of income in the year in which the related expenditures are incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and amortization method used for an intangible asset with a finite useful life are reviewed at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimate. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of income consistent with the function of the intangible asset.

Amortization is computed using the straight-line method over the following estimated useful lives of the other intangible assets with finite lives:

	Number of Years
Software	5 - 7
Franchise fee	3 - 10
Other intangibles	10 - 16

Gains or losses arising from the disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the consolidated statements of income when the asset is derecognized.

As of December 31, 2020 and 2019, the Group has existing and pending trademark registration for its products for a term of 10 to 20 years. It also has copyrights for its 7-kg LPG container, Gasulito with stylized letter “P” and two flames, Powerburn 2T, Petron New Logo (22 styles), Philippine Card Designs and Malaysian Card Designs, and Petron font. Copyrights endure during the lifetime of the creator and for another 50 years after creator’s death.

The amount of intangible assets is included as part of “Other noncurrent assets - net” in the consolidated statements of financial position.

Expenses incurred for research and development of internal projects and internally developed patents and copyrights are expensed as incurred and are part of “Selling and administrative expenses” account in the consolidated statements of income.

Asset Held for Sale

The Group classifies assets as held for sale, if their carrying amounts will be recovered primarily through sale rather than through continuing use. The assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in the consolidated statements of income. Gains are not recognized in excess of any cumulative impairment losses.

The criteria for held for sale is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes will be made or that the decision on sale will be withdrawn. Management must be committed to the sale within one year from date of classification.

Equity accounting of equity-accounted investees ceases once classified as held for sale.

Assets held for sale are presented under “Other current assets” account in the consolidated statements of financial position.

Impairment of Nonfinancial Assets

The carrying amounts of property, plant and equipment, right-of-use assets, investment property, intangible assets with finite useful lives, investment in shares of stock of an associate and interest in joint ventures are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill, licenses and trademarks and brand names with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statements of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of income. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset’s revised carrying amount, less any residual value, on a systematic basis over its remaining useful life. An impairment loss with respect to goodwill is not reversed.

Cylinder Deposits
The Group purchases LPG cylinders which are loaned to dealers upon payment by the latter of an amount equivalent to about 90% of the acquisition cost of the cylinders.

The Group maintains the balance of cylinder deposits at an amount equivalent to three days worth of inventory of its biggest dealers, but in no case lower than P200 at any given time, to take care of possible returns by dealers.

At the end of each reporting date, cylinder deposits, shown under "Other noncurrent liabilities" account in the consolidated statements of financial position, are reduced for estimated non-returns. The reduction is recognized directly in the consolidated statements of income.

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

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

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

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

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

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

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

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

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

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

Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

The Group recognizes provisions arising from legal and/or constructive obligations associated with the cost of dismantling and removing an item of property, plant and equipment and restoring the site where it is located, the obligation for which the Group incurs either when the asset is acquired or as a consequence of using the asset during a particular year for purposes other than to produce inventories during the year.

Capital Stock

Common Shares. Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Preferred Shares. Preferred shares are classified as equity if they are non-redeemable, or redeemable only at the option of the Parent Company, and any dividends thereon are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the BOD of the Parent Company.

Preferred shares are classified as a liability if they are redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in the consolidated statements of income as accrued.

Additional Paid-in Capital

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the “Additional paid-in capital” account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Parent Company, the shares are measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Capital Securities

Undated Subordinated Capital Securities (USCS) are classified as equity instruments in the consolidated financial statements since there is no contractual obligation to deliver cash or other financial assets to another person or entity or to exchange financial assets or liabilities with another person or entity that is potentially unfavorable to the issuer (Note 21).

Senior Perpetual Capital Securities (SPCS) and Redeemable Perpetual Securities (RPS) are classified as equity instruments in the consolidated financial statements since these securities are perpetual securities in respect of which there is no fixed redemption date and the redemption is at the option of the Parent Company. Also, the Parent Company has the sole and absolute discretion to defer payment of any or all of the distribution (Note 21).

Incremental costs directly attributable to the issuance of capital securities are recognized as a deduction from equity, net of tax. The proceeds received net of any directly attributable transaction costs are credited to capital securities.

Retained Earnings

Retained earnings represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments. Appropriated retained earnings represent that portion which is restricted and therefore not available for any dividend declaration.

Treasury Stock

Own equity instruments which are reacquired are carried at cost and deducted from equity. No gain or loss is recognized on the purchase, sale, reissuance or cancellation of the Parent Company's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Revenue

The Group recognizes revenue from contracts with customers when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties.

The transfer of control can occur over time or at a point in time. Revenue is recognized at a point in time unless one of the following criteria is met, in which case it is recognized over time: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has concluded that it acts as a principal as it controls the goods or services before transferring to the customer.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods. Revenue is recognized at the point in time when control of petroleum and related products is transferred to the customer, which is normally upon delivery of the goods. The Group provides trade discounts and volume rebates to certain customers based on the level of their purchases which may be applied against the amount of their existing or future payables to the Group. Trade discounts and volume rebates do not result to significant variable consideration and are generally determined based on concluded sales transactions as at the end of each month. The general payment terms with customers are combination of prepayments and credit terms on an average of 45 days from invoice date.

The Group identified several performance obligations related to the sale of goods and accounted for them separately:

- *Provisions of Technical Support.* The Group provides technical information, assistance and advice relating to the uses, handling and disposition of the products, loaned equipment and the machinery and equipment necessary or appropriate for the customers' needs. Revenue is recognized over time upon rendering of services to the customer. The Group allocates portion of the revenue to the technical support based on expected cost plus a margin approach.

- *Consumer Loyalty Program.* The Group has Consumer Loyalty Programs which allows customers to accumulate points when they purchase products at participating service stations. These points can be redeemed for Group's products, rewards, discounts and other privileges from partner merchants. Revenue is allocated between the goods sold and the points issued that are expected to be redeemed. This allocation is based on the relative stand-alone selling price of the points. A deferred liability account is set up for these points. The liability will be reversed when the Group has fulfilled its obligations to supply the discounted products under the terms of the program or when it is no longer probable that the points under the program will be redeemed. The deferred liability is based on the best estimate of future redemption profile. All the estimates are reviewed on an annual basis or more frequently, where there is indication of a material change.

Service Income. Revenue is recognized over time when the performance of contractually agreed task has been rendered and control over the services has been transferred to the customer. General payment terms is on an average of 45 days from invoice date.

Other sources of revenue are as follows:

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.

Dividend Income. Dividend income is recognized when the Group's right to receive the payment is established.

Rent 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. Lease incentives granted are recognized as an integral part of the total rent income over the term of the lease.

Gain or Loss on Sale of Investments in Shares of Stock. Gain or loss is recognized when the Group disposes of its investment in shares of stock of a subsidiary, associate and joint venture and financial assets at FVPL. Gain or loss is computed as the difference between the proceeds of the disposed investment and its carrying amount, including the carrying amount of goodwill, if any

Other Income. Other income is recognized when there is incidental economic benefit, other than the usual business operations, that will flow to the Group and that can be measured reliably.

Cost and Expense Recognition

Costs and expenses are decreases in economic benefits during the reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Research and Development Costs

Research costs are expensed as incurred. Development costs incurred on an individual project are carried forward when their future recoverability can be reasonably regarded as assured. Any expenditure carried forward is amortized in line with the expected future sales from the related project.

The carrying amount of development costs is reviewed for impairment annually when the related asset is not yet in use. Otherwise, this is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Employee Benefits

Short-term Employee Benefits. Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits Costs and Other Employee Benefit Costs. Petron has a tax qualified and funded defined benefit pension plan covering all permanent, regular, full-time employees administered by trustee banks. Some of its subsidiaries have separate unfunded, noncontributory, retirement plans.

The net defined benefit retirement liability or asset is the aggregate of the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of economic benefits available in the form of reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit retirement plan is actuarially determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning projected salaries of employees. Actuarial gains and losses are recognized in full in the period in which they occur in OCI. Such actuarial gains and losses are also immediately recognized in equity and are not reclassified to profit or loss in subsequent period.

Defined benefit costs comprise the following:

- Service costs;
- Net interest on the defined benefit retirement liability or asset;
- Remeasurements of defined benefit retirement liability or asset; and
- Settlement gain or loss, if any.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statements of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

Net interest on the net defined benefit retirement liability or asset is the change during the period as a result of contributions and benefit payments, which is determined by applying the discount rate based on the government bonds to the net defined benefit retirement liability or asset. Net interest on the net defined benefit retirement liability or asset is recognized as expense or income in the consolidated statements of income.

Remeasurements of net defined benefit retirement liability or asset comprising actuarial gains and losses, return on plan assets, and any change in the effect of the asset ceiling (excluding net interest) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to consolidated statements of income in subsequent periods.

Settlement gain or loss pertains to the difference between the present value of the defined benefit obligation being settled, as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the entity in connection with the settlement. Any gain or loss on settlement is recognized as income or expense in the consolidated statements of income.

The Group also provides other benefits to its employees as follows:

Corporate Performance Incentive Program. The Group has a corporate performance incentive program that aims to provide financial incentives for the employees, contingent on the achievement of the Group's annual business goals and objectives. The Group recognizes achievement of its business goals through key performance indicators (KPIs) which are used to evaluate performance of the organization. The Group recognizes the related expense when the KPIs are met, that is when the Group is contractually obliged to pay the benefits.

Savings Plan. The Group established a Savings Plan wherein eligible employees may apply for membership and have the option to contribute 5% to 15% of their monthly base pay. The Group, in turn, contributes an amount equivalent to 50% of the employee-member's contribution. However, the Group's 50% share applies only to a maximum of 10% of the employee-member's contribution. The Savings Plan aims to supplement benefits upon employees' retirement and to encourage employee-members to save a portion of their earnings. The Group accounts for this benefit as a defined contribution pension plan and recognizes a liability and an expense for this plan as the expenses for its contribution fall due. The Group has no legal or constructive obligations to pay further contributions after payments of the equivalent employer-share. The accumulated savings of the employees plus the Group's share, including earnings, will be paid in the event of the employee's: (a) retirement, (b) resignation after completing at least five years of continuous services, (c) death, or (d) involuntary separation not for cause.

Land/Home Ownership Plan. The Group established the Land/Home Ownership Plan, an integral part of the Savings Plan, to extend a one-time financial assistance to Savings Plan members in securing housing loans for residential purposes.

<u>Foreign Currency</u>
Foreign Currency Translations. Transactions in foreign currencies are initially recorded in the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and monetary liabilities denominated in foreign currencies are translated to the functional currency at exchange rate at the reporting date.

Non-monetary assets and non-monetary liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate when fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in the consolidated statements of income, except for differences arising on the translation of financial assets at FVOCI, a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognized in OCI.

Foreign Operations. The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Philippine peso at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Philippine peso at average exchange rates for the period.

Foreign currency differences are recognized in OCI, and presented in the "Other reserves" account in the consolidated statements of changes in equity. However, if the operation is not a wholly-owned subsidiary, the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the consolidated statements of income as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in share of stock of an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in OCI, and presented in the "Other reserves" account in the consolidated statements of changes in equity.

<u>Taxes</u>
Current Tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current tax relating to items recognized directly in equity is recognized in equity and not in consolidated statements of income. The Group periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred Tax. Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax are recognized in the consolidated statements of income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value-added Tax (VAT). Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of “Other current assets” or “Trade and other payables” accounts in the consolidated statements of financial position.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control and significant influence. Related parties may be individuals or corporate entities.

Basic and Diluted Earnings Per Common Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Parent Company, net of dividends on preferred shares and distributions to holders of capital securities, by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effect of all potential dilutive debt or equity instruments.

Operating Segments

The Group’s operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 37 to the consolidated financial statements. The Chief Executive Officer (the chief operating decision maker) reviews management reports on a regular basis.

The measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in its consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods.

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date
Post year-end events that provide additional information about the Group's financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. Use of Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining Functional Currency. The Parent Company has determined that its functional currency is the Philippine peso. It is the currency of the primary economic environment in which the Parent Company operates. It is the currency that mainly influences the sales price of goods and services and the costs of providing these goods and services.

Identification of Distinct Performance Obligation. The Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation either: (a) a good or service (or a bundle of goods or services) that is distinct; or (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. The Group has determined that it has distinct performance obligations other than the sale of petroleum products such as the provision of technical support and consumer loyalty program and allocates the transaction price into these several performance obligations.

Leases. The Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied PFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under PAS 17 and IFRIC 4 were not reassessed for whether there is a lease under PFRS 16. Therefore, the definition of a lease under PFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

Determining whether a Contract Contains a Lease. The Group uses its judgment in determining whether a contract contains a lease. At inception of a contract, the Group makes an assessment whether it has the right to obtain substantially all the economic benefits from the use of the identified asset and the right to direct the use of the identified asset.

Operating Lease Commitments - Group as Lessor/Lessee. The Group has entered into various lease agreements either as lessor or lessee. The Group had determined that it retains all the significant risks and rewards of ownership of the properties leased out on operating leases while the significant risks and rewards for properties leased from third parties are retained by the lessors.

Rent income recognized as “Other operating income” in the consolidated statements of income amounted to P1,047, P1,507 and P1,340 in 2020, 2019 and 2018, respectively. Rent income recognized as part of “Interest expense and other financing charges, interest income and other income (expenses)” amounted to P63 each in 2020, 2019 and 2018 (Note 26). Revenues from the customers’ use of loaned equipment amounted to P1,150, P1,099 and P1,117 in 2020, 2019 and 2018, respectively (Note 37).

Rent expense recognized in the consolidated statements of income amounted to P143, P101 and P1,806 in 2020, 2019 and 2018, respectively (Notes 22, 23 and 29).

Estimating the Incremental Borrowing Rate. The Group cannot readily determine the interest rate implicit in its leases. Therefore, it uses the relevant incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR, therefore, reflects what the Group would have to pay, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) and to make adjustments to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to consider certain contract and entity-specific judgement estimates.

Determining the Lease Term of Contracts with Renewal Options - Group as Lessee. The Group determines the lease term as the noncancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Group has several lease contracts that include extension options. At lease commencement date, the Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew the lease by considering all relevant factors that create an economic incentive for it to exercise the renewal option. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or change in circumstances within its control.

Determining Whether the Group is acting as a Principal or Agent in a Revenue Transaction. The determination whether the Group is a principal or agent in a contract is made by identifying each specified goods or services promised to the customers in the contract and evaluating whether the Group obtains control of the specified goods and services before it is transferred to the customer.

For the sale of petroleum products to dealers, the Group transfers the control of the goods upon delivery, hence, the Group has determined that it is acting as principal in the sales transactions with dealers. The dealers are likewise acting as principal in the sales transactions to end consumers on the basis of the following: (a) the dealers have the primary responsibility to provide specified goods to the end consumers; (b) the dealers bear inventory risk before the goods are transferred to end consumers; and (c) the dealers have discretion to establish prices for specified goods.

For the Group's fleet card transactions, the Group has likewise determined that it is acting as principal in the sales transactions with the customers since the Group has the primary responsibility for providing goods purchased through fleet cards and the Group has discretion to establish prices for specified goods in a fleet card transaction.

Classification of Financial Instruments. The Group exercises judgments in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

The Group uses its judgment in determining the classification of financial assets based on its business model in which assets are managed and their cash flow characteristics. The classification and fair values of financial assets and financial liabilities are presented in Note 35.

Distinction Between Property, Plant and Equipment and Investment Property. The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production and supply of goods and services or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portion cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Determining Impairment Indicators of Other Non-financial Assets. PFRS requires that an impairment review be performed on property, plant and equipment, investment in shares of stock of an associate and interest in joint ventures, investment property and intangible assets when events or changes in circumstances indicate that the carrying value may not be recoverable. Determining the recoverable amount of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of recoverable amounts are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on financial performance.

Taxes. Significant judgment is required in determining current and deferred tax expense. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax expenses in the year in which such determination is made.

Beginning July 2008, in the determination of the Group's current taxable income, entities within the Group has an option to either apply the optional standard deduction (OSD) or continue to claim itemized standard deduction. Entities within the Group, at each taxable year from the effectivity of the law, may decide which option to apply; once an option to use OSD is made, it shall be irrevocable for that particular taxable year. For 2020, 2019 and 2018, majority of the entities within the Group opted to continue claiming itemized standard deductions except for Petrogen and certain subsidiaries of NVRC such as LLCDC, ARC and PEDC, as they opted to apply OSD (Note 27).

Contingencies. The Group is currently involved in various pending claims and lawsuits which could be decided in favor of or against the Group. The Group's estimate of the probable costs for the resolution of these pending claims and lawsuits has been developed in consultation with in-house as well as outside legal counsel handling the prosecution and defense of these matters and is based on an analysis of potential results. The Group currently does not believe that these pending claims and lawsuits will have a material adverse effect on its financial position and financial performance. It is possible, however, that future financial performance could be materially affected by the changes in the estimates or in the effectiveness of strategies relating to these proceedings.

Estimates and Assumptions

The key estimates and assumptions used in the consolidated financial statements are based upon the Group's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

Assessment for ECL on Trade and Other Receivables. The Group, applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade and other receivables. The Group also uses appropriate groupings if its historical credit loss experience show significantly different loss patterns for different customer segments. The Group then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer segment to reflect the effects of current and forecasted economic conditions.

The Group adjusts historical default rates to forward-looking default rate by determining the closely related economic factor affecting each customer segment. The Group regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience. The determination of the relationship between historical default rates and forecasted economic conditions is a significant accounting estimate.

The Group has assessed that the forward-looking default rate component of its ECL on trade and other receivables is not material because substantial amount of receivables are normally collected within one year. Moreover, based on Management's assessment, current conditions and forward-looking information does not indicate a significant increase in credit risk exposure of the Group from its trade receivables.

Impairment losses on trade and other receivables amounted to P67, P294 and P261 in 2020, 2019 and 2018 respectively (Notes 8, 23 and 26). Receivables written-off amounted to P8 in 2020, P375 in 2019 and P68 in 2018 (Note 8).

The carrying amount of trade and other receivables amounted to P27,195 and P44,657 as of December 31, 2020 and 2019, respectively (Note 8).

Assessment for ECL on Other Financial Assets at Amortized Cost. The Group determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

The Group adjusts historical default rates to forward-looking default rate by determining the closely related economic factor affecting each customer segment. The Group regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience. The determination of the relationship between historical default rates and forecasted economic conditions is a significant accounting estimate.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets at day one to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Group has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks, the Government of the Philippines and companies with good credit standing and relatively low risk of defaults. Accordingly, no additional provision for ECL on other financial assets at amortized cost was recognized in 2020 and 2019. The carrying amounts of other financial assets at amortized cost are as follows:

	Note	**2020**	2019
Cash in banks and cash equivalents	*5*	**P25,970**	P32,049
Investments in debt instruments	*7*	**255**	257
Noncurrent deposits	*14*	**121**	104
		P26,346	P32,410

Net Realizable Values of Inventories. In determining the NRV of inventories, management takes into account the most reliable evidence available at the times the estimates are made. Future realization of the carrying amount of inventories of P44,922 and P72,210 as of the end of 2020 and 2019, respectively (Note 9), is affected by price changes in different market segments for crude and petroleum products. Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's inventories within the next financial year.

The Group recognized loss on inventory write-down amounting to nil in 2020 while P564 in 2019 and P742 in 2018 (Note 9).

Allowance for Inventory Obsolescence. The allowance for inventory obsolescence consists of collective and specific valuation allowance. A collective valuation allowance is established as a certain percentage based on the age and movement of stocks. In case there is write-off or disposal of slow-moving items during the year, a reduction in the allowance for inventory obsolescence is made. Review of allowance is done every quarter, while a revised set-up or booking is posted at the end of the year based on evaluations or recommendations of the proponents. The amount and timing of recorded expenses for any year would therefore differ based on the judgments or estimates made.

In 2020, 2019 and 2018, the Group provided an additional loss on inventory obsolescence amounting to P73, P31 and nil, respectively (Note 9).

Fair Value Measurements. A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has the overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the valuation team assesses the evidence obtained to support the conclusion that such valuations meet the requirements of PFRS, including the level in the fair value hierarchy in which such valuations should be classified.

The Group uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

If the inputs used to measure the fair value of an asset or a liability can be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy based on the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The methods and assumptions used to estimate the fair values for both financial and non-financial assets and liabilities are discussed in Note 35.

Estimated Useful Lives of Property, Plant and Equipment, Right-of-Use Asset, Investment Property and Intangible Assets with Finite Useful Lives. The Group estimates the useful lives of property, plant and equipment, right-of-use asset, investment property and intangible assets with finite useful lives based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, right-of-use asset, investment property, intangible assets with finite useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of property, plant and equipment, right-of-use asset, investment property, intangible assets with finite useful lives is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment, right-of-use asset, investment property, intangible assets with finite useful lives would increase recorded cost of goods sold and selling and administrative expenses and decrease noncurrent assets.

Except for refinery and plant equipment used in production, there is no change in estimated useful lives of property, plant and equipment, right-of-use asset, investment property and intangible assets with finite useful lives based on management’s review at the reporting date.

Starting January 1, 2020, the Group adopted the UPM of accounting for depreciation of refinery and plant equipment used in production. UPM closely reflects the expected pattern of consumption of the future economic benefits embodied in these assets. Depreciation of said assets is computed using the expected consumption over the estimated useful lives of these assets. Previously, depreciation was computed using the straight-line method over the estimated useful lives of the assets.

Property, plant and equipment, net of accumulated depreciation, amounted to P168,831 and P168,267 as of December 31, 2020 and 2019, respectively. Accumulated depreciation and amortization of property, plant and equipment, amounted to P98,902 and P93,193 as of December 31, 2020 and 2019, respectively (Note 10).

Right-of-use assets, net of accumulated depreciation, amounted to P6,045 and P5,509 as of December 31, 2020 and 2019, respectively. Accumulated depreciation of right-of-use asset amounted to P1,639 and P1,096 at December 31, 2020 and 2019, respectively (Note 11).

Investment property, net of accumulated depreciation, amounted to P30,049 and P29,935 as of December 31, 2020 and 2019, respectively. Accumulated depreciation of investment property amounted to P15,345 and P14,099 at December 31, 2020 and 2019, respectively (Note 12).

Intangible assets with finite useful lives, net of accumulated amortization, amounted to P138 and P127 as of December 31, 2020 and 2019, respectively (Note 14). Accumulated amortization of Intangible assets with finite useful lives amounted to P662 and P651 at December 31, 2020 and 2020, respectively.

Fair Value of Investment Property. The fair value of investment property presented for disclosure purposes is based on market values, being the estimated amount for which the property can be sold, or based on a most recent sale transaction of a similar property within the same vicinity where the investment property is located.

In the absence of current prices in an active market, the valuations are prepared by considering: (a) the aggregate estimated future cash flows expected to be received from leasing out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation; or (b) the depreciated replacement cost of the asset, which estimates the current replacement cost of new assets and adjusted for obsolescence, including physical, functional and economic obsolescence.

Estimated fair values of investment property amounted to P37,126 and P37,614, respectively as of December 31, 2020 and 2019 (Note 12).

Impairment of Goodwill. The Group determines whether goodwill is impaired at least annually. This requires the estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and to choose a suitable discount rate to calculate the present value of those cash flows.

The recoverable amount of goodwill arising from the acquisition of Petron Malaysia has been determined based on the value in use using discounted cash flows (DCF). Assumptions used in the DCF include terminal growth rate of 3.0% in 2020 and 2019 and discount rates of 6.3% and 6.6% in 2020 and 2019, respectively (Note 13).

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

No impairment losses were recognized in 2020 2019 and 2018 in relation to the goodwill arising from the acquisition of Petron Malaysia which accounts for almost 99% of goodwill in the consolidated statements of financial position as of December 31, 2020 and 2019.

Realizability of Deferred Tax Assets. The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carry forward benefits of MCIT and NOLCO is based on the projected taxable income in the following periods.

Deferred tax assets amounted to P2,190 and P262 as of December 31, 2020 and 2019, respectively (Note 27).

Present Value of Defined Benefit Retirement Obligation. The present value of defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 30 to the consolidated financial statements and include discount rate and salary increase rate.

The Group determines the appropriate discount rate at the end of each year. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement liabilities. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related retirement benefits liability.

Other key assumptions for the defined benefit retirement obligation are based in part on current market conditions.

While it is believed that the assumptions of the Group are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's retirement benefits liability.

Retirement benefits costs recognized in the consolidated statements of income amounted to P430, P196 and P523 in 2020, 2019 and 2018, respectively. Remeasurement losses of the net defined retirement obligation recognized in OCI amounted to P631, P2,531 and P1,133 in 2020, 2019 and 2018, respectively. The retirement benefits liability amounted to P3,808 and P3,655 as of December 31, 2020 and 2019, respectively (Note 30).

Asset Retirement Obligation (ARO). The Group has ARO arising from the refinery, leased service stations, terminals and blending plant. Determining ARO requires estimation of the costs of dismantling, installing and restoring leased properties to their original condition. The Group determined the amount of ARO based on the dismantling costs as estimated by the operating unit responsible for the asset, discounted at the Group's current credit-adjusted risk-free rate ranging from 3.21% to 5.47% depending on the life of the capitalized costs. The Group also conducts periodic review of the estimates of dismantling costs to consider actual expenses incurred during the actual retirement of assets and uses this as input in determining future liability. While it is believed that the assumptions used in the estimation of such costs are reasonable, significant changes in these assumptions may materially affect the recorded expense or obligation in future periods.

The ARO amounted to P2,867 and P1,720 as of December 31, 2020 and 2019, respectively (Note 19).

5. Cash and Cash Equivalents

This account consists of:

	Note	**2020**	2019
Cash on hand		**P1,083**	P2,169
Cash in banks		**4,253**	5,193
Short-term placements		**21,717**	26,856
	34, 35	**P27,053**	P34,218

Cash in banks earn annual interest at the respective bank deposit rates. Short-term placements include demand deposits which can be withdrawn at any time depending on the immediate cash requirements of the Group and earn annual interest at the respective short-term placement rates ranging from 0.01% to 5.75% in 2020, 0.13% to 6.25% in 2019 and 0.20% to 7.00% in 2018 (Note 26).

6. Financial Assets at Fair Value

This account consists of:

	Note	**2020**	2019
Proprietary membership shares		**P275**	P284
Derivative assets not designated as cash flow hedge		**322**	546
Derivative assets designated as cash flow hedge		**12**	200
	34, 35	**609**	1,030
Less noncurrent portion	*14*	**6**	166
		P603	P864

The fair values presented have been determined directly by reference to published market prices, except for derivative assets which are based on inputs other than quoted prices that are observable (Note 35).

The noncurrent portion pertains to derivative assets designated as cash flow hedge due after 12 months, which is included in “Other noncurrent assets - net” account in the consolidated statements of financial position (Note 14).

Changes in fair value of assets at FVPL recognized in the consolidated statements of income in 2020, 2019 and 2018 amounted to (P9), P30 and P84, respectively (Note 26) while changes in fair value of derivative assets designated as cash flow hedge were recognized in OCI.

7. Investments in Debt Instruments

This account consists of:

	Note	**2020**	2019
Government securities		**P225**	P227
Other debt instruments		**156**	193
	34, 35	**381**	420
Less current portion		**184**	109
		P197	P311

Petrogen’s government securities are deposited with the Bureau of Treasury in accordance with the provisions of the Insurance Code, for the benefit and security of its policyholders and creditors. These investments bear fixed annual interest rates ranging from 1.78% to 7.02% in 2020 and 4.25% to 7.02% in 2019 (Note 26).

The breakdown of investments in debt instruments by contractual maturity dates as of December 31 follows:

	Note	2020	2019
Due in one year or less		**P184**	P109
Due after one year through six years		**197**	311
	34, 35	**P381**	P420

The breakdown of investments in debt instruments by classification and measurement as of December 31 follows:

	Note	2020	2019
Financial assets at amortized cost		**P255**	P257
Financial assets at FVOCI		**126**	163
	34, 35	**P381**	P420

The reconciliation of the carrying amounts of investments in debt instruments as of December 31 follows:

	Note	2020	2019
Financial Assets at FVOCI			
Balance as of January 1		**P163**	P152
Disposals		**(37)**	-
Amortization of premium		**(1)**	(4)
Unrealized fair value gains		**1**	15
Balance as of December 31		**126**	163
Financial Assets at Amortized Cost			
Balance as of January 1		**257**	226
Additions		**69**	71
Disposal		**(71)**	(40)
Balance as of December 31		**255**	257
	34, 35	**P381**	P420

8. Trade and Other Receivables

This account consists of:

	Note	2020	2019
Trade	*34*	**P19,372**	P35,009
Related parties - trade	*28, 34*	**932**	1,126
Allowance for impairment loss on trade receivables		**(823)**	(759)
		19,481	35,376
Government		**5,292**	6,392
Related parties - non-trade	*28*	**1,636**	2,011
Others		**958**	1,061
Allowance for impairment loss on non-trade receivables		**(172)**	(183)
		7,714	9,281
	34, 35	**P27,195**	P44,657

Trade receivables are non-interest bearing and are generally on a 45-day average term. Penalties are charged when the account becomes overdue.

Government receivables pertain to duty drawback, VAT and specific tax claims as well as subsidy receivables from the Government of Malaysia under the Automatic Pricing Mechanism. The amount includes receivables over 30 days but less than one year amounting to P482 and P1,500 as of December 31, 2020 and 2019, respectively. The filing and the collection of claims is a continuous process and is closely monitored.

Related parties - non-trade consists of advances made by the Parent Company to Petron Corporation Employee Retirement Plan (PCERP) and other receivables from SMC and its subsidiaries.

Others mainly consist of receivables from various non-trade customers and counterparties for matured hedging transactions.

A reconciliation of the allowance for impairment losses at the beginning and end of 2020 and 2019 is shown below:

	Note	**2020**	2019
Balance at beginning of year		**P1,260**	P1,410
Additions	*23, 26*	**67**	294
Write off	*4*	**(8)**	(375)
Currency translation adjustment		**(17)**	(69)
Balance at end of year		**1,302**	1,260
Less noncurrent portion for long-term receivables	*34*	**307**	318
		P995	P942

The Group computes impairment loss on trade and other receivables based on past collection experiences, current circumstances and the impact of future economic conditions, if any, available at the reporting period. Loss rates are based on actual credit loss experience over the past three years. Economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of the impact of future economic conditions, if any, over the expected lives of the trade and other receivables are also considered.

Trade accounts receivable written-off amounting to P8 and P375 in 2020 and 2019, respectively, pertained to long outstanding, uncollectible accounts which were previously provided with allowance.

The following table provides information about the exposure to credit risk and ECL of trade and other receivables as of December 31, 2020 and 2019:

	Weighted Average Loss Rate	**Gross Carrying Amount**	**ECL**
December 31, 2020			
Retail	**2.62%**	**P4,350**	**P114**
Lubes	**0.16%**	**621**	**1**
Gasul	**6.96%**	**790**	**55**
Industrial	**3.99%**	**7,760**	**310**
Others	**3.51%**	**14,669**	**515**
		P28,190	**P995**

	Weighted Average Loss Rate	Gross Carrying Amount	ECL
December 31, 2019			
Retail	1.65%	P5,766	P95
Lubes	0.18%	549	1
Gasul	5.33%	994	53
Industrial	1.56%	17,515	273
Others	2.50%	20,775	520
		P45,599	P942

9. Inventories

This account consists of:

	2020	2019
Petroleum	**P19,414**	P33,173
Crude oil and others	**17,433**	29,626
Materials and supplies	**5,503**	5,688
Lubes, greases and aftermarket specialties	**2,572**	3,723
	P44,922	P72,210

The cost of these inventories amounted to P45,535 and P73,314 as of December 31, 2020 and 2019, respectively.

If the Group had used the moving-average method (instead of the first-in, first-out method, which is the Group's policy), the cost of petroleum, crude oil and other products would have increased by P142 and P1,374 as of December 31, 2020 and 2019, respectively.

Inventories (including distribution or transshipment costs) charged to cost of goods sold amounted to P263,078, P463,028 and P498,117 in 2020, 2019 and 2018, respectively (Note 22).

Research and development costs on these products constituted the expenses incurred for internal projects in 2020, 2019 and 2018 (Note 23).

The movements in allowance for write-down of inventories to NRV and inventory obsolescence at the beginning and end of 2020 and 2019 follow:

	Note	**2020**	2019
Balance at beginning of year		**P1,104**	P1,251
Additions:			
Loss on inventory obsolescence	*4*	**73**	31
Loss on inventory write-down	*4*	**-**	564
Reversals		**(564)**	(742)
Balance at end of year		**P613**	P1,104

The losses and reversals are included as part of "Cost of goods sold" account in the consolidated statements of income (Note 22).

Reversal of write-down corresponds to inventories sold during the year.

10. Property, Plant and Equipment

The movements and balances of property, plant and equipment as of and for the years ended December 31 follow:

	Note	Buildings and Improvements and Related Facilities	Refinery and Plant Equipment	Service Stations and Other Equipment	Computers, Office and Motor Equipment	Land and Leasehold Improvements	Construction in-Progress	Total
Cost								
January 1, 2019, as previously reported		P20,132	P188,237	P17,808	P5,239	P4,818	P12,328	P248,562
Adjustments due to adoption of PFRS 16		(918)	(1,816)	(176)	-	(262)	-	(3,172)
January 1, 2019, as adjusted		19,214	186,421	17,632	5,239	4,556	12,328	245,390
Additions		1,630	6,000	1,769	216	20	10,173	19,808
Disposals/reclassifications		3,099	183	121	243	1,237	(5,471)	(588)
Reclassification to/from investment property	*12*	(844)	-	-	-	(1,275)	-	(2,119)
Currency translation adjustment		(382)	(153)	(242)	(46)	(376)	(158)	(1,357)
December 31, 2019 as previously reported		22,717	192,451	19,280	5,652	4,162	16,872	261,134
Adjustments due to reclassification from Long-term Assets		-	422	-	-	-	-	422
December 31, 2019, as adjusted		22,717	192,873	19,280	5,652	4,162	16,872	261,556
Additions		243	446	560	222	-	7,009	8,480
Disposals/reclassifications		970	1,360	259	77	71	(3,262)	(525)
Reclassification to/from investment property	*12*	(162)	-	-	-	(31)	(143)	(336)
Currency translation adjustment		(271)	(430)	(315)	(64)	(68)	(294)	(1,442)
December 31, 2020		**23,497**	**194,249**	**19,784**	**5,887**	**4,134**	**20,182**	**267,733**
Accumulated Depreciation and Amortization								
January 1, 2019, as previously reported		12,827	54,077	12,379	4,204	1,091	-	84,578
Adjustments due to adoption of PFRS 16		(450)	(193)	(63)	-	-	-	(706)
January 1, 2019, as adjusted		12,377	53,884	12,316	4,204	1,091	-	83,872
Depreciation		888	7,755	1,081	520	91	-	10,335
Disposals/reclassifications		(61)	(35)	(442)	(17)	(4)	-	(559)
Reclassification to/from investment property	*12*	126	-	-	-	(18)	-	108
Currency translation adjustment		(125)	(214)	(123)	(35)	(66)	-	(563)
December 31, 2019 as previously reported		13,205	61,390	12,832	4,672	1,094	-	93,193
Adjustments due to reclassification from Long-term Assets		-	96	-	-	-	-	96
December 31, 2019, as adjusted		13,205	61,486	12,832	4,672	1,094		93,289
Depreciation*		858	4,096	1,028	457	92	-	6,531
Disposals/reclassifications		(73)	76	(44)	(84)	3	-	(122)
Reclassification to/from investment property	*12*	-	-	-	-	(7)	-	(7)
Currency translation adjustment		(197)	(318)	(126)	(51)	(1)	-	(693)
December 31, 2020		**13,793**	**65,244**	**13,690**	**4,994**	**1,181**	**-**	**98,902**
Carrying Amount								
December 31, 2019		P9,512	P131,061	P6,448	P980	P3,068	P16,872	P167,941
December 31, 2020		**P9,705**	**P129,005**	**P6,094**	**P893**	**P2,953**	**P20,182**	**P168,831**

**Depreciation expense for refinery and plant equipment for the year under the straight-line method amounted to P8,337.*

ARO reclassified from “Property, plant and equipment” to “Right-of-use assets” under “Investment property” account in the consolidated statements of financial position amounted to P2,466 as a result of the adoption of PFRS 16 on January 1, 2019.

In 2020 and 2019, certain property, plant and equipment were reclassified to/from investment property due to change in usage of the asset from/to used in operations to/from leased to another party under an operating lease agreement (Note 12).

No impairment loss was required to be recognized in 2020, 2019 and 2018 based on management’s assessment of impairment indicators.

The Group capitalized interest amounting to P313, P114 and nil in 2020, 2019 and 2018, respectively (Notes 15, 18, 26 and 29). The capitalization rates used to determine the amount of interest eligible for capitalization ranged from 1.45% to 8.20% in 2020 and from 3.41% to 8.19% in 2019.

Capital Commitments

As of December 31, 2020 and 2019, the Group has outstanding commitments to acquire property, plant and equipment amounting to P12,506 and P20,798, respectively.

11. Right-of-Use Assets

The movements in right-of-use assets as of December 31, 2020 are as follows

	Land	Buildings and Improvements and Related Facilities	Service Stations and Other Equipment	Total
Cost				
January 1, 2019	P -	P -	P -	P -
Adjustment due to adoption of PFRS 16	7,076	1,175	24	8,275
January 1, 2019, as adjusted	7,076	1,175	24	8,275
Additions	41	5	-	46
Disposals	(3)	-	-	(3)
Remeasurements	(1,538)	(123)	-	(1,661)
Currency translation adjustment	(50)	(2)	-	(52)
January 1, 2020	5,526	1,055	24	6,605
Additions	204	2	-	206
Remeasurements	867	39	-	906
Currency translation adjustment	(30)	(3)	-	(33)
December 31, 2020	**6,567**	**1,093**	**24**	**7,684**
Accumulated Depreciation				
January 1, 2019	-	-	-	-
Adjustment due to adoption of PFRS 16	790	-	-	790
January 1, 2019, as adjusted	790	-	-	790
Disposals	(2)	-	-	(2)
Remeasurements	(433)	-	-	(433)
Depreciation	478	221	3	702
Currency translation adjustment	39	-	-	39
January 1, 2020	872	221	3	1,096
Disposals				
Remeasurements	(115)	(1)	-	(116)
Depreciation	440	225	3	668
Currency translation adjustment	(8)	(1)	-	(9)
December 31, 2020	**1,189**	**444**	**6**	**1,639**
Carrying Amount				
December 31, 2019	P4,654	P834	P21	P5,509
December 31, 2020	**P5,378**	**P649**	**P18**	**P6,045**

The Group recognized right-of-use assets for leases of office space, buildings, machinery and equipment, service stations and parcels of land. The leases typically run for a period of two to 999 years. Some leases contain an option to renew the lease at the end of the lease term and are being subjected to reviews to reflect current market rentals. The renewal option provides operational flexibility in managing the leased asset portfolio and aligns the business needs of the Group. The Group recognized interest expense related to these leases amounting to P1,115 and P1,165 in 2020 and 2019, respectively (Note 29).

With the adoption of PFRS 16 in 2019, property, plant and equipment pertaining to ARO of the refinery and terminals were reclassified to right-of-use assets (Note 10).

The Group also has certain leases of property and equipment with lease terms of 12 months or less and leases of equipment with low value. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases. The expenses relating to short-term leases, leases of low-value assets and variable lease payments that do not depend on an index or a rate amounted to P251, P13 and P3, respectively, in 2020, and P62, P32 and P7, respectively, in 2019 (Note 29).

The Group had total cash outflows for leases of P2,705 and P2,293 in 2020 and 2019, respectively (Note 29).

The remeasurements pertain mainly to the change in the estimated dismantling costs of ARO during the year (Note 4).

12. Investment Property

The movements and balances of investment property as of and for the years ended December 31 follow:

	Note	Land	Land and Leasehold Improvements	Buildings and Improvements	Right-of-Use	Total
Cost						
January 1, 2019, as previously reported		P8,422	P2,702	P15,269	P -	P26,393
Adjustment due to adoption of PFRS 16		-	-	-	10,730	10,730
January 1, 2019, as adjusted		8,422	2,702	15,269	10,730	37,123
Additions		226	513	1,727	809	3,275
Adjustments/disposals		-	2,068	(70)	4	2,002
Reclassifications from/to property, plant and equipment	*10*	685	590	844	-	2,119
Currency translation adjustment		(80)	(197)	(208)	-	(485)
January 1, 2020		9,253	5,676	17,562	11,543	44,034
Additions		3	321	588	849	1,761
Disposals/reclassifications		-	-	19	(110)	(91)
Reclassifications from/to property, plant and equipment	*10*	69	31	236	-	336
Remeasurements		-	-	-	90	90
Currency translation adjustment		(117)	(284)	(335)	-	(736)
December 31, 2020		**9,208**	**5,744**	**18,070**	**12,372**	**45,394**
Accumulated Depreciation						
January 1, 2019, as previously reported		-	1,118	8,739	-	9,857
Adjustment due to adoption of PFRS 16		-	-	-	63	63
January 1, 2019, as adjusted		-	1,118	8,739	63	9,920
Adjustments/disposals		-	2,736	(65)	-	2,671
Depreciation		-	320	627	936	1,883
Reclassifications from/to property, plant and equipment	*10*	-	18	(126)	-	(108)
Currency translation adjustment		-	(70)	(197)	-	(267)
January 1, 2020		-	4,122	8,978	999	14,099
Depreciation		-	318	685	941	1,944
Disposals/reclassifications		-	-	(10)	(110)	(120)
Reclassifications from/to property, plant and equipment	*10*	-	(7)	-	-	(7)
Currency translation adjustment		-	(239)	(332)	-	(571)
December 31, 2020		**-**	**4,194**	**9,321**	**1,830**	**15,345**
Carrying Amount						
December 31, 2019		P9,253	P1,554	P8,584	P10,544	P29,935
December 31, 2020		**P9,208**	**P1,550**	**P8,749**	**P10,542**	**P30,049**

With the adoption of PFRS 16 in 2019, property, plant and equipment pertaining to ARO of the service stations were reclassified to right-of-use assets over service stations and other related structures held by the Group for lease (Note 29).

In 2020 and 2019, certain investment property were reclassified from/to property, plant and equipment to change in usage of the asset from/to used in operations to/from leased to another party under an operating lease agreement (Note 10).

The Group's investment property also includes a property located in Tagaytay with carrying amount of P7 and P8 as of December 31, 2020 and 2019, respectively.

No impairment loss was required to be recognized in 2020, 2019 and 2018 based on management’s assessment of impairment indicators.

There are no other direct selling and administrative expenses other than depreciation and amortization and real property taxes arising from investment property that generated income in 2020, 2019 and 2018.

The fair value of investment property amounting to P37,126 and P37,614 as of December 31, 2020 and 2019, respectively has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques.

For properties with available appraisal reports, the fair value of investment property amounting to P20,804 was determined by external, independent property appraisers having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent appraisers provide the fair value of the Group’s investment property on a regular basis. The fair value of investment property amounting to P4,820 was determined by using the depreciated replacement cost method. The net present value of lease liability recognized in investment property represents the remaining fair value amounting to P11,502.

Valuation Technique and Significant Unobservable Inputs

The valuation of investment property applied the following approaches below:

Sales Comparison Approach. The market value of land was determined using the Sales Comparison Approach. The comparative approach considers the sale of similar or substitute property, registered within the vicinity, and the related market data. The estimated value is established through such process of comparing available data. The property being valued is then compared with sales transactions involving similar properties in the market. Listings and offerings may also be considered. The observable inputs to determine the market value of the property are the following: location characteristics, size, time element, quality and prospective use, bargaining allowance and marketability.

Depreciated Replacement Cost Method. The fair value of land and leasehold improvements and buildings and related improvements and facilities were arrived at using the depreciated replacement cost method, which estimates the current replacement cost of new assets and adjusted for obsolescence, including physical, functional and economic obsolescence.

Income Approach. The rental value of the subject property was determined using the Income Approach. Under the Income Approach, the remaining lease payments on the property is first determined followed by the application of the proper capitalization rate is applied to arrive at its net present value. The rental value of the property is determined on the basis of what a prudent lessor or a prospective lessee are willing to pay for its use and occupancy considering the prevailing rental rates of similar property and/or rate of return a prudent lessor generally expects on the return on its investment.

13. Investment in Shares of Stock of Subsidiaries, Goodwill and Non-controlling Interests

Investment in Shares of Stock of Subsidiaries

The following are the major developments relating to the Parent Company's investment in shares of stock of subsidiaries:

a. *NVRC*

On December 17, 2018, SEC approved the increase in authorized capital stock of NVRC. On the same date, the Parent Company acquired additional 2,840,000 common shares of NVRC at P1,000.00 per share for a total consideration of P2,840 which was effected through debt to equity conversion of NVRC's advances from the Parent Company. The transaction effectively increased the Parent Company's ownership interest in NVRC from 40.00% to 85.55%.

Consequently, the proportionate share of the carrying amount of the net assets of NVRC amounting to P11 has been transferred to equity holders of the Parent Company.

As of December 31, 2020 and 2019, the Parent Company owns 85.55% of NVRC.

b. *Petrogen*

On November 29, 2018, Petrogen issued 15,000 common shares as stock dividends for P1,000.00 per share or a total of P15 in favor of the Parent Company.

On September 10, 2019 and December 16, 2019, the Parent Company subscribed to additional 31,250 and 93,750 common shares, respectively, of Petrogen at P1,000.00 per share for a total consideration of P125, pursuant to the increase in the capital stock of Petrogen which was approved by the SEC on November 4, 2019.

As of December 31, 2020 and 2019, the Parent Company's ownership interest remains at 100% after the above transactions.

c. *PLI (formerly LEC)*

On July 10, 2019 and September 30, 2019, the Parent Company acquired additional 500,000 and 1,500,000 common shares, respectively, of PLI at P100.00 per share for a total consideration of P200.

On August 28, 2020, the Parent Company signed the Share Purchase Agreement with SMILSI, an entity under common control, for the sale by the Parent Company of its equity in PLI equivalent to 100% of PLI's outstanding shares for a total consideration of P230. The transaction was completed on September 1, 2020. The Group recognized loss on disposal of investments amounting to P1 included as part of "Other income - net" account in the 2020 consolidated statements of income (Note 26).

The following summarizes the accounts derecognized at the deconsolidation date:

	2020
Cash and cash equivalents	**P49**
Trade and other receivables - net	**37**
Other current assets	**14**
Property, plant and equipment - net	**137**
Right of use assets - net	**2**
Other noncurrent assets - net	**1**
Trade and other payables	**(7)**
Lease liabilities - net of current portion	**(2)**
Total	**P231**

Goodwill

The movements and balances of goodwill as of and for the years ended December 31 are as follows:

	2020	2019
Cost		
Balance at beginning of year	**P8,319**	P8,532
Translation adjustments	**(288)**	(213)
Net carrying amount at end of year	**P8,031**	P8,319

Impairment of Goodwill from Petron Malaysia

Goodwill arising from the acquisition of Petron Malaysia, which accounts for 99% of total goodwill in the consolidated statements of financial position as of December 31, 2020 and 2019, is allocated at the POGI Group cash generating unit (CGU) instead of each individual acquiree company's CGU as it is expected that the POGI Group CGU will benefit from the synergies created from the acquiree companies in combination.

The Group tested the goodwill for impairment. Value in use was determined by discounting the future cash flows expected to be generated from the continuing use of the CGU and was based on the following key assumptions:

- Cash flows were projected based on past experience and actual operating results. Management believes that this five-year forecast period was justified due to the long-term nature of the business.

- A discount rate of 6.3% in 2020 and 6.6% in 2019 was applied based on the weighted average cost of capital using the Capital Asset Pricing Model (CAPM).

- Terminal growth rate of 3.0% in 2020 and 2019 was applied as the POGI Group is in the process of increasing its network of service stations and upgrading its facilities and hence foresees growth in cash flows generated perpetually.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on internal sources (historical data).

For purposes of terminal growth rate sensitivity, terminal growth rate scenarios of 2%, 3% and 4% in 2020 and 2019 are applied on the discounted cash flows analysis. Based on the sensitivity analysis, any reasonably possible change in the key assumptions would not cause the carrying amount of goodwill to exceed its recoverable amount.
No impairment losses were recognized in 2020, 2019 and 2018 in relation to the goodwill arising from the acquisition of Petron Malaysia.

Non-controlling Interests
The following table summarizes the financial information relating to each of the Group's subsidiaries that has material non-controlling interests:

	December 31, 2020		December 31, 2019	
	NVRC	**PMRMB**	NVRC	PMRMB
Non-controlling Interests Percentage	**14.45%**	**26.60%**	14.45%	26.60%
Carrying amount of non-controlling interest	**P451**	**P5,972**	P440	P6,333
Current assets	**P664**	**P9,606**	P376	P16,038
Noncurrent assets	**9,317**	**25,869**	9,524	23,211
Current liabilities	**(1,211)**	**(12,446)**	(363)	(14,955)
Noncurrent liabilities	**(3,906)**	**(2,281)**	(4,829)	(2,249)
Net assets	**P4,864**	**P20,748**	P4,708	P22,045
Net income (loss) attributable to non-controlling interests	**P11**	**(P44)**	P9	P593
Other comprehensive loss attributable to non-controlling interests	**P -**	**(P217)**	P -	(P180)
Sales	**P415**	**P76,733**	P406	P143,205
Net income (loss)	**P155**	**(P376)**	P140	P2,193
Other comprehensive loss	**-**	**(60)**	-	(60)
Total comprehensive income (loss)	**P155**	**(P436)**	P140	P2,133
Cash flows provided by operating activities	**P234**	**P1,147**	P150	P12,328
Cash flows used in investing activities	**(3)**	**(4,332)**	(106)	(8,271)
Cash flows provided by (used in) financing activities	**(212)**	**2,995**	(101)	(3,919)
Effects of exchange rate changes on cash and cash equivalents	**-**	**(20)**	-	-
Net increase (decrease) in cash and cash equivalents	**P19**	**(P209)**	(P57)	P138

14. Other Assets

This account consists of:

	Note	2020	2019
Current			
Prepaid taxes		**P22,038**	P17,703
Input VAT		**7,698**	7,986
Prepaid expenses	*28*	**2,101**	1,417
Special-purpose fund		**158**	157
Assets held for sale		**13**	-
Tax recoverable		**131**	-
Others - net		**198**	167
		P32,337	P27,430
Noncurrent			
Input VAT		**P588**	P1,061
Catalyst - net		**552**	683
Prepaid rent		**290**	212
Derivative assets designated as cash flow hedge	*6, 34, 35*	**6**	166
Noncurrent deposits	*34, 35*	**121**	104
Intangibles - net	*4*	**138**	127
Others - net	*2*	**393**	391
		P2,088	P2,744

The "Others - net" under "Noncurrent" account includes marketing assistance to dealers and other prepayments amounting to P256, P268 and P777 as of December 31, 2020, 2019 and 2018, respectively, net of amortization amounting to P75, P154 and P236 in 2020, 2019 and 2018, respectively.

In 2019 there is a reclassification to property, plant and equipment from "Others - net" under "Noncurrent" account amounting to P326. (Notes 2 and10).

The amortization of prepaid rent amounted to P4, nil and P245 in 2020, 2019 and 2018, respectively.

Amortization of intangibles, marketing assistance to dealers, other prepayments included as part of "Depreciation and amortization" under "Selling and administrative expenses" account in the consolidated statements of income amounted to P82, P83 and P97 in 2020, 2019 and 2018, respectively (Notes 23 and 25).

Amortization of catalyst, intangibles and other prepayments included as part of "Depreciation and amortization" under "Cost of goods sold" account in the consolidated statements of income amounted to P261, P242 and P584 in 2020, 2019 and 2018, respectively (Notes 22 and 25).

As of December 31, 2020, assets held for sale pertain to two condominium properties acquired through dacion en pago.

As of December 31, 2019, assets held for sale represents the remaining 1,000 shares of Manila North Harbour Port, Inc. (MNHPI) amounting to P0.13. During 2019, 50,000 shares representing 0.17% interest was sold to a related party (Note 28).

15. Short-term Loans

This account pertains to unsecured Philippine peso, US dollar and Malaysian ringgit-denominated loans obtained from various banks with maturities ranging from 1 to 91 days and annual interest ranging from 0.92% to 6.75% in 2020, 2.30% to 8.50% in 2019 and 2.65% to 7.00% in 2018 (Note 26). These loans are intended to fund the importation of crude oil and petroleum products (Note 9) and working capital requirements.

Interest expense on short-term loans amounted to P3,418 in 2020, P4,065 in 2019 and P3,165 in 2018 (Note 26). Interest expense amounting to P174 was capitalized as part of property, plant and equipment in 2020 while P33 in 2019 and nil in 2018 (Note 10).

16. Liabilities for Crude Oil and Petroleum Products

This account pertains to liabilities to suppliers of crude oil, petroleum and other products that are non-interest bearing and generally settled on a 30-day term. Details of the supply agreements in relation to importations of crude oil requirements of the Group are disclosed in Note 31.

Liabilities for crude oil and petroleum products are payable to the following:

	Note	**2020**	2019
Third parties		**P22,301**	P39,361
Related parties	*28*	**19**	1
	34, 35	**P22,320**	P39,362

17. Trade and Other Payables

This account consists of:

	Note	**2020**	2019
Trade		**P6,386**	P20,533
Specific taxes and other taxes payable		**4,072**	2,821
Accrued payroll		**73**	24
Due to related parties	*28*	**1,118**	1,009
Accrued interest		**633**	833
Accrued rent		**303**	288
Dividends payable	*33*	**505**	496
Insurance liabilities		**288**	739
Retention payable		**180**	719
Retirement benefits liability	*30*	**103**	90
Deferred liability on consumer loyalty program		**1,406**	867
Others	*39*	**335**	322
	34, 35	**P15,402**	P28,741

Trade payables are liabilities to haulers, contractors and suppliers that are non-interest bearing and are generally settled on a 30-day term.

Others include provisions (Note 39), accruals of selling and administrative expenses, and advances which are normally settled within a year.

The Group recognized revenue that was included in the deferred liability on consumer loyalty program amounting to P1,158 and P2,017 in 2020 and 2019, respectively (Note 37).

18. Long-term Debt

This account consists of long-term debt of the Parent Company:

	Note	2020	2019
Unsecured Peso-Denominated (net of debt issue costs)			
Term loan of 5.4583% due until 2022	*(a)*	**P1,998**	P2,995
Fixed rate retail bonds of 4.0032% due in 2021 and 4.5219% due in 2023	*(b)*	**19,944**	19,906
Term loan of 5.5276% due quarterly until 2024	*(d)*	**8,008**	10,136
Term loan of 5.7584% due until 2022	*(e)*	**4,990**	7,479
Fixed rate retail bonds of 7.8183% due in 2024 and 8.0551% due in 2025	*(f)*	**19,832**	19,799
Term loan of 4.5900% due in 2025	*(i)*	**4,970**	-
Unsecured Foreign Currency-Denominated (net of debt issue costs)			
Floating rate dollar loan - US$1,000 million due until 2022	*(c)*	**13,530**	32,854
Floating rate dollar loan - US$800 million due until 2024	*(g)*	**32,334**	39,908
Floating rate yen loan - JP¥15 billion due until 2025	*(h)*	**6,845**	-
Floating rate dollar loan - US$150 million due until 2023	*(j)*	**7,003**	-
	33, 34, 35	**119,454**	133,077
Less current portion		**31,114**	16,881
		P88,340	P116,196

a. On October 13, 2015, the Parent Company drew P5,000 from a P5,000 term loan which was signed and executed on October 7, 2015. The facility is amortized over 7 years with a 2-year grace period and is subject to a fixed rate of 5.4583% per annum. The net proceeds from the issuance were used to repay currently maturing obligations and for general corporate requirements. In 2019 and 2018, the Parent Company settled matured interim principal payments aggregating to P1,000 each year.

b. On October 27, 2016, the Parent Company issued P20,000 retail bonds (the "Bonds") divided into Series A (P13,000) and Series B (P7,000). Series A Bonds is due on October 27, 2021 with interest rate of 4.0032% per annum. Series B Bonds will mature on October 27, 2023 with interest rate of 4.5219% per annum. Interests on these Bonds are payable quarterly on January 27, April 27, July 27 and October 27 of each year. The proceeds from the issuance of the Bonds were used to partially settle the US$475 million and US$550 million Term Loan facilities, to repay short-term loans and for general corporate requirements. The Bonds were listed with the Philippine Dealing & Exchange Corp. on October 27, 2016.

c. On June 16, 2017, the Parent Company signed and executed a US$1,000 million term facility and has initially drawn US$600 million on June 28, 2017. The proceeds were used to pay in full the outstanding balances of US$115 million and US$470 million loans under the US$475 million (executed on September 29, 2014) and US$550 million (executed on July 20, 2015) term loan facilities, respectively. On October 10, 2017, the Parent Company drew the remaining US$400 million from the facility. The proceeds of which were used to settle the P20,000 Peso-denominated Notes issued on November 10, 2010 which matured on November 10, 2017. The facility is amortized over 5 years with a 2-year grace period and is subject to a floating interest rate based on LIBOR plus a spread. The Parent Company made partial principal payments of US$221 million and US$148 million in 2020 and US$177 million and US$118 million in 2019 against the US$600 million and US$400 million drawdowns, respectively.

d. On July 25, 2017, the Parent Company drew P15,000 from a P15,000 term loan facility which was signed on July 14, 2017 and executed on July 17, 2017. The facility is amortized over 7 years and is subject to a fixed interest rate of 5.5276% per annum. The proceeds were used to refinance the bridge loan availed on December 23, 2016 for the acquisition of the Refinery Solid Fuel-Fired Power Plant in 2016. As of December 31, 2020, the P6,964 portion of the facility has already been paid.

e. On December 29, 2017, the Parent Company drew P10,000 from a P10,000 bilateral facility which was signed and executed on December 28, 2017. The facility is amortized quarterly for five years beginning on the fifth quarter and is subject to a fixed rate of 5.7584% per annum. The proceeds were used to fund permanent working capital requirements. In 2020 and 2019, the P2,500 portion of the facility has been paid each year.

f. On October 19, 2018, the Parent Company offered P20,000 fixed retail bonds (the "Offer Bonds") divided into Series C (P13,200) bearing interest at 7.8183% per annum and Series D (P6,800) bearing interest at 8.0551% per annum. The Series C Offer Bonds will mature on April 19, 2024 (5.5-year term) while the Series D Offer Bonds is due on October 19, 2025 (7-year term). Interests on these Offer Bonds are payable quarterly, commencing on January 19, 2019, and thereafter, on April 19, July 19, October 19 and January 19 of each year. The net proceeds from the issuance of the Offer Bonds were used primarily to settle short-term loans availed by the Parent Company to fund crude oil purchases and redeem a portion of the Parent Company's remaining USCS (Note 21), and the balance for general corporate purposes. The Offer Bonds were listed with the Philippine Dealing & Exchange Corp. on October 19, 2018.

g. On May 10, 2019, the Parent Company signed and executed a US$800 million term loan facility. Initial drawdown of US$300 million was made on May 15, 2019, the proceeds of which were used to refinance the Parent Company's existing dollar-denominated bilateral short-term loans. On May 31, 2019, the Parent Company drew an additional US$236 million from the facility to partially prepay its US$1,000 million term loan facility. Finally, the remaining balance of US$264 million was drawn on July 10, 2019 to refinance various peso-denominated short-term loans and for general corporate purposes. The facility is amortized over 5 years with a 2-year grace period, after which the total principal will be amortized in 7 equal semi-annual installments beginning May 15, 2021. The facility is subject to a floating interest rate based on LIBOR plus a spread, repriced every 1, 3 or 6 months.

h. On April 22, 2020, the Parent Company drew JP¥15 billion from a JP¥15 billion term loan facility signed and executed on March 27, 2020. The proceeds were used to partially prepay its US$1 billion term loan facility. The JP¥ facility is amortized over 5 years with a 2-year grace period, after which the total principal will be amortized in 7 equal semi-annual installments beginning March 27, 2022. It is subject to a floating interest rate based on JP¥ LIBOR plus a spread, repriced every 1, 3 or 6 months.

i. On April 27, 2020, the Parent Company drew P5 billion from a P5 billion term loan facility which was signed and executed on April 23, 2020. The facility is subject to a fixed interest rate of 4.59% per annum and amortized over 5 years with a 12-month grace period, after which the total principal will be amortized in 16 equal quarterly payments beginning July 27, 2021. The proceeds were used for general corporate purposes.

j. On August 26, 2020, the Parent Company availed a US$150 million three-year long-term debt, subject to floating interest rate based on LIBOR plus a spread, repriced every 1, 3 or 6 months that will mature on August 7, 2023. The proceeds were used to prepay part of the existing US$1.0 billion term loan facility and US$800 million loan.

The above-mentioned debt agreements contain, among others, covenants relating to merger and consolidation, maintenance of certain financial ratios, restrictions on loans and guarantees, disposal of a substantial portion of assets, significant changes in the ownership or control of subsidiaries, payments of dividends and redemption of capital stock.

The Group has two financial covenants, namely, net leverage ratio not to exceed 6.5x and ratio of consolidated gross debt to consolidated net worth not to exceed 2.75x. In November 2020, the Group secured consent to amend the testing of its net leverage ratio from semi-annual to incurrence-based, while the ratio of consolidated gross debt to consolidated net worth remained to be tested quarterly.

As at December 31, 2020 and 2019, the Group has complied with its financial covenants of its debt agreements.

Total interest incurred on the above-mentioned long-term loans (including amortization of debt issue costs) amounted to P5,727, P6,893 and P5,198 for the years ended 2020, 2019 and 2018, respectively (Note 26). Interest amounting to P49 was capitalized in 2020 and P21 in 2019 (Note 10).

Movements in debt issue costs follow:

	Note	**2020**	2019
Balance at beginning of year		**P1,240**	P979
Additions		**731**	711
Amortization for the year	*26*	**(603)**	(450)
Balance at end of year		**P1,368**	P1,240

Repayment Schedule
As of December 31, 2020 and 2019, the annual maturities of long-term debt are as follows (Note 34):

2020

Year	**Gross Amount**	**Debt Issue Costs**	**Net**
2021	**P31,562**	**P448**	**P31,114**
2022	**26,726**	**339**	**26,387**
2023	**30,569**	**375**	**30,194**
2024	**23,542**	**144**	**23,398**
2025	**8,423**	**62**	**8,361**
	P120,822	**P1,368**	**P119,454**

2019

Year	Gross Amount	Debt Issue Costs	Net
2020	P17,072	P191	P16,881
2021	44,684	557	44,127
2022	24,450	161	24,289
2023	20,717	117	20,600
2024	20,594	144	20,450
2025 and beyond	6,800	70	6,730
	P134,317	P1,240	P133,077

19. Asset Retirement Obligation

Movements in the ARO are as follows:

	Note	**2020**	2019
Balance at beginning of year		**P1,720**	P3,592
Effect of change in discount rate		**568**	(789)
Effect of change in estimates	*4*	**503**	(1,187)
Accretion for the year	*26*	**77**	98
Additions		**1**	11
Settlement		**(2)**	(5)
Balance at end of year		**P2,867**	P1,720

20. Other Noncurrent Liabilities

This account consists of:

	Note	**2020**	2019
Cylinder deposits		**P617**	P608
Cash bonds		**947**	750
Derivative liabilities designated as cash flow hedge		**292**	337
Others		**48**	53
	34, 35	**P1,904**	P1,748

"Others" account includes liability to a contractor and supplier.

21. Equity

a. Capital Stock

<u>Common Shares</u>
Pursuant to the registration statement rendered effective by the SEC on May 18, 1995 and the permit to sell issued by the SEC dated May 30, 1995, 10,000,000,000 common shares of the Parent Company with par value of P1.00 per share were offered for sale at an offer price of P1.00 per share. As of December 31, 2020 and 2019, the Parent Company had 144,979 and 145,194 stockholders with at least one board lot at the PSE, respectively, for a total of 9,375,104,497 (P1.00 per share par value) issued and outstanding common shares.

<u>Preferred Shares</u>
On January 21, 2010, the SEC approved the Parent Company's amendment to its AOI to reclassify 624,895,503 unissued common shares into preferred shares with a par value of P1.00 per share, as part of its authorized capital stock. On February 12, 2010, the SEC issued an order permitting the Parent Company's offer and sale of 50,000,000 peso-denominated, cumulative, non-participating and non-voting preferred shares, with an oversubscription option of 50,000,000 preferred shares (collectively, the "2010 Preferred Shares") to the public at an issue price of P100.00 per share. Proceeds from issuance in excess of par value less related transaction costs amounting to P9,764 was recognized as additional paid-in capital. Dividend rate of 9.5281% per annum computed in reference to the issue price was payable every March 5, June 5, September 5 and December 5 of each year, when declared by the Parent Company's BOD. The 2010 Preferred Shares were listed with PSE on March 5, 2010.

On October 17, 2014, the SEC issued an order permitting the Parent Company's public offering and sale of 7,000,000 cumulative, non-voting, non-participating, non-convertible, peso-denominated perpetual preferred shares with an oversubscription option of 3,000,000 preferred shares (collectively, the "Series 2 Preferred Shares") at an issue price of P1,000.00 per share.

On November 3, 2014, the Parent Company issued and listed in the PSE 10,000,000 Series 2 Preferred Shares at an offer price of P1,000.00 per share. The Series 2 Preferred Shares were issued in two (2) sub-series, (i) 7,122,320 Series 2A preferred shares (the "Series 2A Preferred Shares") and (ii) 2,877,680 Series 2B preferred shares (the "Series 2B Preferred Shares"). Proceeds from issuance in excess of par value less related transaction costs amounting to P9,889 was recognized as additional paid-in capital.

The Series 2A Preferred Shares may be redeemed by the Parent Company starting on the fifth anniversary from the listing date while the Series 2B Preferred Shares may be redeemed starting on the seventh anniversary from the listing date. Series 2A and Series 2B Preferred Shares have dividend rates of 6.3000% and 6.8583%, respectively. Cash dividends are payable quarterly every February 3, May 3, August 3 and November 3 of each year, as and if declared by the Parent Company's BOD.

All shares rank equally as regards to the Parent Company's residual assets, except that holders of preferred shares participate only to the extent of the issue price of the shares plus any accumulated and unpaid cash dividends.

On March 5, 2015, the Parent Company redeemed the 2010 Preferred Shares at P100.00 per share, which were delisted by the PSE on March 6, 2015 in line with the latter's rule on the delisting of redeemed shares which are not re-issuable at the time of redemption under the issuing Parent Company's AOI. On July 6, 2015, the SEC approved the amendment of the AOI of the Parent Company to provide a re-issuability feature of its preferred shares.

On May 31, 2019, the SEC issued a permit for the Parent Company's public offering and sale of 15,000,000 cumulative, non-voting, non-participating, non-convertible, peso-denominated perpetual preferred shares with an oversubscription option of 5,000,000 preferred shares (collectively, the "Series 3 Preferred Shares") at an issue price of P1,000.00 per share.

On June 25, 2019, the Parent Company issued and listed on the PSE 20,000,000 Series 3 Preferred Shares. The net proceeds from the issuance were used for the repayment of the Parent Company's outstanding short-term loans and for general corporate purposes while the remaining balance was allocated for the redemption of the Series 2A Preferred Shares in November 2019.

The Series 3 Preferred Shares were issued in two (2) sub-series: (i) 13,403,000 Series 3A Preferred Shares with dividend rate of 6.8713% per annum and first optional redemption date on its 5.5th anniversary from the issuance date; and (ii) 6,597,000 Series 3B Preferred Shares with dividend rate of 7.1383% per annum and first optional redemption date on its 7th anniversary from the issuance date. Cash dividends are payable quarterly on March 25, June 25, September 25 and December 25 of each year, as and if declared by the Parent Company's BOD. Proceeds from issuance in excess of par value less related transaction costs amounting to P17,847 was recognized as additional paid-in capital.

On November 4, 2019, the Parent Company redeemed its 7,122,320 Series 2A Preferred Shares issued on November 3, 2014 at a redemption price of P1,000.00 per share, with a record date of October 10, 2019. The redemption was approved by the Parent Company's BOD on March 12, 2019.

As of December 31, 2020 and 2019, the Parent Company had 22,877,680 and 10,000,000 (P1 par value) issued and outstanding preferred shares, respectively. The total number of preferred shareholders with at least one board lot at the PSE as of December 31, 2020 and 2019 are as follows:

	2020	2019
Series 2B Preferred Shares	**30**	30
Series 3A Preferred Shares	**8**	8
Series 3B Preferred Shares	**24**	25
	62	63

b. Retained Earnings

Declaration of Cash Dividends
On various dates in 2018, 2019 and 2020, the Parent Company's BOD approved the declaration of cash dividends for common and preferred shareholders with the following details:

Type	Per Share	Date of Declaration	Date of Record	Date of Payment
2018				
Common	P0.15000	March 13, 2018	March 27, 2018	April 18, 2018
Series 2A	15.75000	March 13, 2018	April 12, 2018	May 3, 2018
Series 2B	17.14575	March 13, 2018	April 12, 2018	May 3, 2018
Series 2A	15.75000	March 13, 2018	July 16, 2018	August 3, 2018
Series 2B	17.14575	March 13, 2018	July 16, 2018	August 3, 2018
Series 2A	15.75000	August 7, 2018	October 10, 2018	November 5, 2018
Series 2B	17.14575	August 7, 2018	October 10, 2018	November 5, 2018
Series 2A	15.75000	August 7, 2018	January 11, 2019	February 4, 2019
Series 2B	17.14575	August 7, 2018	January 11, 2019	February 4, 2019
2019				
Common	P0.10000	March 12, 2019	March 27, 2019	April 11, 2019
Series 2A	15.75000	March 12, 2019	April 4, 2019	May 3, 2019
Series 2B	17.14575	March 12, 2019	April 4, 2019	May 3, 2019
Series 2A	15.75000	March 12, 2019	July 12, 2019	August 5, 2019
Series 2B	17.14575	March 12, 2019	July 12, 2019	August 5, 2019
Series 2A	15.75000	August 6, 2019	October 11, 2019	November 4, 2019
Series 2B	17.14575	August 6, 2019	October 11, 2019	November 4, 2019
Series 3A	17.17825	August 6, 2019	September 2, 2019	September 25, 2019
Series 3B	17.84575	August 6, 2019	September 2, 2019	September 25, 2019
Series 3A	17.17825	November 5, 2019	December 2, 2019	December 26, 2019
Series 3B	17.84575	November 5, 2019	December 2, 2019	December 26, 2019
Series 2B	17.14575	November 5, 2019	January 14, 2020	February 3, 2020
Series 3A	17.17825	November 5, 2019	March 2, 2020	March 25, 2020
Series 3B	17.84575	November 5, 2019	March 2, 2020	March 25, 2020
2020				
Common	**P0.10000**	**March 10, 2020**	**March 24, 2020**	**April 8, 2020**
Series 2B	**17.14575**	**March 10, 2020**	**April 7, 2020**	**May 4, 2020**
Series 3A	**17.17825**	**March 10, 2020**	**June 1, 2020**	**June 25, 2020**
Series 3B	**17.84575**	**March 10, 2020**	**June 1, 2020**	**June 25, 2020**
Series 2B	**17.14575**	**May 26, 2020**	**July 9, 2020**	**August 3, 2020**
Series 3A	**17.17825**	**May 26, 2020**	**September 2, 2020**	**September 25, 2020**
Series 3B	**17.84575**	**May 26, 2020**	**September 2, 2020**	**September 25, 2020**
Series 2B	**17.14575**	**August 4, 2020**	**October 9, 2020**	**November 3, 2020**
Series 3A	**17.17825**	**August 4, 2020**	**December 2, 2020**	**December 28, 2020**
Series 3B	**17.84575**	**August 4, 2020**	**December 2, 2020**	**December 28, 2020**
Series 2B	**17.14575**	**November 3, 2020**	**January 8, 2021**	**February 3, 2021**
Series 3A	**17.17825**	**November 3, 2020**	**March 2, 2021**	**March 25, 2021**
Series 3B	**17.84575**	**November 3, 2020**	**March 2, 2021**	**March 25, 2021**

Total cash dividends declared by the Parent Company amounted to P2,515 both in 2020 and 2019 and P2,052 in 2018.

Appropriation for Capital Projects
On May 5, 2016, the Parent Company's BOD approved the reversal of P25,000 appropriation for the Parent Company's RMP-2 and the re-appropriation of retained earnings amounting to P15,000 for capital projects in 2016 and 2017 which are expected to be completed within five years from the date of the approval.

On August 23, 2016, LLCDC's BOD approved the reversal of appropriation made in 2010 amounting to P5 (P3 - attributable to non-controlling interest) which was aimed to fund its construction management service. On September 29, 2015, NVRC's BOD approved the appropriation of retained earnings of P200 (P120 - attributable to non-controlling interest) and on December 20, 2016, an additional appropriation of P200 (P120 - attributable to non-controlling interest) was approved, both for the programmed lot acquisitions which are expected to be completed in 2019.

On October 16, 2019, the BOD of NVRC authorized and approved the reversal of P400 appropriation following a change in the property acquisition plans of NVRC.

The appropriated retained earnings attributable to the equity holders of the Parent Company as of December 31, 2020 and 2019 amounted to P15,000.

c. The Group's unappropriated retained earnings include its accumulated equity in net earnings of subsidiaries, joint ventures and an associate amounting to P26,345, P28,791 and P26,800 as of December 31, 2020, 2019 and 2018, respectively. Such amounts are not available for declaration as dividends until declared by the respective investees.

d. Equity reserves comprise of the following:

Reserve for retirement plan pertains to the cumulative remeasurements of the Group's defined benefit retirement plan.

Other reserves comprise the net loss on cash flows hedges, unrealized fair value losses on investments in debt instruments, exchange differences on translation of foreign operations, effect of redemption of USCS and others with details as follows:

	2020	2019	2018
Balance at beginning of year	**(P12,195)**	(P11,091)	(P3,025)
Net loss on cash flow hedges, net of tax	**(393)**	(145)	(77)
Changes in fair value of investment in debt instruments	**464**	10	(8)
Cumulative translation adjustment	**(1,109)**	(969)	1,231
Share in other comprehensive loss of a joint venture	**10**	-	-
Redemption of USCS	**-**	-	(9,223)
Changes in ownership interests in subsidiaries	**-**	-	11
Balance at end of year	**(P13,223)**	(P12,195)	(P11,091)

e. USCS

In February 2013, the Parent Company issued US$500 million USCS at an issue price of 100% ("Original Securities"). In March 2013, the Parent Company issued under the same terms and conditions of the Original Securities an additional US$250 million at a price of 104.25% ("New Securities"). The New Securities constituted a further issuance of, were fungible with, and were consolidated and formed a single series with the Original Securities (the "Original Securities" and, together with the "New Securities", the "Securities"). Proceeds were applied by the Parent Company for capital and other expenditures of RMP-2 as well as for general corporate purposes.

The Securities were offered for sale and sold to qualified buyers and not more than 19 institutional lenders. Hence, each sale of the Securities was considered an exempt transaction for which no confirmation of exemption from the registration requirements of the Securities Regulation Code was required to be filed with the SEC. In compliance with the amended rules of the SRC, notices of exemption for the issuances of the Securities were filed with the SEC on February 12, 2013 for the Original Securities and on March 19, 2013 for the New Securities.

Holders of the Securities are conferred a right to receive distribution on a semi-annual basis from their issue date at the rate of 7.5% per annum, subject to a step-up rate. The Parent Company has a right to defer this distribution under certain conditions.

The Securities have no fixed redemption date and are redeemable in whole, but not in part, at their principal amounts together with any accrued, unpaid or deferred distributions at the Parent Company's option on or after August 6, 2018 or on any distribution payment date thereafter or upon the occurrence of certain events.

On January 8, 2018, the Parent Company announced a tender offer to holders of its US$750 million USCS with expiration deadline on January 16, 2018. Tenders amounting to US$402 million (P21,309) were accepted by the Parent Company and settled on January 22, 2018. The USCS purchased pursuant to the tender offer were cancelled. Accrued distributions and premiums paid related to the redemption amounted to US$13.901 million (P1,010) and US$12.059 million (P876), respectively. On August 6, 2018, the Parent Company redeemed the remaining US$348 million (P18,460) of the US$750 million USCS. The difference in the settlement amount and the carrying amount of USCS in 2018 was recognized as part of "Equity reserves" account in the consolidated statements of financial position.

Payments of distributions pertaining to USCS were made on the following dates: US$13.901 million on January 22, 2018 (P1,010); and US$13.052 million each on February 5, 2018 (P963) and August 6, 2018 (P988).

f. SPCS

On January 19, 2018, the Parent Company issued US$500 million SPCS with an issue price of 100% for the partial repurchase and redemption of the Parent Company's existing US$750 million USCS, the repayment of indebtedness and general corporate purposes including capital expenditures. The SPCS were listed with the Singapore Exchange Securities Trading Ltd. on January 22, 2018.

The SPCS were offered for sale and sold to qualified buyers and not more than 19 institutional lenders. Hence, the sale of SPCS was considered an exempt transaction for which no confirmation of exemption from the registration requirements of the SRC was required to be filed with the SEC.

Holders of the SPCS are conferred a right to receive distribution on a semi-annual basis from their issue date at the rate of 4.6% per annum, subject to a step-up rate. The Parent Company has a right to defer the distribution under certain conditions.

The SPCS have no fixed redemption date and are redeemable in whole, but not in part, at their principal amounts together with any accrued, unpaid, or deferred distributions, at the Parent Company's option on or after July 19, 2023 or on any distribution payment date thereafter or upon the occurrence of certain other events.

Payments of distributions pertaining to SPCS were made on the following dates: July 17, 2020 (P814), January 17, 2020 (P834), July 18, 2019 (P838), January 18, 2019 (P859) and July 19, 2018 (P878).

g. RPS

On November 27, 2019, the Parent Company issued US$6 million RPS to be used for capital expenditures requirements.

Holders of the RPS are conferred a right to receive distributions on a quarterly basis, every February 27, May 27, August 27 and November 27, at the rate of 4.0% per annum. The Parent Company has a right to defer the distribution under certain conditions.

Distributions to holders of the RPS were made on November 27, 2020 (P3), August 27, 2020 (P3), May 27, 2020 (P3) and February 27, 2020 (P3).

On June 22, 2020, the Parent Company issued US$130 million RPS used for general corporate purposes. Holders of the RPS are conferred a right to receive distributions on a quarterly basis every March 22, June 22, September 22 and December 22.

Payment of distributions pertaining to RPS were made on December 22, 2020 (P56) and September 22, 2020 (P57).

On August 10, 2020, the Parent Company issued additional US$100 million RPS used for general corporate purposes. Holders of the RPS are conferred a right to receive distributions on a quarterly basis every February 10, May 10, August 10 and November 10.

Holders of the RPS were paid on November 10, 2020 (P43).

The RPS have no fixed redemption date and are redeemable in whole, or in part, at their principal amounts together with any accrued, unpaid, or deferred distributions, at the Parent Company's option on any distribution payment date after 90 days from Issuance Date.

22. Cost of Goods Sold

This account consists of:

	Note	**2020**	2019	2018
Inventories	*9*	**P263,078**	P463,028	P498,117
Depreciation and amortization	*25*	**4,802**	8,430	8,277
Materials and supplies		**2,969**	4,099	5,498
Purchased services and utilities		**1,567**	2,101	2,211
Personnel expenses	*24*	**1,463**	1,771	1,979
Others	*29, 31*	**3,441**	4,426	6,742
		P277,320	P483,855	P522,824

Distribution or transshipment costs included as part of inventories amounted to P8,290, P11,380 and P10,076 in 2020, 2019 and 2018, respectively.

Others include manufacturing and overhead costs such as maintenance and repairs, taxes and licenses, insurance and rent.

23. Selling and Administrative Expenses

This account consists of:

	Note	**2020**	2019	2018
Depreciation and amortization	*25*	**P4,688**	P4,815	P3,266
Purchased services and utilities		**3,988**	4,597	4,457
Personnel expenses	*24*	**3,103**	3,318	4,092
Maintenance and repairs		**1,177**	1,342	1,285
Taxes and licenses		**340**	360	368
Materials and office supplies		**422**	528	605
Advertising		**421**	696	746
Rent	*2, 29*	**130**	38	1,753
Impairment losses on trade and other receivables	*4, 8*	**67**	35	261
Others	*9*	**53**	86	148
		P14,389	P15,815	P16,981

Selling and administrative expenses include research and development costs amounting to P66, P76 and P86 in 2020, 2019 and 2018, respectively (Note 9).

24. Personnel Expenses

This account consists of:

	Note	**2020**	2019	2018
Salaries, wages and other employee costs	*28*	**P4,194**	P4,919	P5,446
Retirement benefits costs - defined benefit plan	*28, 30*	**289**	70	523
Retirement benefits costs - defined contribution plan	*28*	**83**	100	102
		P4,566	P5,089	P6,071

The above amounts are distributed as follows:

	Note	**2020**	2019	2018
Costs of goods sold	*22*	**P1,463**	P1,771	P1,979
Selling and administrative expenses	*23*	**3,103**	3,318	4,092
		P4,566	P5,089	P6,071

25. Depreciation and Amortization

This account consists of:

	Note	**2020**	2019	2018
Cost of goods sold:				
Property, plant and equipment	*10*	**P4,363**	P8,081	P7,693
Right-of-use assets	*11*	**178**	107	-
Other assets	*14*	**261**	242	584
	22	**4,802**	8,430	8,277
Selling and administrative expenses:				
Property, plant and equipment	*10*	**P2,168**	2,254	2,225
Right-of-use assets	*11*	**490**	595	-
Investment property	*12*	**1,944**	1,883	699
Intangible assets and others	*14*	**86**	83	342
	23	**4,688**	4,815	3,266
	37	**P9,490**	P13,245	P11,543

26. Interest Expense and Other Financing Charges, Interest Income and Other Income (Expenses)

This account consists of:

	Note	**2020**	2019	2018
Interest expense and other financing charges:				
Long-term debt	*18*	**P5,080**	P6,423	P4,867
Short-term loans	*15*	**3,244**	4,032	3,165
Bank charges		**729**	920	1,133
Amortization of debt issue costs	*18*	**598**	449	331
Accretion on ARO	*19*	**77**	98	189
Accretion on lease liability	*29*	**1,115**	1,165	-
Product borrowings		**218**	65	-
Defined benefit obligation	*30*	**241**	335	-
Others		**11**	3	4
	37	**P11,313**	P13,490	P9,689
Interest income:				
Advances to related parties	*28*	**P94**	P113	P212
Short-term placements	*5*	**507**	953	416
Investments in debt instruments	*7*	**18**	18	24
Trade receivables	*8*	**44**	40	47
Cash in banks	*5*	**17**	7	7
Plan assets	*30*	**100**	209	-
	37	**P780**	P1,340	P706

Forward

	Note	2020	2019	2018
Other income (expenses) - net:				
Foreign currency gains (losses) - net	*34*	**P2,363**	P2,609	(P3,476)
Changes in fair value of financial assets at FVPL	*6*	**(9)**	30	84
Hedging gains (losses) - net		**(1,121)**	(1,783)	218
Marked-to-market gains (losses) - net	*35*	**(2,428)**	(1,926)	4,326
Others - net		**146**	758	(635)
		(P1,049)	(P312)	P517

The Group recognized its share in the net income (loss) of PDSI amounting to nil, P0.12 and (P1) in 2020, 2019 and 2018, respectively, and its share in the net income of TBSB amounting to P4.16 in 2020, P1.69 in 2019, and P4 in 2018. These were recorded as part of "Others - net" under "Other income (expenses) - net" account in the consolidated statements of income. Bank charges amounting to P5 was capitalized as part of property, plant and equipment in 2020 while P2 in 2019 and nil in 2018 (Note 10).

Also included in "Others - net" were the following: (i) rental income amounting to P63 each in 2020, 2019 and 2018 (Note 29); (ii) impairment losses on other receivables of POMSB amounting to P259 (net of P3 currency translation adjustment) in 2019 and interest income of P20 (Notes 8 and 39); (iii) gain on sale of fixed asset amounting to P95 in 2020; (iv) other income due to rent concession amounting to P23 in 2020.

27. Income Taxes

Deferred tax assets and liabilities are from the following:

2020

	January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	December 31
Net retirement benefits liability	**P2,157**	**(P153)**	**P191**	**P -**	**P2,195**
Rental	**1,364**	**225**	**-**	**-**	**1,589**
NOLCO	**1,286**	**7,561**	**-**	**-**	**8,847**
Various allowances, accruals and others	**789**	**66**	**-**	**13**	**868**
Inventory differential	**649**	**(576)**	**-**	**-**	**73**
MCIT	**491**	**-**	**-**	**-**	**491**
ARO	**278**	**20**	**-**	**-**	**298**
Unutilized tax losses	**237**	**121**	**-**	**-**	**358**
Fair market value adjustments on business combination	**(30)**	**2**	**-**	**-**	**(28)**
Unrealized foreign exchange gains - net	**(158)**	**(826)**	**-**	**-**	**(984)**
Unrealized fair value losses (gains) on financial assets at FVOCI	**-**	**30**	**(30)**	**-**	**-**
Capitalized taxes and duties on inventories deducted in advance	**(1,402)**	**168**	**-**	**-**	**(1,234)**
Capitalized interest, losses, duties and taxes on property, plant and equipment deducted in advance and others	**(4,609)**	**302**	**-**	**-**	**(4,307)**
Excess of double-declining over straight-line method of depreciation and amortization	**(7,138)**	**(1,922)**	**-**	**-**	**(9,060)**
	(P6,086)	**P5,018**	**P161**	**P13**	**(P894)**

2019

	January 1	Adjustment Due to Adoption of PFRS 16	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	December 31
Net retirement benefits liability	P1,617	P -	(P243)	P751	P -	P2,125
Rental	192	771	401	-	-	1,364
NOLCO	-	-	1,286	-	-	1,286
Various allowances, accruals and others	1,085	-	(332)	-	9	762
Inventory differential	(150)	-	799	-	-	649
MCIT	-	-	491	-	-	491
ARO	415	-	(137)	-	-	278
Unutilized tax losses	-	-	237	-	-	237
Fair market value adjustments on business combination	(32)	-	2	59	-	29
Unrealized foreign exchange gains - net	523	-	(681)	-	-	(158)
Unrealized fair value losses (gains) on financial assets at FVOCI	-	-	1	(1)	-	-
Capitalized taxes and duties on inventories deducted in advance	(863)	-	(539)	-	-	(1,402)
Capitalized interest, losses, duties and taxes on property, plant and equipment deducted in advance and others	(4,818)	-	209	-	-	(P4,609)
Excess of double-declining over straight-line method of depreciation and amortization	(6,162)	-	(976)	-	-	(7,138)
	(P8,193)	P771	P518	P809	P9	(P6,086)

2018

	January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	December 31
Net retirement benefits liability	P1,337	P -	P339	P -	P1,676
Rental	188	4	-	-	192
NOLCO	-	-	-	-	-
Various allowances, accruals and others	1,116	(65)	3	(61)	993
Inventory differential	199	(349)	-	-	(150)
MCIT	-	-	-	-	-
ARO	487	(72)	-	-	415
Unutilized tax losses	220	(220)	-	-	-
Fair market value adjustments on business combination	(33)	1	-	-	(32)
Unrealized foreign exchange gains - net	(264)	787	33	-	556
Unrealized fair value losses (gains) on financial assets at FVOCI	-	-	-	-	-
Capitalized taxes and duties on inventories deducted in advance	(288)	(575)	-	-	(863)
Capitalized interest, losses, duties and taxes on property, plant and equipment deducted in advance and others	(5,140)	322	-	-	(4,818)
Excess of double-declining over straight-line method of depreciation and amortization	(5,012)	(1,150)	-	-	(6,162)
	(P7,190)	(P1,317)	P375	(P61)	(P8,193)

The above amounts are reported in the consolidated statements of financial position as follows:

	2020	2019
Deferred tax assets - net	**P2,190**	P262
Deferred tax liabilities - net	**(3,084)**	(6,348)
	(P894)	(P6,086)

Net deferred taxes of individual companies are not allowed to be offset against net deferred tax liabilities of other companies, or vice versa, for purposes of consolidation.

The components of income tax expense are shown below:

	2020	2019	2018
Current	**P220**	P1,952	P2,069
Deferred	**(5,018)**	(518)	1,317
	(P4,798)	P1,434	P3,386

As of December 31, 2020, the NOLCO and MCIT of the Parent Company that can be claimed as deduction from future taxable income and deduction from corporate income tax due, respectively, are as follows:

Year Incurred/Paid	Carryforward Benefits Up To	NOLCO	MCIT
2019	December 31, 2022	P4,286	P491
2020	December 31, 2025	25,205	-
		P29,491	**P491**

A reconciliation of tax on the pretax income computed at the applicable statutory rates to tax expense reported in the consolidated statements of income is as follows:

	Note	2020	2019	2018
Statutory income tax rate		**30.00%**	30.00%	30.00%
Increase (decrease) in income tax rate resulting from:				
Income subject to Income Tax Holiday (ITH)	*36*	**-**	-	(5.14%)
Interest income subjected to lower final tax		**0.14%**	(1.84%)	(0.57%)
Nontaxable income		**0.33%**	(17.27%)	(11.13%)
Nondeductible expense		**1.49%**	4.27%	1.32%
Nondeductible interest expense		**(0.05%)**	0.61%	0.20%
Changes in fair value of financial assets at FVPL	*26*	**-**	(0.24%)	(0.24%)
Excess of optional standard deduction over deductible expenses		**0.07%**	(0.32%)	(0.10%)
Others, mainly income subject to different tax rates		**(2.38%)**	23.14%	18.04%
Effective income tax rate		**29.60%**	38.35%	32.38%

OSD
Effective July 2008, Republic Act (RA) No. 9504 was approved giving corporate taxpayers an option to claim itemized deduction or OSD equivalent to 40% of gross sales. Once the option to use OSD is made, it shall be irrevocable for the taxable year for which the option was made (Note 4).

28. Related Party Disclosures

The Parent Company, certain subsidiaries, associate, joint ventures and SMC and its subsidiaries in the normal course of business, purchase products and services from one another. Transactions with related parties are made at normal market prices and terms. The Group requires approval of the BOD for certain limits on the amount and extent of transactions with related parties.

Amounts owed by/owed to related parties are collectible/to be settled in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

The balances and transactions with related parties as of and for the years ended December 31 follow:

	Note	Year	Revenues from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Retirement Plan	*8, 30, a*	**2020**	**P93**	**P -**	**P1,562**	**P -**	On demand;	Unsecured;
		2019	113	-	1,971	-	long-term;	no impairment
		2018	211	-	2,399	-	interest bearing	
Intermediate Parent	*b, e, g, h*	**2020**	**7**	**174**	**11**	**251**	On demand;	Unsecured;
		2019	13	228	8	95	non-interest	no impairment
		2018	12	1,026	7	25	bearing	
Under Common Control	*14, b, c, d, g, h, i, j*	**2020**	**4,764**	**4,445**	**1,157**	**1,918**	On demand;	Unsecured;
		2019	6,246	4,904	1,296	2,015	non-interest	no impairment
		2018	6,523	4,904	2,097	889	bearing	
Joint Ventures	*c, f, g, h*	**2020**	**-**	**-**	**4**	**-**	On demand;	Unsecured;
		2019	-	52	1	-	non-interest	no impairment
		2018	7	59	1	-	bearing	
		2020	**P4,864**	**P4,619**	**P2,734**	**P2,169**		
		2019	P6,372	P5,184	P3,276	P2,110		
		2018	P6,753	P5,989	P4,504	P914		

a. As of December 31, 2020 and 2019, the Parent Company has interest bearing advances to PCERP, included as part of "Trade and other receivables - net" in the consolidated statements of financial position, for some investment opportunities (Notes 8 and 30).

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

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

d. The Parent Company entered into a lease agreement with San Miguel Properties, Inc. for its office space covering 6,852 square meters with a monthly rate of P6. The lease, which commenced on June 1, 2018, is for a period of one year and was subsequently renewed on a yearly basis in accordance with the written agreement of the parties.

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

f. TBSB, an operator of LPG bottling plant, provides bottling services to PFISB and another venturer.

g. Amounts owed by related parties consist of trade, non-trade receivables, advances and prepaid expenses.

h. Amounts owed to related parties consist of trade and non-trade payables.

i. In 2015, NVRC leased out certain parcels of its land to SMC Consolidated Power Corporation for a period of 25 years.

j. All of the 51,000 shares of MNHPI representing 0.17% interest was sold to a related party at a gain recognized as part of "Others - net" (Note 26).

k. The compensation and benefits of key management personnel of the Group, by benefit type, included in the "Personnel expenses" account as follows (Note 24):

	2020	2019	2018
Salaries and other short-term employee benefits	**P752**	P756	P998
Retirement benefits costs - defined benefit plan	**26**	29	135
Retirement benefits costs - defined contribution plan	**29**	27	35
	P807	P812	P1,168

29. Lease Commitments

Group as Lessee

The Group entered into commercial leases on office space, buildings, machinery and equipment, service stations and certain parcels of land for its refinery and service stations (Note 11, 12 and 31). These leases' life ranges from one to 999 years with renewal options included in the contracts. There are no restrictions placed upon the Group by entering into these leases. The lease agreements include upward escalation adjustments of the annual rental rates.

Amounts recognized in profit or loss:

	Note	**2020**	2019
Interest on lease liabilities	*11*	**P1,115**	P1,165
Income from sub-leasing		**(1,054)**	(1,395)
Income from rent concession	*23*	**(23)**	-
Expenses relating to the variable portion of lease payments		**3**	7
Expenses relating to short-term leases		**251**	62
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets		**13**	32
		P305	(P129)

Rent expense amounting to P13 is included in cost of goods sold - others (Note 22). Interest expense amounting to P85 was capitalized as part of property, plant and equipment in 2020, P58 in 2019 while nil in 2018 (Note 10).

Amounts recognized in consolidated statements of cashflows:

	Note	2020	2019
Interest paid under operating activities	*26*	**P344**	P1,165
Principal lease payments under financing activities	*33*	**2,361**	1,128

Group as Lessor - Operating Lease

The Group has entered into lease agreements on its service stations and other related structures. The non-cancellable leases have remaining terms of between three to ten years. All leases include a clause to enable upward escalation adjustment of the annual rental rates.

The following table sets out a maturity analysis of lease payments, showing undiscounted lease payments to be received after the reporting period.

	2020	2019
Less than one year	**P794**	P1,304
One to two years	**614**	908
Two to three years	**610**	641
Three to four years	**577**	485
Four to five years	**532**	499
More than five years	**9,286**	7,562
	P12,413	P11,399

Rent income recognized in profit or loss amounted to:

	Note	2020	2019	2018
Other operating income		**P1,047**	P1,507	P1,340
Others - net	*26*	**63**	63	63
		P1,110	P1,570	P1,403

30. Retirement Plan

The succeeding tables summarize the components of net retirement benefits costs (income) under defined benefit retirement plans recognized in consolidated statements of income and the funding status and amounts of retirement plans recognized in the consolidated statements of financial position. The Parent Company has a funded, noncontributory, defined benefit retirement plan while several subsidiaries have unfunded, noncontributory, defined benefit retirement plans. Contributions and costs are determined in accordance with the actuarial studies made for the plans. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is as of December 31, 2020. Valuations are obtained on a periodic basis.

The Parent Company's Retirement Plan is registered with the Bureau of Internal Revenue (BIR) as a tax-qualified plan under Republic Act (RA) No. 4917, as amended. The control and administration of the retirement plan is vested in the Board of Trustees (BOT), as appointed by the BOD of the Parent Company. The BOT of the retirement plan, who exercise voting rights over the shares and approve material transactions, are also officers of the Parent Company, while one of the BOT is also a BOD. The retirement plan's accounting and administrative functions are undertaken by SMC's Retirement Funds Office.

The following table shows a reconciliation of the net defined benefit retirement asset (liability) and its components:

	Present Value of Defined Benefit Obligation			Fair Value of Plan Assets			Net Defined Benefit Retirement Asset (Liability)		
	2020	2019	2018	**2020**	2019	2018	**2020**	2019	2018
Balance at beginning of year	**(P4,738)**	(P5,779)	(P5,872)	**P1,083**	P3,279	P883	**(P3,655)**	(P2,500)	(P4,989)
Recognized in Profit or Loss									
Current service cost	**(289)**	(370)	(337)	**-**	-	-	**(289)**	(370)	(337)
Past service cost - curtailment**	**-**	435	-	**-**	-	-	**-**	435	-
Interest expense*	**(241)**	(335)	(333)	**-**	-	-	**(241)**	(335)	(333)
Interest income*	**-**	-	-	**100**	209	147	**100**	209	147
Settlement loss**	**-**	(135)	-	**-**	-	-	**-**	(135)	-
	(530)	(405)	(670)	**100**	209	147	**(430)**	(196)	(523)
Recognized in Other Comprehensive Income									
Remeasurements:									
Actuarial gains (losses) arising from:									
Experience adjustments	**(64)**	(592)	(592)	**-**	-	-	**(64)**	(592)	(592)
Changes in financial assumptions	**(64)**	(54)	584	**-**	-	-	**(64)**	(54)	584
Changes in demographic assumptions	**138**	137	17	**-**	-	-	**138**	137	17
Return on plan asset excluding interest	**-**	-	-	**(641)**	(2,022)	(1,142)	**(641)**	(2,022)	(1,142)
	10	(509)	9	**(641)**	(2,022)	(1,142)	**(631)**	(2,531)	(1,133)
Others									
Benefits paid	**357**	1,934	777	**(301)**	(1,861)	(677)	**56**	73	100
Contributions	**-**	-	-	**815**	1,478	4,068	**815**	1,478	4,068
Translation adjustment	**37**	21	(23)	**-**	-	-	**37**	21	(23)
	394	1,955	754	**514**	(383)	3,391	**908**	1,572	4,145
Balance at end of year	**(P4,864)**	(P4,738)	(P5,779)	**P1,056**	P1,083	P3,279	**(P3,808)**	(P3,655)	(P2,500)

**Starting 2019, interest expense on defined benefit obligation and interest income on plan assets are presented as part of Interest Expense and Other Financing Charges, and Interest Income, respectively (Note 26).*

***The significant reduction in the Parent Company's headcount resulted in non-routine benefit payments during the year. This led to the recognition of settlement loss and curtailment of past service cost in 2019.*

The above net defined benefit retirement liability was recognized in the consolidated statements of financial position as follows:

	Note	2020	2019
Trade and other payables	*17*	**P103**	P90
Retirement benefits liability (noncurrent portion)		**3,705**	3,565
		P3,808	P3,655

Retirement benefits costs recognized in the consolidated statements of income by the Parent Company amounted to P214, (P40) and P410 in 2020, 2019 and 2018, respectively.

Retirement benefits costs recognized in the consolidated statements of income by the subsidiaries amounted to P75, P110 and P113 in 2020, 2019 and 2018, respectively.

The carrying amounts of the Parent Company's retirement fund approximate fair values as of December 31, 2020 and 2019.

Plan assets consist of the following:

	2020	2019
Shares of stock:		
Quoted	**76%**	76%
Unquoted	**11%**	9%
Government securities	**8%**	9%
Cash and cash equivalents	**2%**	5%
Others	**3%**	1%
	100%	100%

Investment in Shares of Stock. As of December 31, 2020 and 2019, the Group's plan assets include 459,156,097 common shares of Petron with fair market value per share of P3.99 in 2020 and P3.86 in 2019, and 14,250,900 common shares of SMC with fair market value per share of P128.10 in 2020 and P164.00 in 2019.

The Parent Company's plan recognized a loss on the investment in marketable securities of Petron and SMC amounting to P451, P1,780 and P675 in 2020, 2019 and 2018, respectively, mainly as a result of marked-to-market remeasurements.

Dividend income from the investment in shares of stock of Petron and SMC amounted to P66 in 2020 P73 in 2019 and P122 in 2018.

On December 18, 2018, out of the plan's 731,156,097 investment in common shares of Petron, 272,000,000 shares were sold to SMC Retirement Plan (SMCRP) for a total consideration of P2,350. Accordingly, the plan recognized loss on sale of investment amounting to P147.

Investment in trust account represents funds entrusted to financial institutions for the purpose of maximizing the yield on investible funds.

Others include receivables which earn interest. These include the uncollected balance as of December 31, 2020 of the plan's sale of investment in common shares of Petron to SMC Retirement Plan in 2018.

In 2019, the Parent Company's plan has fully withdrawn its investments in pooled funds and Petron bonds.

The BOT reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Parent Company's ALM objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Parent Company monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation. The Parent Company expects to contribute P553 to its defined benefit retirement plan in 2021.

The BOT approves the percentage of asset to be allocated for fixed income instruments and equities. The retirement plan has set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The BOT may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

The retirement plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk as follows:

Investment and Interest Risk. The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments and if the return on plan asset falls below this rate, it will create a deficit in the plan. Due to the long-term nature of plan obligation, a level of continuing equity investments is an appropriate element of the Group's long-term strategy to manage the plans efficiently.

Longevity and Salary Risks. The present value of the defined obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

The overall expected rate of return is determined based on historical performance of the investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	2020	2019	2018
Discount rate	**3.95% to 5.00%**	5.22% to 5.73%	5.50% to 7.48%
Future salary increases	**4.00% to 5.75%**	5.00% to 6.50%	5.00% to 7.00%

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefit obligation is from 6 to 18 years as of December 31, 2020 and 2019.

The reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefit assets/liabilities by the amounts below:

	Defined Benefit Liabilities	
2020	**1 Percent Increase**	**1 Percent Decrease**
Discount rate	**(P319)**	**P339**
Salary increase rate	**138**	**(124)**

	Defined Benefit Liabilities	
2019	1 Percent Increase	1 Percent Decrease
Discount rate	(P209)	P239
Salary increase rate	237	(211)

The Parent Company has advances to PCERP amounting to P1,562 and P1,971 as of December 31, 2020 and 2019, respectively, included as part of “Trade and other receivables - net” account in the consolidated statements of financial position (Notes 8 and 28). The advances are subject to interest of 5% in 2020 and 2019 (Note 28).

In 2020 and in 2019, portion of the Parent Company’s interest bearing advances to PCERP were converted into contribution to the retirement plan (Note 28).

Transactions with the retirement plan are made at normal market prices and terms. Outstanding balances as of December 31, 2020 and 2019 are unsecured and settlements are made in cash. There have been no guarantees provided for any retirement plan receivables. The Parent Company has not recognized any impairment losses relating to the receivables from retirement plan for the years ended December 31, 2020 and 2019.

31. Significant Agreements

Supply Agreements. The Parent Company has assigned all its rights and obligations to PSTPL (as Assignee) to have a term contract to purchase Petron’s crude oil requirements from Saudi Arabian Oil Company (Saudi Aramco), based on the latter’s standard Far East selling prices and Kuwait Petroleum Corporation (KPC) to purchase Kuwait Export Crude Oil (KEC) at pricing based on latter’s standard KEC prices. The contract with Saudi Aramco is from November 1, 2013 to December 31, 2014 while the contract with KPC is from January 1, 2015 to December 31, 2015, both with automatic annual extension thereafter unless terminated at the option of either party, upon at least 60 days written notice.

PMRMB currently has a long-term supply contract of Tapis crude oil and Terengganu condensate for its Port Dickson Refinery from ExxonMobil Exploration and Production Malaysia Inc. (EMEPMI) and Low Sulphur Waxy Residue Sale/Purchase Agreement with ARC Energy. On the average, around 73% of crude and condensate volume processed are from EMEPMI with balance of around 27% from spot purchases.

Outstanding liabilities of the Group for such purchases are shown as part of “Liabilities for crude oil and petroleum products” account in the consolidated statements of financial position as of December 31, 2020 and 2019 (Note 16).

Toll Service Agreement with Innospec Limited (Innospec). PFC entered into an agreement with Innospec, a leading global fuel additives supplier, in December 2006. Under the agreement, PFC shall be the exclusive toll blender of Innospec's fuel additives sold in the Asia-Pacific region consisting of the following territories: South Korea, China, Taiwan, Singapore, Cambodia, Japan and Malaysia.

PFC will provide the tolling services which include storage, blending, filing and logistics management. In consideration of these services, Innospec will pay PFC a service fee based on the total volume of products blended at PFC Fuel Additives Blending facility.

Tolling services started in 2008 on which PFC recognized revenue amounting to P97, P113 and P109 in 2020, 2019 and 2018, respectively.

Lease Agreements with Philippine National Oil Company (PNOC). On September 30, 2009, Petron through NVRC entered into a 30-year lease with PNOC without rent-free period, covering a property which it shall use as site for its refinery, commencing on January 1, 2010 and ending on December 31, 2039. Based on the latest re-appraisal made, the annual rental shall be P138, starting 2012, payable on the 15th day of January each year without the necessity of demand. This non-cancellable lease is subject to renewal options and annual escalation clauses of 3% per annum to be applied starting 2013 until the next re-appraisal is conducted. The leased premises shall be reappraised in 2017 and every fifth year thereafter in which the new rental rate shall be determined equivalent to 5% of the reappraised value, and still subject to annual escalation clause of 3% for the four years following the re-appraisal. Prior to this agreement, Petron had an outstanding lease agreement on the same property from PNOC. Also, as at December 31, 2020 and 2019, Petron leases other parcels of land from PNOC for its bulk plants and service stations (Note 39).

32. Basic and Diluted Earnings (Loss) Per Share

Basic and diluted earnings (loss) per share amounts are computed as follows:

	2020	2019	2018
Net income (loss) attributable to equity holders of the Parent Company	**(P11,380)**	P1,701	P6,218
Dividends on preferred shares for the year	**(1,578)**	(1,578)	(646)
Distributions to the holders of capital securities	**(1,816)**	(1,697)	(2,971)
Net income (loss) attributable to common shareholders of the Parent Company (a)	**(P14,774)**	(P1,574)	P2,601
Weighted average number of common shares outstanding (in millions) (b)	**9,375**	9,375	9,375
Basic/diluted earnings (loss) per common share attributable to equity holders of the Parent Company (a/b)	**(P1.58)**	(P0.17)	P0.28

As of December 31, 2020, 2019 and 2018, the Parent Company has no potential dilutive debt or equity instruments.

33. Supplemental Cash Flow Information

Supplemental information with respect to the consolidated statements of cash flows is presented below:

a. Changes in noncash current assets, certain current liabilities and others are as follows (amounts reflect actual cash flows rather than increases or decreases of the accounts in the consolidated statements of financial position):

	2020	2019	2018
Decrease (increase) in assets:			
Trade and other receivables	**P16,401**	(P2,977)	(P6,523)
Inventories	**27,456**	(8,569)	(7,161)
Other assets	**(2,260)**	7,940	(5,049)
Increase (decrease) in liabilities:			
Liabilities for crude oil and petroleum products	**(16,216)**	14,859	(14,071)
Trade and other payables and others	**(12,943)**	1,059	16,597
	12,438	12,312	(16,207)
Additional allowance for (net reversal of) impairment of receivables, inventory decline and/or obsolescence, and others	**(407)**	(465)	591
	P12,031	P11,847	(P15,616)

b. Changes in liabilities arising from financing activities:

	Dividends Payable	**Lease Liabilities**	**Short-term Loans**	**Long-term Debt**	**Total**
Balance as of January 1, 2020	**P496**	**P15,749**	**P71,090**	**P133,077**	**P220,412**
Changes from financing cash flows:					
Payment of principal	**-**	**(2,361)**	**-**	**-**	**(2,361)**
Proceeds from availment of loans	**-**	**-**	**132,782**	**18,626**	**151,408**
Payments of loans	**-**	**-**	**(126,034)**	**(29,570)**	**(155,604)**
Dividends and distributions declared	**4,432**	**-**	**-**	**-**	**4,432**
Dividends and distributions paid	**(4,423)**	**-**	**-**	**-**	**(4,423)**
Total changes from financing cash flows	**9**	**(2,361)**	**6,748**	**(10,944)**	**(6,548)**
New leases	**-**	**1,689**	**-**	**-**	**1,689**
Interest expense	**-**	**1,115**	**-**	**-**	**1,115**
Interest paid	**-**	**(344)**	**-**	**-**	**(344)**
Effects of changes in foreign exchange rates	**-**	**(44)**	**5**	**(3,282)**	**(3,321)**
Other charges	**-**	**-**	**(139)**	**603**	**464**
Balance as of December 31, 2020	**P505**	**P15,804**	**P77,704**	**P119,454**	**P213,467**

	Dividends Payable	Lease Liabilities	Short-term Loans	Long-term Debt	Total
Balance as of January 1, 2019	P206	P -	P82,997	P118,000	P201,203
Adjustment due to adoption of PFRS 16	-	15,399	-	-	15,399
Balance as of January 1, 2019, as adjusted	206	15,399	82,997	118,000	216,602
Changes from financing cash flows:					
Payment of principal	-	(1,128)	-	-	(1,128)
Proceeds from availment of loans	-	-	345,984	40,891	386,875
Payments of loans	-	-	(357,851)	(23,707)	(381,558)
Dividends and distributions declared	4,390	-	-	-	4,390
Dividends and distributions paid	(4,100)	-	-	-	(4,100)
Total changes from financing cash flows	290	(1,128)	(11,867)	17,184	4,479
New leases	-	1,517	-	-	1,517
Interest expense	-	1,165	-	-	1,165
Interest paid	-	(1,165)	-	-	(1,165)
Effects of changes in foreign exchange rates	-	(39)	86	(2,558)	(2,511)
Other charges	-	-	(126)	451	325
Balance as of December 31, 2019	P496	P15,749	P71,090	P133,077	P220,412

34. Financial Risk Management Objectives and Policies

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

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

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

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

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

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

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

b. The Treasurers Department, which is in charge of foreign currency hedging transactions.

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

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

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

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

g. PSTPL executes the hedging transactions involving crude and product imports on behalf of the Group.

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

a. The Audit Committee is responsible for overseeing the Senior Management in establishing and maintaining an adequate, effective and efficient internal control framework. It 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.

   The Internal Audit Department and the External Auditor directly report to the Audit Committee regarding the direction, scope and coordination of audit and any related activities.

b. The Risk Oversight Committee is responsible for the oversight of the enterprise risk management system of the Group to ensure its functionality and effectiveness.

c. The Compliance Officer, who is a senior officer of the Parent Company reports to the BOD chairperson. Among other functions, he monitors compliance with the provisions and requirements of the Corporate Governance Manual and relevant laws and regulations and determines any possible violations and recommends corresponding penalties, subject to review and approval of the BOD. The Compliance Officer identifies and monitors compliance risk. Lastly, the Compliance Officer represents the Group before the SEC regarding matters involving compliance with the Corporate Governance Manual and other relevant rules and regulations of the SEC.

Foreign Currency Risk

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

In addition, starting March 31, 2012, the Group's exposure to foreign currency risks also arise from US dollar-denominated sales and purchases, principally of crude oil and petroleum products, of Petron Malaysia whose transactions are in Malaysian ringgit, which are subsequently converted into US dollar before ultimately translated to equivalent Philippine peso amount using applicable rates for the purpose of consolidation.

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

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

The Group assesses the existence of an economic relationship between the hedged item and the hedging instrument based on the currency, amount, and timing of their respective cash flows. For derivatives designated in a hedging relationship, the Group determines whether the derivatives are expected to be highly effective in offsetting the changes in the cash flows of the hedged item using the cumulative dollar-offset method. The dollar-offset method approximates the changes in the fair value of the hedged item using a hypothetical derivative which mirrors the terms of the derivative used as hedging instrument.

For currency hedges, the Group maintains a 1:1 hedge ratio since a similar amount of hedging instrument is expected to offset the changes in the cash flows of the hedged item. The main sources of ineffectiveness are:

a. the effect of the counterparty and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in the exchange rates; and

b. changes in the timing of the hedged transactions.

The Group is exposed to foreign currency risk of its short-term loans and US dollar-denominated sales and purchases. On the other hand, both foreign currency and interest rate risks arise in the Group's long-term debts. The Group determined that foreign currency risk is a separately identifiable and measurable risk component eligible for designation since it is caused by fluctuations in US dollar to Philippine peso exchange rates and benchmark closing prices used to measure the fluctuations are available in the market.

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

	2020		2019	
	US Dollar (in millions)	**Phil. Peso Equivalent**	US Dollar (in millions)	Phil. Peso Equivalent
Assets				
Cash and cash equivalents	**455**	**21,827**	491	24,841
Trade and other receivables	**137**	**6,589**	264	13,364
Other assets	**18**	**869**	13	649
	610	**29,285**	768	38,854
Liabilities				
Short-term loans	**124**	**5,971**	32	1,605
Liabilities for crude oil and petroleum products	**434**	**20,853**	743	37,645
Long-term debts (including current maturities)	**1,266**	**60,786**	1,454	73,638
Other liabilities	**134**	**6,430**	469	23,754
	1,958	**94,040**	2,698	136,642
Net foreign currency-denominated monetary liabilities	**(1,348)**	**(64,755)**	(1,930)	(97,788)

The Group incurred net foreign currency gains (losses) amounting to P2,363, P2,609 and (P3,476) in 2020, 2019 and 2018, respectively (Note 26), which were mainly countered by marked-to-market and realized hedging gains (losses) (Note 26). The foreign currency rates from Philippine peso (PhP) to US dollar (US$) as of December 31 are shown in the following table:

	Php to US$
December 31, 2020	**48.023**
December 31, 2019	50.635
December 31, 2018	52.580

Managing of foreign currency risk is also supplemented by monitoring the sensitivity of financial instruments to various foreign currency exchange rate scenarios. Foreign currency movements affect reported equity through the retained earnings and equity reserves arising from increases or decreases in unrealized and realized foreign currency gains or losses.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, to profit before tax and equity as of December 31, 2020 and 2019:

	P1 Decrease in the US dollar Exchange Rate		**P1 Increase in the US dollar Exchange Rate**	
2020	**Effect on Income before Income Tax**	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P351)**	**(P349)**	**P351**	**P349**
Trade and other receivables	**(14)**	**(148)**	**14**	**148**
Other assets	**(5)**	**(17)**	**5**	**17**
	(370)	**(514)**	**370**	**514**
Short-term loans	**20**	**118**	**(20)**	**(118)**
Liabilities for crude oil and petroleum products	**262**	**618**	**(262)**	**(618)**
Long-term debts (including current maturities)	**1,266**	**886**	**(1,266)**	**(886)**
Other liabilities	**36**	**123**	**(36)**	**(123)**
	1,584	**1,745**	**(1,584)**	**(1,745)**
	P1,214	**P1,231**	**(P1,214)**	**(P1,231)**

	P1 Decrease in the US dollar Exchange Rate		P1 Increase in the US dollar Exchange Rate	
2019	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P365)	(P381)	P365	P381
Trade and other receivables	(110)	(248)	110	248
Other assets	(8)	(10)	8	10
	(483)	(639)	483	639
Short-term loans	-	32	-	(32)
Liabilities for crude oil and petroleum products	434	1.048	(434)	(1,048)
Long-term debts (including current maturities)	1,454	1,018	(1,454)	(1,018)
Other liabilities	374	357	(374)	(357)
	2,262	2,455	(2,262)	(2,455)
	P1,779	P1,816	(P1,779)	(P1,816)

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

Interest Rate Risk

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

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

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

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

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

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) and equity by P538 and P736 in 2020 and 2019, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect.

Interest Rate Risk Table. As of December 31, 2020 and 2019, the terms and maturity profile of the interest-bearing financial instruments, together with its gross amounts, are shown in the following tables:

2020	**<1 Year**	**1-<2 Years**	**2-<3 Years**	**3-<4 Years**	**4-<5 Years**	**>5 Years**	**Total**
Fixed Rate							
Philippine peso denominated	**P19,268**	**P6,893**	**P10,393**	**P16,057**	**P7,425**	**P -**	**P60,036**
Interest rate	**4.0% - 5.8%**	**4.6% - 5.8%**	**4.5% - 5.5%**	**4.6% - 7.8%**	**4.6% - 8.1%**		
Floating Rate							
US$ denominated (expressed in Php)	**12,294**	**17,837**	**18,180**	**5,489**	**-**	**-**	**53,800**
Interest rate*	**1, 3, 6 mos. Libor + margin**	**1, 3, 6 mos. Libor + margin**	**1, 3, 6 mos. Libor + margin**	**1, 3, 6 mos. Libor + margin**			
JP¥ denominated (expressed in Php)	**-**	**1,996**	**1,996**	**1,996**	**998**	**-**	**6,986**
Interest rate*	**1, 3, 6 mos. Libor + margin**	**1, 3, 6 mos. Libor + margin**	**1, 3, 6 mos. Libor + margin**	**1, 3, 6 mos. Libor + margin**			
	P31,562	**P26,726**	**P30,569**	**P23,542**	**P8,423**	**P -**	**P120,822**

**The Parent Company reprices every month but has been given an option to reprice every 3 or 6 months.*

2019	<1 Year	1-<2 Years	2-<3 Years	3-<4 Years	4-<5 Years	>5 Years	Total
Fixed Rate							
Philippine peso denominated	P5,643	P18,643	P5,643	P9,143	P14,807	P6,800	P60,679
Interest rate	5.5% - 5.8%	4.0% - 5.8%	5.5% - 5.8%	4.5% - 5.5%	5.5% - 7.8%	8.1%	-
Floating Rate							
US$ denominated (expressed in Php)	11,429	26,041	18,807	11,574	5,787	-	73,638
Interest rate*	1, 3, 6 mos. Libor + margin	1, 3, 6 mos. Libor + margin	1, 3, 6 mos. Libor + margin	1, 3, 6 mos. Libor + margin	1, 3, 6 mos. Libor + margin	-	-
	P17,072	P44,684	P24,450	P20,717	P20,594	P6,800	P134,317

**The Parent Company reprices every month but has been given an option to reprice every 3 or 6 months.*

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

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

	Note	**2020**	2019
Cash in banks and cash equivalents	*5*	**P25,970**	P32,049
Derivative assets	*6*	**334**	746
Investments in debt instruments	*7*	**381**	420
Trade and other receivables - net	*8*	**27,195**	44,657
Noncurrent deposits	*14*	**121**	104
		P54,001	P77,976

Cash and Cash Equivalents, Derivative Assets and Noncurrent Deposits
Cash and cash equivalents, derivative assets and noncurrent deposits are held with counterparties with high external credit ratings. The credit quality of these financial assets is considered to be high grade. Impairment on cash and cash equivalents, derivative assets and noncurrent deposits has been measured on a 12-month ECL basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents, derivative assets and noncurrent deposits have low credit risk based on the external credit ratings of its counterparties.

Investments in Debt Instruments
The Group limits its exposure to credit risk by investing only in liquid debt instruments and only with counterparties that have high credit ratings. The Group monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Group supplements this by reviewing changes in bond yields.

Trade and Other Receivables and Long-Term Receivables
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. Details of concentration of revenue are included in Note 37.

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

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

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

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

Below is the credit quality profile of the Group's trade accounts receivable as of December 31, 2020 and 2019:

	Trade Accounts Receivables Per Class			
	Class A	**Class B**	**Class C**	**Total**
December 31, 2020				
Retail	**P1,704**	**P2,277**	**P370**	**P4,351**
Lubes	**535**	**83**	**3**	**621**
Gasul	**613**	**111**	**66**	**790**
Industrial	**2,361**	**4,657**	**743**	**7,761**
Others	**3,464**	**2,418**	**899**	**6,781**
	P8,677	**P9,546**	**P2,081**	**P20,304**

	Trade Accounts Receivables Per Class			
	Class A	Class B	Class C	Total
December 31, 2019				
Retail	P1,424	P3,918	P424	P5,766
Lubes	464	84	2	550
Gasul	910	22	62	994
Industrial	8,141	7,645	1,740	17,526
Others	3,672	6,466	1,161	11,299
	P14,611	P18,135	P3,389	P36,135

Collaterals. To the extent practicable, the Group also requires collateral as security for a credit facility to mitigate credit risk in trade receivables (Note 8). Among the collaterals held are letters of credit, bank guarantees, real estate mortgages, cash bonds, cash deposits and corporate guarantees valued at P4,784 and P7,921 as of December 31, 2020 and 2019, respectively. These securities may only be called on or applied upon default of customers.

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

The table below presents the summary of the Group's exposure to credit risk and shows the credit quality of the assets by indicating whether the assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

	2020					
	Financial Assets at Amortized Cost					
	12-month ECL	**Lifetime ECL - not credit impaired**	**Lifetime ECL - credit impaired**	**Financial Assets at FVPL**	**Financial Assets at FVOCI**	**Total**
Cash in banks and cash equivalents	**P25,970**	**P -**	**P -**	**P -**	**P -**	**P25,970**
Trade and other receivables	**-**	**27,195**	**995**	**-**	**-**	**28,190**
Derivative assets not designated as cash flow hedge	**-**	**-**	**-**	**322**	**-**	**322**
Derivative assets designated as cash flow hedge	**-**	**-**	**-**	**-**	**12**	**12**
Investments in debt instruments	**255**	**-**	**-**	**-**	**126**	**381**
Long-term receivables - net	**-**	**-**	**307**	**-**	**-**	**307**
Noncurrent deposits	**121**	**-**	**-**	**-**	**-**	**121**
	P26,346	**P27,195**	**P1,302**	**P322**	**P138**	**P55,303**

	2019					
	Financial Assets at Amortized Cost					
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Financial Assets at FVPL	Financial Assets at FVOCI	Total
Cash in banks and cash equivalents	P32,049	P -	P -	P -	P -	P32,049
Trade and other receivables	-	44,657	942	-	-	45,599
Derivative assets not designated as cash flow hedge	-	-	-	546	-	546
Derivative assets designated as cash flow hedge	-	-	-	-	200	200
Investments in debt instruments	257	-	-	-	163	420
Long-term receivables - net	-	-	318	-	-	318
Noncurrent deposits	104	-	-	-	-	104
	P32,410	P44,657	P1,260	P546	P363	P79,236

Liquidity Risk

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

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

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

The Group also uses derivative instruments such as forwards and swaps to manage liquidity.

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted payments used for liquidity management as of December 31, 2020 and 2019.

2020	**Carrying Amount**	**Contractual Cash Flow**	**1 Year or Less**	**>1 Year - 2 Years**	**>2 Years - 5 Years**	**Over 5 Years**
Financial Assets						
Cash and cash equivalents	**P27,053**	**P27,053**	**P27,053**	**P -**	**P -**	**P -**
Trade and other receivables	**27,195**	**27,195**	**27,195**	**-**	**-**	**-**
Derivative assets (including non-current portion)	**334**	**334**	**328**	**6**	**-**	**-**
Proprietary membership shares	**275**	**275**	**275**	**-**	**-**	**-**
Investments in debt instruments	**381**	**585**	**381**	**142**	**62**	**-**
Noncurrent deposits	**121**	**121**	**-**	**-**	**3**	**118**
Financial Liabilities						
Short-term loans	**77,704**	**77,704**	**77,704**	**-**	**-**	**-**
Liabilities for crude oil and petroleum products	**22,320**	**22,320**	**22,320**	**-**	**-**	**-**
Trade and other payables*	**9,402**	**9,402**	**9,402**	**-**	**-**	**-**
Derivative liabilities (including non-current portion)	**1,416**	**1,416**	**1,124**	**201**	**91**	**-**
Long-term debts (including current maturities)	**119,454**	**133,312**	**36,690**	**30,031**	**66,591**	**-**
Lease liability (including current portion)	**15,804**	**22,406**	**1,913**	**1,731**	**4,735**	**14,027**
Cash bonds	**947**	**947**	**-**	**931**	**15**	**1**
Cylinder deposits	**617**	**617**	**-**	**-**	**-**	**617**
Other noncurrent liabilities**	**48**	**48**	**-**	**11**	**19**	**18**

**excluding specific taxes and other taxes payable, retirement benefits liability, deferred income and others*
***excluding cash bonds, cylinder deposits and derivative liabilities*

2019	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P34,218	P34,218	P34,218	P -	P -	P -
Trade and other receivables	44,657	44,657	44,657	-	-	-
Derivative assets (including non-current portion)	746	746	580	73	93	-
Proprietary membership shares	284	284	284	-	-	-
Investments in debt instruments	420	448	123	152	173	-
Noncurrent deposits	104	104	-	-	3	101
Financial Liabilities						
Short-term loans	71,090	71,466	71,466	-	-	-
Liabilities for crude oil and petroleum products	39,362	39,362	39,362	-	-	-
Trade and other payables*	24,679	24,679	24,679	-	-	-
Derivative liabilities (including non-current portion)	1,075	1,075	738	248	89	-
Long-term debts (including current maturities)	133,077	152,552	23,951	49,232	72,129	7,240
Lease liability (including current portion)	15,749	22,736	1,938	1,747	4,547	14,504
Cash bonds	750	750	-	732	2	16
Cylinder deposits	608	608	-	-	-	608
Other noncurrent liabilities**	53	53	-	24	10	19

**excluding specific taxes and other taxes payable, retirement benefits liability, deferred income and others*
***excluding cash bonds, cylinder deposits and derivative liabilities*

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

To minimize the Group's risk of potential losses due to volatility of international crude and product prices, the Group implemented commodity hedging for crude and petroleum products. The hedges are intended to protect crude inventories from risks of downward price and squeezed margins. Hedging policy (including the use of commodity price swaps, time-spreads, put options, collars and 3-way options) developed by the CRMD is in place. Decisions are guided by the conditions set and approved by the Group's management.

Other Market Price Risk
The Group's market price risk arises from its investments carried at fair value (FVPL and certain debt instruments at FVOCI). The Group manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

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

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

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

	2020	2019
Total assets	**P349,725**	P394,835
Total liabilities	**263,530**	302,405
Total equity	**86,195**	92,430
Debt to equity ratio	**3.1:1**	3.3:1
Assets to equity ratio	**4.1:1**	4.3:1

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

The Group is not subject to externally-imposed capital requirements.

35. Financial Assets and Financial Liabilities

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

		2020		2019	
	Note	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Financial assets (FA):					
Cash and cash equivalents	*5*	**P27,053**	**P27,053**	P34,218	P34,218
Trade and other receivables	*8*	**27,195**	**27,195**	44,657	44,657
Investments in debt instruments	*7*	**255**	**255**	257	257
Noncurrent deposits	*14*	**121**	**121**	104	104
FA at amortized cost		**54,624**	**54,624**	79,236	79,236
Investments in debt instruments	*7*	**126**	**126**	163	163
Derivative assets designated as cash flow hedge	*6*	**12**	**12**	200	200
FA at FVOCI		**138**	**138**	363	363
Financial assets at FVPL	*6*	**275**	**275**	284	284
Derivative assets not designated as cash flow hedge	*6, 14*	**322**	**322**	546	546
FA at FVPL		**597**	**597**	830	830
Total financial assets		**P55,359**	**P55,359**	P80,429	P80,429

		2020		2019	
	Note	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Financial liabilities (FL):					
Short-term loans	*15*	**P77,704**	**P77,704**	P71,090	P71,090
Liabilities for crude oil and petroleum products	*16*	**22,320**	**22,320**	39,362	39,362
Trade and other payables*	*17*	**9,402**	**9,402**	24,679	24,679
Long-term debt including current portion	*18*	**119,454**	**119,454**	133,077	133,077
Derivative liabilities designated as cash flow hedge	*20*	**592**	**592**	724	724
Cash bonds	*20*	**947**	**947**	750	750
Cylinder deposits	*20*	**617**	**617**	608	608
Other noncurrent liabilities**	*20*	**47**	**47**	53	53
Other FL		**231,083**	**231,083**	270,343	270,343
Derivative liabilities not designated as cash flow hedge		**824**	**824**	351	351
Total financial liabilities		**P231,907**	**P231,907**	P270,694	P270,694

**excluding specific taxes and other taxes payable, retirement benefits liability, deferred income and others*
***excluding cash bonds, cylinder deposits and derivative liabilities*

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

Cash and Cash Equivalents, Trade and Other Receivables and Advances to Subsidiaries and a Joint Venture. The carrying amount of cash and cash equivalents and trade and other receivables approximates fair value primarily due to the relatively short-term maturities of these financial instruments. In the case of the advances to subsidiaries and a joint venture, the fair value is based on the present value of expected future cash flows using the applicable discount rates based on current market rates of identical or similar quoted instruments.

Derivatives. The fair values of freestanding and bifurcated forward currency transactions are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Marked-to-market valuation of commodity hedges are based on forecasted crude and product prices by third parties. The fair values of derivative instruments designated as cash flow hedges are computed by discounting the future cash flows and using the valuation model based on applicable market rates of similar instruments.

Financial Assets at FVPL. The fair values of publicly traded instruments and similar investments are based on published market prices.

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

Cash Bonds, Cylinder Deposits and Other Noncurrent Liabilities. Fair value is estimated as the present value of all future cash flows discounted using the applicable market rates for similar types of instruments as of reporting date. Effective rates used in 2020 and 2019 are 7.45% and 7.57% respectively.

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

<u>Derivative Financial Instruments</u>
The Group’s derivative financial instruments according to the type of financial risk being managed and the details of freestanding and embedded derivative financial instruments that are categorized into those accounted for as cash flow hedges and those that are not designated as accounting hedges are discussed below.

The Group enters into various foreign currency, interest rate and commodity derivative contracts to manage its exposure on foreign currency, interest rate and commodity price risks. The portfolio is a mixture of instruments including forwards, swaps and options.

Derivative Instruments Accounted for as Cash Flow Hedges

The Group designated the following derivative financial instruments as cash flow hedges (Note 34).

	Maturity			
December 31, 2020	**1 Year or Less**	**> 1 Year - 2 Years**	**> 2 Years - 5 Years**	**Total**
Foreign Currency Risk				
Call Spread Swaps				
Notional amount	**US$50**	**US$50**		**US$100**
Average strike rate	**P52.41 to P54.87**	**P52.41 to P55.02**		
Foreign Currency and Interest Rate Risk				
Cross Currency Swap				
Notional amount	**US$20**	**US$30**	**US$30**	**US$80**
Average strike rate	**P47.00 to 57.00**	**P47.00 to 56.83**	**P47.00 to 56.50**	
Fixed interest rate	**4.19% to 5.75%**	**4.19% to 5.75%**	**4.19% to 5.75%**	
Interest Rate Risk				
Interest Rate Collar				
Notional amount	**US$15**	**US$30**	**US$45**	**US$90**
Interest rate	**0.44% to 1.99%**	**0.44% to 1.99%**	**0.44% to 1.99%**	

	Maturity			
December 31, 2019	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Total
Foreign Currency Risk				
Call Spread Swaps				
Notional amount	US$129	US$146	US$73	US$348
Average strike rate	P52.71 to P55.55	P52.59 to P55.61	P52.59 to P55.75	
Foreign Currency and Interest Rate Risk				
Cross Currency Swap				
Notional amount	US$20	US$40	US$60	US$120
Average strike rate	P47.00 to P57.50	P47.00 to P57.00	P47.00 to P56.67	
Fixed interest rate	4.19% to 5.75%	4.19% to 5.75%	4.19% to 5.75%	
Interest Rate Risk				
Interest Rate Collar				
Notional amount		US$30	US$75	US$105
Interest rate		0.44% to 1.99%	0.44% to 1.99%	

The table below summarizes the amounts pertaining to the designated hedged item.

December 31, 2020	**Change in Fair Value Used for Measuring Hedge Ineffectiveness**	**Hedging Reserve**	**Cost of Hedging Reserve**
Foreign Currency Risk			
US dollar-denominated loan	**P85**	**P -**	**(P40)**
Foreign Currency and Interest Rate Risks			
US dollar-denominated loan	**467**	**(187)**	**94**
Interest Rate Risks			
US dollar-denominated loan	**28**	**(20)**	**-**

December 31, 2019	Change in Fair Value Used for Measuring Hedge Ineffectiveness	Hedging Reserve	Cost of Hedging Reserve
Foreign Currency Risk			
US dollar-denominated loan	P200	P -	(P139)
Foreign Currency and Interest Rate Risks			
US dollar-denominated loan	331	(206)	118
Interest Rate Risks			
US dollar-denominated loan	7	5	-

There are no balances remaining in the hedging reserve from hedging relationship for which hedge accounting is no longer applied.

The table below summarizes the amounts pertaining to the designated hedging instrument as of December 31, 2020 and 2019.

December 31, 2020	Notional Amount	Carrying Amount		Line Item in the Consolidated Statement of Financial Position where the Hedging Instrument is Included	Changes in the Fair Value of The Hedging Instrument Recognized in OCI	Cost of Hedging Recognized in OCI	Amount Reclassified from Hedging Reserve to Profit or Loss	Amount Reclassified from Cost of Hedging Reserve to Profit or Loss	Line Item in the Consolidated Statement of Income Affected by the Reclassification
		Assets	Liabilities						
Foreign Currency Risk									
Call spread swaps	**US$100**	**P11**	**P96**	Financial assets at fair value, Other noncurrent assets, Derivative liabilities and Other noncurrent liabilities	**(P85)**	**(P23)**	**P28**	**P166**	Other income (expenses) - net
Foreign Currency and Interest Rate Risks									
Cross currency swap	**US$80**	**-**	**467**	Other noncurrent assets, Derivative liabilities, Other noncurrent liabilities	**(467)**	**(234)**	**129**	**200**	Interest Expense and other financing charges, and Other income (expenses) - net
Interest Rate Risk									
Interest rate collar	**US$90**	**-**	**28**	Other noncurrent assets, Derivative liabilities	**(28)**	**(9)**	**-**	**9**	Interest Expense and other financing charges

December 31, 2019	Notional Amount	Carrying Amount		Line Item in the Consolidated Statement of Financial Position where the Hedging Instrument is Included	Changes in the Fair Value of The Hedging Instrument Recognized in OCI	Cost of Hedging Recognized in OCI	Amount Reclassified from Hedging Reserve to Profit or Loss	Amount Reclassified from Cost of Hedging Reserve to Profit or Loss	Line Item in the Consolidated Statement of Income Affected by the Reclassification
		Assets	Liabilities						
Foreign Currency Risk									
Call spread swaps	US$348	P156	P356	Financial assets at fair value, Other noncurrent assets, Derivative liabilities and Other noncurrent liabilities	(P200)	(P344)	P-	P254	Other income (expenses) - net
Foreign Currency and Interest Rate Risks									
Cross currency swap	120	37	368	Other noncurrent assets, Derivative liabilities, Other noncurrent liabilities	(331)	104	205	65	Interest Expense and other financing charges, and Other income (expenses) - net
Interest Rate Risk									
Interest rate collar	105	7	-	Other noncurrent assets, Derivative liabilities	7	-	-	-	

No hedging ineffectiveness was recognized in the 2020 and 2019 consolidated statements of income.

The table below provides a reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting.

	December 31, 2020		December 31, 2019	
	Hedging Reserve	**Cost of Hedging Reserve**	Hedging Reserve	Cost of Hedging Reserve
Balance at beginning of year	**(P201)**	**(P21)**	P -	(P77)
Changes in fair value:				
Foreign currency risk	**(28)**	**(23)**	-	(344)
Foreign currency risk and interest rate risk	**(102)**	**(234)**	(499)	104
Interest rate risk	**(35)**	**(9)**	7	-
Amount reclassified to profit or loss:				
Foreign currency risk	**28**	**166**	-	254
Foreign currency risk and interest rate risk	**129**	**200**	205	65
Interest rate risk	**-**	**9**	-	-
Income tax effect	**2**	**(34)**	86	(23)
Balance at end of year	**(P207)**	**P54**	(P201)	(P21)

Derivative Instruments not Designated as Hedges

The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding and embedded derivatives found in host contracts, which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in the consolidated statements of income. Details are as follows:

Call Spread Swaps. As of December 31, 2020, the Group has outstanding call spread swaps US$50 million maturing on June 2021. As of December 31, 2020 and 2019, the net negative fair value of these call spread swaps amounted to P26 and nil, respectively.

Cross Currency Swaps. As of December 31, 2020, the Group has outstanding cross currency swaps with a notional amount US$20 million maturing on May 2021 and June 2021. As of December 31, 2020 and 2019, the net negative fair value of these cross currency swaps amounted to P96 and nil, respectively.

Interest Rate Collar. As of December 31, 2020, the Group has outstanding interest rate collar with a notional amount US$15 million maturing on May 2021. As of December 31, 2020 and 2019, the net negative fair value of this interest rate collar amounted to P0.92 and nil in 2019.

Freestanding Derivatives

Freestanding derivatives consist of interest rate, foreign currency and commodity derivatives entered into by the Group.

Currency Forwards. As of December 31, 2020 and 2019, the Group has outstanding foreign currency forward contracts with aggregate notional amount of US$395 million and US$680 million, respectively, and with various maturities in 2021 and 2020. As of December 31, 2020 and 2019, the net negative fair value of these currency forwards amounted to P48 and P160, respectively.

Commodity Swaps. The Group has outstanding swap agreements covering its oil requirements, with various maturities in 2021 and 2020. Under the agreements, payment is made either by the Group or its counterparty for the difference between the hedged fixed price and the relevant monthly average index price. Total outstanding equivalent notional quantity covered by the commodity swaps were 32.8 million barrels and 12.5 million barrels for 2020 and 2019, respectively. The estimated net receipts (payouts) for these transactions amounted to (P754) and P355 as of December 31, 2020 and 2019, respectively.

Commodity Options. As of December 31, 2020 and 2019, the Group has no outstanding 3-way options entered as hedge of forecasted purchases of crude oil.

The call and put options can be exercised at various calculation dates with specified quantities on each calculation date.

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

As of December 31, 2020 and 2019, the total outstanding notional amount of currency forwards embedded in non-financial contracts is minimal. These non-financial contracts consist mainly of foreign currency-denominated service contracts, purchase orders and sales agreements. The embedded forwards are not clearly and closely related to their respective host contracts. As of December 31, 2020 and 2019, the net positive fair value of these embedded currency forwards is minimal.

For the years ended December 31, 2020, 2019 and 2018, the Group recognized marked-to-market gains (losses) from freestanding and embedded derivatives amounting to (P2,428), (P1,926) and P4,326, respectively (Note 26).

Fair Value Changes on Derivatives not Designated as Cash Flow Hedge
The net movements in the fair value of derivative transactions in 2020 and 2019 are as follows:

	Note	**2020**	2019
Fair value at beginning of year		**P195**	P387
Net changes in fair value during the year	*26*	**(2,428)**	(1,926)
Fair value of settled instruments		**1,309**	1,734
Fair value at end of year		**(P924)**	P195

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

The table below analyzes financial instruments carried at fair value, by valuation method as of December 31, 2020 and 2019. The different levels have been defined as follows:

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

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

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

	2020	2019
	Level 2	Level 2
Financial Assets:		
FVPL	**P275**	P284
Derivative assets	**334**	746
Investments in debt instruments	**126**	163
Financial Liabilities:		
Derivative liabilities	**(1,416)**	(1,075)

The Group has no financial instruments valued based on Level 1 and Level 3 as of December 31, 2020 and 2019. During the year, there were no transfers between and into and out of Level 1 and Level 2 fair value measurements.

36. Registration with the Board of Investments (BOI) and the Authority of the Freeport Area of Bataan (AFAB)

BOI

RMP-2 Project. On June 3, 2011, the BOI approved the Parent Company's application under RA 8479 as an Existing Industry Participant with New Investment in Modernization/Conversion of Bataan Refinery's RMP-2. The BOI is extending the following major incentives:

a. ITH for five years without extension or bonus year from July 2015 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration based on the formula of the ITH rate of exemption.

b. Minimum duty of three percent and VAT on imported capital equipment and accompanying spare parts.

c. Importation of consigned equipment for a period of five years from date of registration subject to posting of the appropriate re-export bond; provided that such consigned equipment shall be for the exclusive use of the registered activity.

d. Tax credit on domestic capital equipment shall be granted on locally fabricated capital equipment which is equivalent to the difference between the tariff rate and the three percent duty imposed on the imported counterpart.

e. Exemption from real property tax on production equipment or machinery.

f. Exemption from contractor's tax.

The RMP-2 Project commenced its commercial operation on January 1, 2016.

Certificate of entitlement has been timely obtained by the Parent Company to support its ITH credits in 2018. On August 19, 2019, the BOI approved the Parent Company's application for the ITH incentive. The approval also covers the claim for income tax exemption in the Parent Company's 2018 Income Tax Return, subject to adjustment, if any, after the completion of the audit by the BIR.

The Parent Company did not avail of the ITH in 2020 and 2019. The RMP-2 entitlement period ended in June 2020.

AFAB
In December 2020, Bataan Refinery was granted approval as a registered enterprise by the AFAB. FAB-registered enterprises are entitled to avail of fiscal incentives under Special Economic Zone Act of 1995 or Omnibus Investment Code of 1987.

37. Segment Information

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

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

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

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

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

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

e. Export sales of various petroleum and non-fuel products to other countries such as China, Taiwan, Cambodia, Malaysia, South Korea, Singapore, USA, Vietnam, Thailand, Indonesia, Bangladesh and UAE.

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

g. Provision of technical information, assistance and advice relating to the uses, handling and disposition of the products, loaned equipment and the machinery and equipment necessary or appropriate for the customers' needs.

Revenues are mainly derived from the sale of petroleum products to retail and commercial customers in various geographical locations.

The Group has no significant remaining performance obligations as it mainly recognized revenues in amounts that correspond directly to the value of completed performance obligations.

Segment Assets and Liabilities

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

Inter-segment Transactions

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

Major Customer

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

The following tables present revenue and income information and certain asset and liability information regarding the business segments as of and for the years ended December 31, 2020, 2019 and 2018.

	Petroleum	Insurance	Leasing**	Marketing	Elimination/ Others**	Total
2020						
Revenue:						
External sales	**P283,885**	**P -**	**P1,150**	**P674**	**P324**	**P286,033**
Inter-segment sales	**86,363**	**76**	**415**	**-**	**(86,854)**	**-**
Operating income (loss)	**(5,401)**	**53**	**266**	**79**	**375**	**(4,629)**
Net income (loss)	**(10,628)**	**104**	**155**	**74**	**(1,118)**	**(11,413)**
Assets and liabilities:						
Segment assets*	**387,619**	**3,353**	**9,981**	**659**	**(54,077)**	**347,535**
Segment liabilities*	**274,483**	**1,907**	**4,949**	**147**	**(21,040)**	**260,446**
Other segment information:						
Property, plant and equipment	**168,289**	**-**	**-**	**109**	**433**	**168,831**
Depreciation and amortization	**9,565**	**-**	**9**	**(90)**	**6**	**9,490**
Interest expense	**11,416**	**-**	**316**	**1**	**(420)**	**11,313**
Interest income	**853**	**30**	**232**	**5**	**(340)**	**780**
Income tax expense	**(4,841)**	**6**	**61**	**8**	**(32)**	**(4,798)**

**excluding deferred tax assets and liabilities*

***revenues from the use of loaned equipment are presented as part of leasing while revenues from consumer loyalty program and provisions of technical support are presented as part of others.*

	Petroleum	Insurance	Leasing**	Marketing	Elimination/ Others**	Total
2019						
Revenue:						
External sales	P511,921	P -	P1,100	P961	P380	P514,362
Inter-segment sales	228,613	102	406	-	(229,121)	-
Operating income	15,579	78	271	132	139	16,199
Net income	5,017	70	140	137	(3,061)	2,303
Assets and liabilities:						
Segment assets*	444,239	4,355	9,901	673	(64,595)	394,573
Segment liabilities*	319,412	2,981	5,046	136	(31,518)	296,057
Other segment information:						
Property, plant and equipment	167,260	-	-	123	558	167,941
Depreciation and amortization	13,326	-	9	(92)	2	13,245
Interest expense	13,647	-	322	2	(481)	13,490
Interest income	1,388	44	240	15	(347)	1,340
Income tax expense	1,346	26	49	15	(2)	1,434

**excluding deferred tax assets and liabilities*
***revenues from the use of loaned equipment are presented as part of leasing while revenues from consumer loyalty program and provisions of technical support are presented as part of others.*

	Petroleum	Insurance	Leasing**	Marketing	Elimination/ Others	Total
2018						
Revenue:						
External sales	P554,958	P -	P1,117	P923	P388	P557,386
Inter-segment sales	284,132	116	686	-	(284,934)	-
Operating income	18,117	90	313	89	312	18,921
Net income	11,854	150	97	94	(5,126)	7,069
Assets and liabilities:						
Segment assets*	398,305	1,418	6,730	622	(49,178)	357,897
Segment liabilities*	276,810	231	2,378	115	(16,016)	263,518
Other segment information:						
Property, plant and equipment	163,418	-	-	132	434	163,984
Depreciation and amortization	11,515	-	9	19	-	11,543
Interest expense	9,689	-	154	-	(154)	9,689
Interest income	814	31	5	10	(154)	706
Income tax expense	3,306	22	24	12	22	3,386

**excluding deferred tax assets and liabilities*
***revenues from the use of loaned equipment are presented as part of leasing while revenues from consumer loyalty program and provisions of technical support are presented as part of others.*

Inter-segment sales transactions amounted to P87,967, P230,220 and P284,934 for the years ended December 31, 2020, 2019 and 2018, respectively.

The following table presents additional information on the petroleum business segment of the Group as of and for the years ended December 31, 2020, 2019 and 2018

	Retail	Lube	Gasul	Industrial	Others	Total
2020						
Revenue	**P149,406**	**P3,577**	**P20,259**	**P57,889**	**P52,754**	**P283,885**
Property, plant and equipment	**9,057**	**37**	**258**	**13**	**158,924**	**168,289**
Capital expenditures	**2,382**	**1**	**12**	**-**	**22,234**	**24,629**
2019						
Revenue	249,210	4,474	25,745	125,314	107,178	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
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

a. revenues from the use of loaned equipment are presented as part of "Retail", "Gasul" and "Industrial"
b. revenues from provisions of technical support are presented as part of "Retail" and "Industrial"
c. revenues from consumer loyalty program are presented as part of "Others"

Geographical Segments

The following table presents segment assets of the Group as of December 31, 2020 and 2019.

	2020	2019
Local	**P282,871**	P323,518
International	**64,664**	71,055
	P347,535	P394,573

Disaggregation of Revenue

The following table shows the disaggregation of revenue by geographical segments and the reconciliation of the disaggregated revenue with the Group's business segments for the years ended December 31, 2020, 2019 and 2018.

	Petroleum	Insurance	Leasing**	Marketing	Elimination/ Others**	Total
2020						
Local	**P165,139**	**P -**	**P1,565**	**P674**	**(P558)**	**P166,820**
Export/international	**205,109**	**76**	**-**	**-**	**(85,972)**	**119,213**
2019						
Local	299,668	60	1,506	961	(750)	301,445
Export/international	440,865	42	-	-	(227,990)	212,917
2018						
Local	311,951	44	1,803	P923	(979)	313,742
Export/international	527,139	72	-	-	(283,567)	243,644

***revenues from the use of loaned equipment are presented as part of leasing while revenues from consumer loyalty program and provisions of technical support are presented as part of others.*

38. Events After the Reporting Date

a. Dividend Declaration and Distributions

On January 15, 2021, the Parent Company paid distributions amounting to US$11.50 million (P789) to the holders of the US$500 million SPCS.

On February 10, 2021, the Parent Company paid distributions amounting to US$906.25 thousand (P4) to the holders of the US$100 million RPS

On February 26, 2020, the Parent Company paid distributions amounting to US$60 thousand (P3) to the holders of the US$6 million RPS.

On March 9, 2021, the BOD of the Parent Company approved the declaration of cash dividends for Series 2B and Series 3 preferred shareholders with the following details:

Type	Per Share	Record Date	Payment Date
Series 2B	17.14575	April 7, 2021	May 3, 2021
Series 3A	17.17825	June 2, 2021	June 25, 2021
Series 3B	17.84575	June 2, 2021	June 25, 2021

b. Acquisition of the Treats Convenience Store Business

On February 22, 2021, the Asset Purchase Agreement with San Miguel Foods, Inc. and Foodcrave Marketing, Inc. for the acquisition by the Parent Company of the Treats convenience store business was executed with completion date of March 1, 2021, for an aggregate purchase price of P64.

c. Petrogen’s Dividend Declaration to the Parent Company

On October 21, 2020, the BOD of Petrogen declared 25,000 stock dividend in favor of the Parent Company with a total amount of P25 to be issued out of the unissued capital stock of Petrogen by December 31, 2020, subject to the approval by the Insurance Commission (IC). The application for stock dividend declaration was approved by the IC on January 4, 2021. On February 5, 2021, the corresponding stock certificate was issued to the Parent Company.

The Parent Company’s ownership interest in Petrogen remains at 100% after the transaction.

d. Deconsolidation of Petrogen from the Parent Company

On December 3, 2020, the BOD of Petrogen approved the increase in its authorized capital stock from P750, divided into 750,000 shares, to P2,250, divided into 2,250,000 shares, with shares at a par value of P1,000 per share. On the same date, the BOD of Petrogen also approved the subscription of SMC to 1,494,973 shares at a book value of about P2,007 per share for an aggregate subscription price of P3,000. Petrogen received on February 8, 2021, the SEC approval on Petrogen’s increase in authorized capital stock dated February 4, 2021 and issued 1,494,973 common shares with an aggregate par value of P1,495 to SMC for a total subscription price of P3,000. On March 1, 2021, the corresponding stock certificate was issued to SMC.

As a result, the Parent Company’s ownership interest in Petrogen decreased from 100% to 25.06% and Petrogen was deconsolidated from the Parent Company effective February 4, 2021.

e. On March 9, 2021, the BOD of the Parent Company approved the reversal of P8,000 of the P15,000 appropriated retained earnings of the Parent Company since majority of the 2016 and 2017 capital projects were already completed while others were deferred. The remaining P7,000 is maintained for the Power plan project.

39. Other Matters

a. Lease Agreements with PNOC

On October 20, 2017, Petron filed with the RTC of Mandaluyong City a complaint against the PNOC for the reconveyance of the various landholdings it conveyed to PNOC in 1993 as a result of the government-mandated privatization of the Parent company.

The subject 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 Petron of the conveyed lots for its business operation. Thus, PNOC and the Parent 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 which expired in August 2018, with a provision for automatic renewal for another 25 years. In 2009, the Parent 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 alleges that PNOC committed a fundamental breach of the lease agreements when it refused 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.

On December 11, 2017, the trial court granted Parent company's prayer for a writ of preliminary injunction, enjoining PNOC from committing any act aimed at ousting the Parent company from possession of the subject properties until the case is decided.

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 Parent company also filed a motion for summary judgment on May 17, 2019. In a resolution dated November 13 2019, the trial court granted the Parent company's motion for summary judgment and ordered: (i) the rescission of the Deeds of Conveyance dated 1993 relating to the Parent company's conveyance of such leased premises to PNOC pursuant to a property dividend declaration in 1993, (ii) the reconveyance by PNOC to the Parent company's of all such properties, and (iii) the payment by the Parent company to PNOC of the amount of P143, 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 Parent company also filed a motion for partial reconsideration seeking a modification of the judgment to include an order directing PNOC to return to the Parent 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 Parent company filed their respective notices of appeal with the trial court. The case was raffled off to the 5th Division of the Court of Appeals. The Parent company filed its appellant's brief in October 2020 while PNOC filed its appellant's brief on November 5, 2020.

The motions for reconsiderations were pending as at March 9, 2021.

b. Swakaya Dispute

In 2015, a disputed trade receivable balance of RM25 (P307) in favor of POMSB was reclassified to long-term receivables.

The dispute arose from the supply by POMSB of diesel to Swakaya. In 2013, POMSB entered into an agreement to supply diesel to Swakaya who subsequently sold the product to an operator of power plants in Sabah. In 2013, due to a government investigation, Swakaya's bank accounts were frozen which affected its ability to supply the power plants. Swakaya and the power plants operator agreed to ask POMSB to supply the power plants operator directly and, correspondingly, pay POMSB directly. Unknown to POMSB, Swakaya had a financing arrangement with Sabah Development Bank (SDB) which obligated the power plants operator to remit to SDB payments due to Swakaya. Due to some administrative issues, the moneys due to POMSB were remitted by power plants operator into a joint Swakaya/SDB Bank account. Despite SDB's earlier promise to remit the moneys to POMSB once it is established that the payment was indeed for a direct supply to the power plants operator, SDB subsequently refused and set off the moneys against Swakaya's debt to the bank. The sum involved was RM25 (P307). POMSB sued Swakaya and SDB before the Kota Kinabalu High Court for, among others, breach of trust. Swakaya did not appear in court and judgment was awarded in favor of POMSB and against Swakaya.

In April 2016, the Kota Kinabalu High Court ruled in favor of POMSB and a judgment sum inclusive of interest amounting to RM28 (P343) was deposited to its solicitor account in August 2016. SDB subsequently filed an appeal to Court of Appeal.

In May 2017, the Court of Appeal re-affirmed the decision of the Kota Kinabalu High Court and dismissed SDB's appeal with costs RM0.015 (P0.20) awarded to POMSB. In June 2017, SDB filed a Notice of Motion for leave to appeal to the Federal Court against the decision of the Court of Appeal, which was granted in April 2018. After hearing the appeal, in February 2020, the Federal Court allowed the appeal by SDB and set aside the Court of Appeal's decision. POMSB is preparing to file for a review by the Federal Court (to set aside its own decision).

Considering the length of time of litigation matters, a discount of RM8 (P95) was computed based on the original effective interest rate. Part of the discount, amounting to RM2 (P20) was unwound in 2019 and recognized as interest income.

The balance amounting to RM23 (P282) was provided full impairment in 2019.

As of March 9, 2021, an application for review was filed by POMSB at Federal Court and hearing date has yet to be scheduled.

c. Tax Credit Certificates Related Cases

In 1998, the BIR issued a deficiency excise tax assessment against the Parent Company relating to its use of P659 worth of Tax Credit Certificate ("TCCs") to pay certain excise tax obligations from 1993 to 1997. The TCCs were transferred to the Parent Company by suppliers as payment for fuel purchases. The Parent 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 BOI-registered companies, the Parent Company was a qualified transferee of the TCCs and that the collection of the BIR of the alleged deficiency excise taxes was contrary to law. On March 21, 2012, the Court of Appeals (CA) promulgated a decision in favor of the Parent Company and against the BIR affirming the ruling of the CTA striking down the assessment issued by the BIR to the Parent Company. On April 19, 2012, a motion for reconsideration was filed by the BIR, which was denied by the CA in its resolution dated October 10, 2012. The BIR elevated the case to the Supreme Court (SC) through a petition for review on certiorari dated December 5, 2012. On July 9, 2018, the SC rendered a decision in favor of the Parent Company denying the petition for review filed by the BIR and affirming the decision of the CA. No motion for reconsideration for such decision relating to the Parent Company was filed by the BIR. The SC issued its Entry of Judgment declaring that its decision dated July 9, 2018 in the Parent Company's favor already attained finality on April 1, 2019. This case could now be considered closed and terminated.

d. Oil Spill Incident in Guimaras

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

Other complaints for non-payment of compensation for the clean-up operations during the oil spill were filed with the RTC of Guimaras by a total of 1,063 plaintiffs who allegedly did not receive any payment of their claims for damages arising from the oil spill. The total claims amounted to P292. The cases were pending as at December 31, 2020. In the course of plaintiffs' presentation of evidence, they moved for trial by commissioner, which was denied by the trial court. The plaintiffs elevated the matter by way of a petition for certiorari to the Court of Appeals in Cebu City (CA). On January 9, 2020, the CA issued a Resolution granting plaintiffs' motion for reconsideration of the earlier resolution denying their petition and ordering the Parent Company to file its comment on plaintiffs' petition within 10 days. On February 6, 2020, the Parent Company filed a motion for reconsideration of said Resolution which remains pending to date. In the meantime, proceedings before the trial court continues. Less than 200 of the plaintiffs have testified so far.

e. Effect of COVID-19

The Group, being engaged in the fuel business, has been affected by the implementation of Enhanced Community Quarantine (ECQ) in the National Capital Region and other key cities in the Philippines and Movement Control Order (MCO) in Malaysia. The reduced economic activities and travel restrictions due to lockdowns in many countries significantly affected volumes of both the Philippine and Malaysia operations.

Global oil prices began to plunge in March 2020 as the price war among top oil producing countries was worsened by the demand destruction caused by the COVID-19 pandemic. Dubai crude plunged from US$64/bbl in January to US$20/bbl in April, posting record low levels in 26 years, which resulted in successive rollbacks in pump prices and reflected in the nearly P15 billion net inventory loss incurred in the 1st semester of 2020. With Organization of Petroleum Exporting Countries (OPEC) and Russia agreeing to output cuts, recovery in oil prices was also seen in May and June as Dubai crude rose by about $10/bbl per month, stabilized at around $44/bbl in the second semester resulting in net inventory gains of almost P5 billion for the Group in the 2nd semester of 2020.

The Group saw optimism after the easing of some restrictions and start of mass vaccinations in Europe and US. With the Philippine and Malaysia governments' efforts to re-open the economy, fuel consumption began to pick up as shown by the gradual improvement in sales volume in the second semester.

The modest gain in second half, however, were not enough to mitigate the substantial losses during the early months of pandemic. The Group's consolidated revenues in 2020 declined by 44% from the previous year to ending the year with a net loss of P11,413.

The extent to which the COVID-19 pandemic impacts the Group 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.

f. Philippines Ratified the Corporate Recovery and Tax Incentives for Enterprise (CREATE) Act

On November 26, 2020, the Senate approved on third and final reading Senate Bill No. 1357, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act or CREATE, which seeks to reduce the corporate income tax (CIT) rates and to rationalize the current fiscal incentives by making it time-bound, targeted, and performance-based.

One of the key provisions of the bill that may affect the consolidated financial statements of the Group is an immediate 5% point cut in the CIT rate starting July 2020.

The bill is not considered substantively enacted as of December 31, 2020.

The bicameral committee approved the bill on February 1, 2021.

As at March 9, 2021, the bill is yet to be approved by the President of the Philippines.

Current and deferred taxes are measured using the applicable income tax rates as of December 31, 2020.

g. Other Proceedings

The Group is also a 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, management believes that the final outcome of these other proceedings will not have a material adverse effect on the Group’s business financial condition or results of operations.

h. The Group has unused letters of credit totaling approximately P14,847 and P21,041 as of December 31, 2020 and 2019, respectively.

C O V E R   S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

3 1 1 7 1

COMPANY NAME

P E T R O N   C O R P O R A T I O N   A N D
S U B S I D I A R I E S

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

S M C   H e a d   O f f i c e   C o m p l e x
4 0   S a n   M i g u e l   A v e n u e
M a n d a l u y o n g   C i t y

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		Certificates of Permit to Offer Securities for Sale dated 1994, 1995, 2010, 2014 and 2019

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
contactus@petron.com	8-884-9200	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
145,041 (as of December 31, 2020)	May 18, 2021	December 31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
MYRNA C. GERONIMO	mcgeronimo@petron.com	8-884-9200 loc 49189	

CONTACT PERSON's ADDRESS

SMC Head Office Complex, 40 San Miguel Avenue, Mandaluyong City

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

PETRON CORPORATION AND SUBSIDIARIES

INDEX TO SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2020

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226

Telephone	+63 (2) 8885 7000
Fax	+63 (2) 8894 1985
Internet	www.home.kpmg/ph
Email	ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Board of Directors and Stockholders
Petron Corporation
SMC Head Office Complex
40 San Miguel Avenue
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Petron Corporation and Subsidiaries (the "Group") as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated March 19, 2021.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The supplementary information included in the following schedules are the responsibility of the Group's management:

- Supplementary Schedules of Annex 68-J
- Map of the Conglomerate

These supplementary information are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not required parts of the consolidated financial statements. Such supplementary information have been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
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PTR No. MKT 8533922
Issued January 4, 2021 at Makati City

March 19, 2021
Makati City, Metro Manila

PETRON CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2020
(Amounts in Millions)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS/ CTA/RECLASS/ OTHERS	AMOUNTS COLLECTED/ CREDIT MEMO	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NONCURRENT	ENDING BALANCE
Petron Corporation	P 4,609	P 9,783	P (10,754)	P -	P 3,638	P 1,576	P 2,062	P 3,638
Overseas Ventures Insurance Corporation Ltd.	63	48	(55)	-	56	56	-	56
Petrogen Insurance Corporation	125	960	(1,040)	-	45	45	-	45
Petron Freeport Corporation	9	-	19	-	28	28	-	28
Petron Singapore Trading Pte., Ltd.	21,997	87,792	(97,201)	-	12,588	12,588	-	12,588
Petron Marketing Corporation	17	-	-	-	17	17	-	17
New Ventures Realty Corporation and Subsidiaries	133	337	(278)	-	192	18	174	192
Petrofuel Logistics, Inc	6	-	(6)	-	-	-	-	-
Petron Global Limited	-	-	-	-	-	-	-	-
Petron Finance (Labuan) Limited	-	-	-	-	-	-	-	-
Petron Oil And Gas Mauritius Ltd. and Subsidiaries	5	-	(5)	-	-	-	-	-
Petrochemical Asia (Hk) Limited and Subsidiaries	93	-	(12)	-	81	81	-	81
TOTAL	**P 27,057**	**P 98,920**	**P (109,332)**	**P -**	**P 16,645**	**P 14,409**	**P 2,236**	**P 16,645**

PETRON CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2020
(Amounts in Millions)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS/ CTA/RECLASS/ OTHERS	AMOUNTS PAID/ DEBIT MEMO	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NONCURRENT	ENDING BALANCE
Petron Corporation	P 22,293	P 89,093	P (98,550)	P -	P 12,836	P 12,662	P 174	P 12,836
Overseas Ventures Insurance Corporation Ltd.	47	-	(16)	-	31	31	-	31
Petrogen Insurance Corporation	1,567	49	(1,058)	-	558	558	-	558
Petron Freeport Corporation	77	113	(111)	-	79	79	-	79
Petron Singapore Trading Pte., Ltd.	825	9,211	(9,065)	-	971	971	-	971
Petron Marketing Corporation	-	-	-	-	-	-	-	-
New Ventures Realty Corporation and Subsidiaries	2,236	138	(242)	-	2,132	70	2,062	2,132
Petrofuel Logistics, Inc	2	-	(2)	-	-	-	-	-
Petron Global Limited	-	-	-	-	-	-	-	-
Petron Finance (Labuan) Limited	-	-	-	-	-	-	-	-
Petron Oil And Gas Mauritius Ltd. and Subsidiaries	10	316	(288)	-	38	38	-	38
Petrochemical Asia (Hk) Limited and Subsidiaries	-	-	-	-	-	-	-	-
TOTAL	**P 27,057**	**P 98,920**	**P (109,332)**	**P -**	**P 16,645**	**P 14,409**	**P 2,236**	**P 16,645**

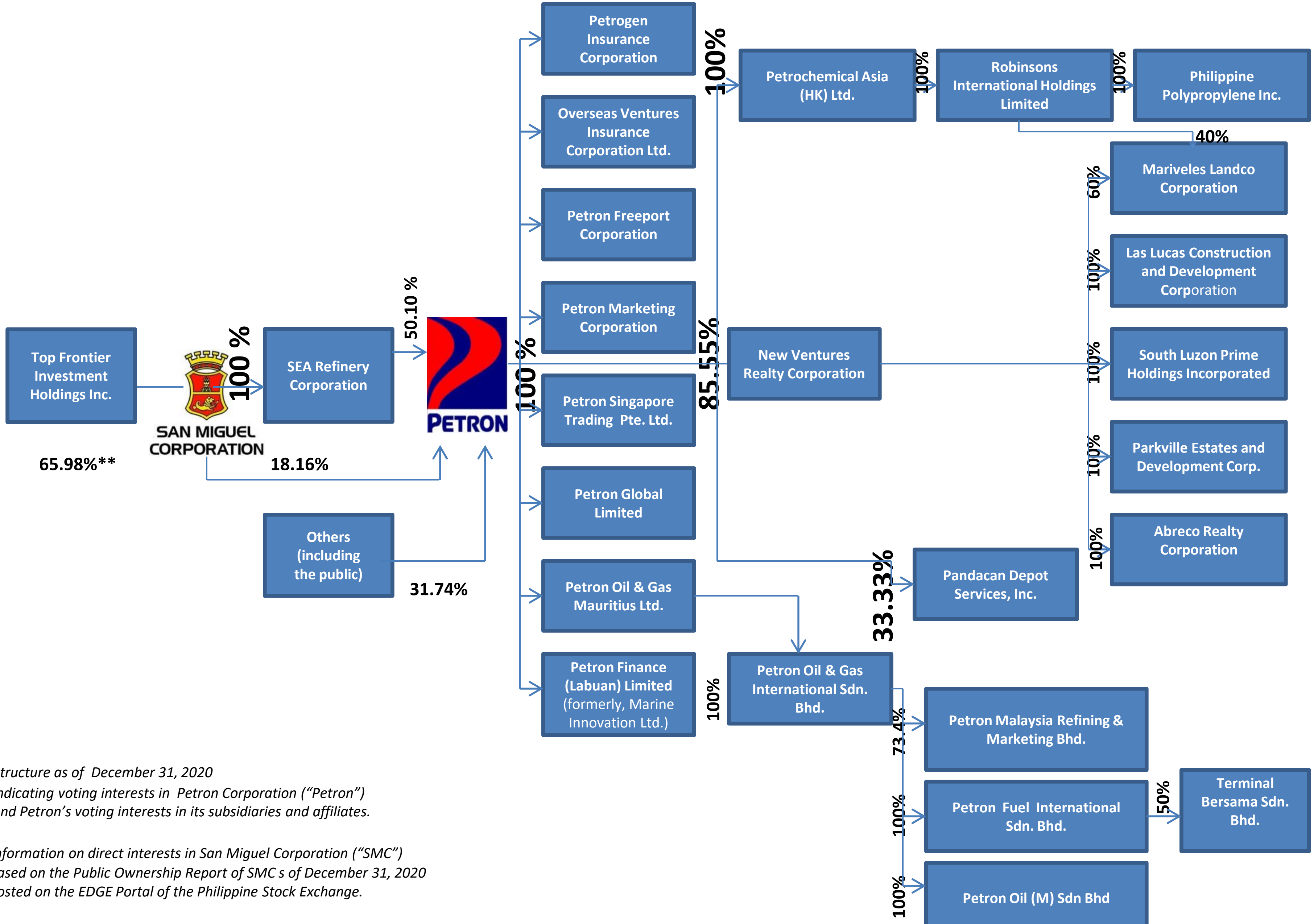
PETRON CORPORATION AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2020
(Amounts in Millions)

TITLE OF ISSUE	AGENT / LENDER	Outstanding Balance	Amount Shown as Current	Current and Long-term	INTEREST RATES	Number of Periodic Installments	Final Maturity
Unsecured term notes and bonds:							
Peso denominated:							
Fixed	Union Bank of the Philippines	2,000	998	1,998	5.4583%		October 2022
Fixed	Philippine Depository and Trust Corp	13,000	12,976	12,976	4.0032%		October 2021
Fixed	Philippine Depository and Trust Corp	7,000	-	6,968	4.5219%		October 2023
Fixed	Banco De Oro	8,036	2,131	8,008	5.5276%		July 2024
Fixed	Bank of the Philippine Islands	5,000	2,492	4,990	5.7584%	The proceeds were used to finance permanent working capital and other general corporate requirements.	December 2022
Fixed	Philippine Depository and Trust Corp	13,200	-	13,092	7.8183%		April 2024
Fixed	Philippine Depository and Trust Corp	6,800	-	6,740	8.0551%		October 2025
Fixed	Bank of the Philippine Islands	5,000	614	4,970	4.5900%	The proceeds were used for general corporate purposes	April 2025
		60,036	19,211	59,742			
Foreign currency - denominated							
Floating	Standard Chartered Bank (Hongkong) Limited	13,700	6,704	13,530	LIBOR + margin	The proceeds were used to pay in full the outstanding balances of US$115 million and US$470 million under the US$475 million and US$550 million term loan facilities, respectively.	June 2022
Floating	Standard Chartered Bank (Hongkong) Limited	32,896	5,199	32,334	LIBOR + margin	US$300 million - May 15, 2019 - the proceeds of which were used to refinance the Parent Company's existing dollar-denominated bilateral short-term loans; US$236 million - May 31, 2019 - to partially prepay its US$1,000 million term loan facility; US$264 million - July 10, 2019 - to refinance various peso-denominated short-term loans and for general corporate purposes.	May 2024
Floating	Sumitomo Mitsui Banking Corp.	6,987	-	6,845	LIBOR + margin	The proceeds were used to partially prepay its US$1 billion term loan facility	March 2025
Floating	Standard Chartered Bank (Hongkong) Limited	7,203	-	7,003	LIBOR + margin	The proceeds were used to prepay part of the existing US$1.0 billion term loan facility and US$800 million loan	August 2023
		60,786	11,903	59,712			
Total Long-term Debt		**P 120,822**	**P 31,114**	**P 119,454**			

PETRON CORPORATION AND SUBSIDIARIES
SCHEDULE G - CAPITAL STOCK
DECEMBER 31, 2020

Title of Issue	Number of Shares Authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors and executive officers	Others
Common stock	9,375,104,497	9,375,104,497	Not applicable	6,858,912,221	1,835,756	2,514,356,520
Preferred stock	624,895,503					
Series 2B Preferred		2,877,680	Not applicable	-	-	2,877,680
Series 3A Preferred		13,403,000	Not applicable	-	8,000	13,395,000
Series 3B Preferred		6,597,000	Not applicable	-	20,300	6,576,700

PETRON GROUP STRUCTURE
(with Shareholdings in San Miguel Corporation)



* *Structure as of December 31, 2020 indicating voting interests in Petron Corporation ("Petron") and Petron's voting interests in its subsidiaries and affiliates.*

** *Information on direct interests in San Miguel Corporation ("SMC") based on the Public Ownership Report of SMC s of December 31, 2020 posted on the EDGE Portal of the Philippine Stock Exchange.*

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Petron Corporation
SMC Head Office Complex
40 San Miguel Avenue
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Petron Corporation and Subsidiaries (the "Group") as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated March 19, 2021. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas and calculations, is the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years covering the audit of 2019 to 2023 financial statements
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-031-2019
Issued August 7, 2019; valid until August 6, 2022
PTR No. MKT 8533922
Issued January 4, 2021 at Makati City

March 19, 2021
Makati City, Metro Manila

PETRON CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS

Financial Ratios	Formula	December 31, 2020	December 31, 2019
Liquidity			
a) Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	**0.89**	1.13
b) Quick Ratio	$\frac{\text{Current Assets less Inventories and Other Current Assets}}{\text{Current Liabilities}}$	**0.37**	0.50
Solvency			
c) Debt to Equity Ratio	$\frac{\text{Total Interest-bearing Liabilities}^{b}}{\text{Total Equity}}$	**2.29**	2.21
d) Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	**4.06**	4.27
e) Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$	**-0.43**	1.28
Profitability			
e) Return on Average Equity	$\frac{\text{Net Income}^{a}}{\text{Average Total Equity}}$	**-12.78%**	2.58%
f) Return on Average Assets	$\frac{\text{Net Income}^{a}}{\text{Average Total Assets}}$	**-3.07%**	0.61%
Operating Efficiency			
a) Volume Growth	$\left(\frac{\text{Current Period Volume}}{\text{Prior Period Volume}}\right) -1$	**-26.53%**	-1.42%
b) Sales Growth	$\left(\frac{\text{Current Period Sales}}{\text{Prior Period Sales}}\right) -1$	**-44.39%**	-7.72%
c) Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Sales}}$	**-1.62%**	3.15%

[a] *trailing 12 months net income*
[b] *excludes lease liabilities*

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Board of Directors and Stockholders
Petron Corporation
SMC Head Office Complex
40 San Miguel Avenue
Mandaluyong City

We have audited, in accordance with Philippine Standards on Auditing, the separate financial statements of Petron Corporation (the "Company") as at and for the years ended December 31, 2020 and 2019, and have issued our report thereon dated March 19, 2021.

Our audits were made for the purpose of forming an opinion on the separate financial statements taken as a whole. The supplementary information included in the *Reconciliation of Retained Earnings Available for Dividend Declaration* is the responsibility of the Company's management.

This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the separate financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the separate financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the separate financial statements taken as a whole.

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
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March 19, 2021
Makati City, Metro Manila

PETRON CORPORATION
SMC Head Office Complex 40 San Miguel Avenue, Mandaluyong City
SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
December 31, 2020
(Amounts in Thousand Pesos)

		(Figures based on audited separate financial statements)
Unappropriated retained earnings, *as adjusted to available for dividend distribution,* beginning		**P10,496,565**
Add: Net income actually earned/realized during the period		
Net income during the period closed to retained earnings	(P11,201,688)	
Less: Non-actual/ unrealized income, net of tax:		
Fair value gains arising from marked-to-market measurement *(P2,398,164 if gross of tax)*	1,678,715	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS *(P3,783 if gross of tax)*	2,648	
Sub-total	(12,883,051)	
Net income (loss) actually earned (incurred) during the year	(12,883,051)	**(12,883,051)**
Less: Dividend declarations during the year	(2,515,555)	
Distributions paid	(1,817,205)	
	(4,332,760)	**(4,332,760)**
TOTAL RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION, ENDING		**(P6,719,246)**

APPENDIX C
List of properties owned and leased by Petron.

List of Properties

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
1	**PETRON CORPORATION**						
	Refinery and Powerplant						
	Petron Bataan Refinery	Petron Bataan Refinery, Limay, Bataan	Owned	Good			
	Power Plant (Units 1, 2, 3 and 4)	Brgy. Lamao, Limay, Bataan	Owned	Good			
	Metro Manila and Manufacturing						
	Terminal (Navotas)	PFDA CMPD., Navotas, M.M.	Rented Except Building & Facilities	Good	3,173,404.69	Aug 26, 2039	Renewable upon mutual agreement of both parties
	Terminal (Rosario)	Gen. Trias, Rosario, Cavite	Rented Except Building & Facilities	Good	257,606.37	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal)
	Terminal (Pandacan)	Jesus St., Pandacan, Manila	Rented Except Building & Facilities	Good	2,484,715.38	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal)
	Lube Oil Manufacturing Plant	Block 12, 13 and 14 Harbour Centre, North Harbor, Tondo, Manila	Owned	Good			
	Airport Installations	Laoag Airport Installation, Laoag Airport, Brgy. Araniw, Laoag City	Rented Except Building & Facilities	Good	3,180.00	October 31, 2029	Renewable upon mutual agreement of both parties
	Airport Installations	NAIA Airport Installation (Petron) & JOCASP, JOCASP Compound, NAIA Complex, Pasay City	Rented Except Building & Facilities	Good	804,833.47	December 31, 2035	Renewable at the option of the lessee

Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
Luzon Operations						
Terminal (Palawan)	Brgy. Masipag, Puerto Princesa City	Rented Except Building & Facilities	Good	216,000.00	November 30,2023	Renewable at the option of the lessee
Terminal (Palawan)	Parola, Brgy. Maunlad, Puerto Princesa City, Palawan	Rented Except Building & Facilities	Good	4,222.12	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal)
Sales Office (Pasacao)	Sitio Camangui, Brgy. Santa Rosa del Sur, Pasacao, Camarines Sur	Rented Except Building & Facilities	Good	Jan - 466,357.50 Jun - 489,675.38	May 31, 2027	Renewable upon mutual agreement of both parties
Terminal (Poro)	Poro Pt.,San Fernado, La Union	Rented Except Building & Facilities	Good	Jan - 297,020.48 Mar - 314,841.71	February 28, 2023	Renewable upon mutual agreement of both parties
Terminal (Poro)	Poro Pt.,San Fernado, La Union	Rented Except Building & Facilities	Good	22,279.97	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal)
Terminal (Poro)	Poro Pt.,San Fernado, La Union	Rented except Building & Facilities	Good	25,300.00	June 01, 2021	Renewable upon mutual agreement of both parties
Sales Office (Calapan)	Sixteen Enterprises Compound, Brgy. Masipit, Calapan City, Oriental Mindoro	Rented	Good	Jan - 25,467.75 Jul - 26,741.14	June 30, 2022	Renewable upon mutual agreement of both parties
Sales Office (San Jose)	Purok Tagumpay 2, Brgy. Caminawit, San Jose, Occidental Mindoro	Rented	Good	17,000.00	April 30, 2021	Renewable upon mutual agreement of both parties
Sales Office (Masbate)	Masbate	Rented except Building & Facilities	Good	4,759.53	December 31, 2021	Renewable upon mutual agreement of both parties
Terminal (Batangas)	Bo. Mainaga, Mabini, Batangas	Rented Except Building & Facilities	Good	41,987.17	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal)
Terminal (Bataan)	Limay, Bataan	Rented Except Building & Facilities	Good	1,611.84	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case)
Sales Office (Odiongan)	Brgy Poctoy, Odiongan, Romblon	Rented	Good	67,175.33	December 31, 2051	Renewable at the option of the lessee
Visayas Operations						
Depot (Amlan)	Tandayag, Amlan, Negros Oriental	Rented Except Building & Facilities	Good	54,851.58	November 30, 2032	Renewable at the option of the lessee
Terminal (Bacolod)	Bo. San Patricio, Bacolod City, Negros Occidental	Rented Except Building & Facilities	Good	79,672.14	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal)
Terminal (Bacolod)	Bo. San Patricio, Bacolod City, Negros Occidental	Owned	Good			
Depot (Siquijor Mini BP)	Candanay Sur, Siquijor	Owned	Good			
Terminal (Iloilo)	Lapuz, Iloilo City	Rented Except Building & Facilities	Good	1,262,518.00	August 31, 2023	Renewable upon mutual agreement of both parties
Depot (Isabel)	LIDE, Isabel, Leyte	Rented Except Building & Facilities	Good	256,915.58	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of both parties
Terminal (Mactan)	MEPZ, Lapu- lapu City	Rented Except Building & Facilities	Good	780,000 - MCIAA 10,218.75 - PEZA	December 2045 - MCIAA Continuing unless terminated by both parties - PEZA	Continuing unless terminated by both parties

Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
Terminal (Ormoc)	Bo. Linao, Ormoc City, Leyte	Rented Except Building & Facilities	Good	25,283.83	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal)
Terminal (Ormoc)	Bo. Linao, Ormoc City, Leyte	Rented Except Building & Facilities	Good	5,000.00	May 31, 2025	Renewable upon mutual agreement of both parties
Terminal (Roxas)	Sitio Pook, Brgy. Culasi, Roxas, City	Owned	Good			
Terminal (Tacloban)	Anibong, Tacloban City	Rented Except Building & Facilities	Good	PNOC - 14,354.61 Domingo Lot - 375,000	August 31, 2018 January 2, 2039	Renewable upon mutual agreement of both parties (Expired in 2018 - With pending court case, Ongoing lease renewal)
Depot (Tagbilaran)	Graham Ave., Tagbiliran, Bohol	Rented Except Building & Facilities	Good	4,401.92	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case)
Terminal (Mandaue)	Looc, Mandaue City, Cebu	Rented Except Building & Facilities	Good	360,293.37	August 31, 2018 March 31, 2028 January 1, 2038	Renewable upon mutual agreement of both parties (Expired in 2018 - With pending court case, Ongoing renewal)
Airport Installations	Iloilo Airport, Cabatuan, Iloilo City	Rented Except Building & Facilities	Good	60,200.00	Continuing unless terminated and agreed by both parties	Terminal has an ongoing application with CAAP Iloilo for a long term contract in Iloilo (20-25 yrs)
Mindanao Operations						
Terminal (Davao)	Km. 9, Bo. Pampanga, Davao City	Rented Except Building & Facilities	Good	158,031.23	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal)
Terminal (Bawing)	Purok Cabu, Bawing, General Santos City	Owned	Good			
Terminal (Iligan)	Bo. Tomas Cabili, Iligan City, Lanao del Norte	Rented Except Building & Facilities	Good	9,903.68	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal)
Terminal (Iligan)	Bo. Tuminobo, Iligan City, Lanao del Norte	Owned	Good			
Terminal (Jimenez)	Jimenez, Misamis Occidental	Rented Except Building & Facilities	Good	200,000.00	December 16, 2024 and March 2, 2035	Renewable upon mutual agreement of both parties
Terminal (Nasipit)	Talisay, Nasipit, Agusan del Norte	Owned	Good			
Terminal (SL Phividec)	SL Phividec, Mindanao	Owned	Good			
Terminal (Tagoloan)	Tagoloan, Misamis Oriental PNOC- 13,836 sq m	Rented Except Building & Facilities	Good	13,653.54	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal)
	Tagoloan, Misamis Oriental - 13,499 sq m.	Rented Except Building & Facilities	Good	11,083.22	December 31, 2020	Renewable at the option of the lessee (Ongoing lease renewal)
	Tagoloan, Misamis Oriental PHIVIDEC/NVRC (FLA)-19,965 sq m.	Rented Except Building & Facilities	Good	11,733.13	February 9, 2034	Renewable at the option of the lessee
Terminal (Zamboanga)	Bgy. Campo Islam, Lower Calarian, Zamboanga City	Rented Except Building & Facilities	Good	31,269.35	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal)
Airport Installations	Laguindingan, Misamis Oriental CAAP- 4000 sq m.	Rented Except Building & Facilities	Good	201,187.50	March 31, 2040	Renewable upon mutual agreement of both parties

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Airport Installations	Davao Airport	Rented Except Building & Facilities	Good	32,262.50	May 31, 2028	Renewable upon mutual agreement of both parties
	Airport Installations	Zamboanga International Airport	Rented Except Building & Facilities	Good	7,045.00	November 30, 2029	Renewable at the option of the lessee
	Gasul Operations						
	Depot (LPG Operation)	Lakandula Drive, brgy. Bonot, Legaspi City	Rented Except Building & Facilities	Good	43,169.61	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal)
	Depot (Gasul - San Fernando)	Brgy Dela Paz Norte, San Fernando, Pampanga	Rented Except Building & Facilities	Good	9,691.29	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal)
	Refilling Plant (San Pablo)	San Pablo	Owned	Good			
	Terminal (Gasul – Pasig)	Bo. Ugong, C5,Pasig, M.M	Rented Except Building & Facilities	Good	955,475.80	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal)
2	**PETRON MALAYSIA REFINING & MARKETING BHD**						
	Refinery						
	Port Dickson Refinery	Lot 2645 - Lot 2648, 1222, 1593-1595, 1757, 1803, 1805, 1836, 1838, 1926-1930 & 2278, Port Dickson, Negeri Sembilan	Owned	Good			
	Lumut LPP plant	Lot 15636, Lumut Port Industrial Park, Mukim Lumut, Jalan Kampung Acheh, Sitiawan, Perak.	Owned	Good			
	Terminals and Depots						
	Port Dickson Terminal	Batu 1.5, Jalan Pantai, 71009 Port Dickson, Negeri Sembilan	Owned	Good			
	Bagan Luar Terminal	Lot 95-125, Lot 2327-2338 Section 4 Butterworth, Seberang Perai Utara, Penang	Owned	Good			
	KLIA Aviation Depot	Forward Fuel Base, Jalan FFB Kuala Lumpur International Airport (KLIA) 64000 Sepang Selangor Darul Ehsan, Malaysia	Rented	Good	MYR 8,976.00	Continuing unless terminated and agreed by both parties	Contract automatically renewed on yearly basis unless terminated in accordance with the termination provision in the agreement
	KVDT- MPP (Tie-in facilities for MPP/KVDT)	GM 1397 Lot 194 Mukim and Daerah Port Dickson Negeri Sembilan	Rented Except Building & Facilities	Good	MYR 6,300	June 30, 2023	Renewable upon mutual agreement of both parties

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
3	**PETRON FUEL INTERNATIONAL SDN BHD**						
	Kuantan Terminal	Lot 1863, Mukim Sungai Karang, Tanjung Gelang, Kuantan Port, 26100 Kuantan. PAHANG	Rented	Good	Terminal 1 MYR 18,983.98 Terminal 2 MYR 17,898.05	Terminal 1 Dec 2027 Terminal 2 Dec 2027	Current rate is RM12.06 per square meter per year from 1st January 2016 until 31st Dec 2018 and shall be increased by 10% on 1st January 2019 and after every three (3) years thereafter Current rate is RM12.06 per square meter per year from 1st January 2018 until 31st Dec 2018 and shall be increased by 10% on 1st January 2019 and after every three (3) years thereafter
	Pasir Gudang Terminal	Jalan Cecair Satu, Kawasan Perdagangan Bebas, Lembaga Pelabuhan Johor, 81700 Pasir Gudang, Johor.	Rented	Good	MYR 9,788	June 2051	An option for renewal for a period of thirty (30) years. Note: Revision of assessment fee effective 2017 by Johor Port after approval by MPPG.
	Westport JV	Terminal Bersama Sdn Bhd, Jeti Petrokimia, Pelabuhan Barat, 49290 Pulau Indah, Selangor	Rented	Good	MYR 54,994.50	Aug 2024	Renewable upon expiry of lease term
4	**PETRON OIL (M) SDN BHD**						
	Tawau Terminal	Jalan Tg Batu Laut, 91000 Tawau, Sabah	Rented Except Building & Facilities	Good	MYR .125 (Yearly Rental - MYR 1.50)	October 2902	No option stated in the agreement
	Sandakan Terminal	Jalan Kampung Karamunting, Sandakan, Sabah	Rented Except Building & Facilities	Good	MYR 587.7	May 2022	No option stated in the agreement
	Sepangar Bay Terminal	P.O. Box 10558, Kota Kinabalu 88806, Sabah	Rented Except Building & Facilities	Good	MYR 25,333.33 (Yearly Rental - MYR 304,000.00)	July 2031	An option for renewal for a period of thirty (15) years.

APPENDIX D
List of Material Permits and Licenses

PERMITS AND LICENSES[1]

Petron Corporation

Supply

Name of Permit / License	Issuing Agency	Issue Date	Validity Period	Expiry Date
PDEA License	Philippine Drug Enforcement Agency	March 18, 2021	1 year	March 17, 2022
DENR import clearance for Avgas	Department of Environment and Natural Resources	May 25, 2021	6 months	November 25, 2021
Certificate of Registration as Importer - AFAB	Bureau of Customs	March 1, 2021	1 year	March 1, 2022
Certificate of Registration as Exporter - AFAB	Bureau of Customs	March 8, 2021	1 year	March 8, 2022
Permit to Store – Ethanol Tanks	Bureau of Internal Revenue	January 7, 2021	1 year	December 31, 2021
Certificate of Registration No. 2019-196 - Powerplant Phase 3 - *New Operator of 44.4 MW Solid Fuel-Fired Power Plant Project*	Board of Investments	October 11, 2019	N/A	None
Certificate of Registration No. 2019-065 - Condensate Processing Plant - *New Producer of Petroleum and*	Board of Investments	March 29, 2019	N/A	None

[1] *The enumeration is based on information as of September 23, 2021*

Petrochemical Products on a Non-pioneer Status				
Certificate of Registration No. 2011-103 - RMP-2 Project- *Existing Industry Participant with New Investment In Modernization/Conversion of Bataan Refinery (Refinery Master Plan Phase 2 Project)*	Board of Investments	June 3, 2011	N/A	None

Refinery

ENVIRONMENTAL PERMITS

No.	Regulated Aspect/Hazard	Permits/Certifications	Law No.	Agency	Issue Date	Validity Period	Expiry Date
1. Permit to operate furnaces and boilers	Boiler and Furnace Operations - Prod A and B	PTO for Air Pollution Source and Control Installation (PTO-OL-R03-2021-00342-R)	RA 8749 / DAO 2004-26	DENR	1/20/2021	5 years	1/20/2026
	Boiler and Furnace Operations - RSFFB	PTO for Air Pollution Source and Control Installation (PAO-20C-03BA-944)	RA 8749 / DAO 2004-26		6/10/2021	5 years	6/10/2026
	Importation and Use of Mercury	Chemical Control Order Registry for Mercury CCO-r-R03-Hg-2018-00166	DAO 1997-38		7/25/2018	No expiration date	No expiration date

	Importation and Use of Cyanide	Chemical Control Order Registry for Cyanide CCO-r-R03-CN-2018-00130	DAO 1997-39		6/27/2018	No expiration date	No expiration date
	Use of Lead	Chemical Control Order (CCO) – Pb CCOr-Pb-2018-00039			4/19/2018	No expiration date	No expiration date
2. Water Quality Management	WWTP-1 Operations	Discharge Permit for WWTP-1 DP-R03-20-02219	RA 9275 DAO 2005-10		8/10/2021	1 year	8/10/2022
	WWTP-2 Operations	Discharge Permit for WWTP-2 (DP-R03-20-03602)	RA 9275 DAO 2005-10		6/17/2021	10 months	4/17/2022
	Sewage TP Operations	Discharge Permit for STP (DP-R03-20-02290)	RA 9275 DAO 2005-10		6/16/2021	9 months	3/10/2022
	Seawater Cooling Facility Operations	Discharge Permit for Seawater Cooling Facility (DP-R03-20-01654)	RA 9275 DAO 2005-10		3/23/2021	1 year	3/10/2022
	WWTF-1 Operations (RSFFB)	Discharge Permit for WWTF-1 (DP-R03-20-01146)	RA 9275 DAO 2005-10		8/12/2021	7 months	3/12/2022

	WWTF-2 Operations (RSFFB)	Discharge Permit for WWTF-2 (DP-R03-20-02278)	RA 9275 DAO 2005-10		6/16/2021	1 year	6/7/2022
3. Refinery and RSFFP	Permit to Operate (PTO) – Refinery(Prod A and Prod B)	PTO-OL-R03-2021-00342-R		DENR	1/20/2021	5 years	20-Jan-26
	Permit to Operate (PTO) -RSFFP	PTO-OL-R03-2021-04040-R			10-Jun-21	5 years	10-Jun-26
4. CCO Registrations	Chemical Control Order (CCO) - Cn	CCOr-R03-Cn-2018-00130			27-Jun-18	N/A	N/A
	Chemical Control Order (CCO) - Hg	CCO-R03-Hg-2018-0016			25-Jul-18	N/A	N/A
	Chemical Control Order (CCO) - Pb	CCOr-Pb-2018-00039			19-Apr-18	N/A	N/A

SAFETY and SECURITY

No.	Regulated Aspect/Hazard	Permits/Certifications	Law No.	Issuing Agency	Issue Date	Validity Period	Expiry Date
1. Port Facility Operations	Non-Commercial Port Facility Operation	Certificate of Registration/ Permit to Operate No. 108	Amended PD 857	Philippine Ports Authority	January 18, 2016	Indefinite	December 22, 2034

OPERATIONAL

1. Power Plant Operations	TPP Operations	Certificate of Compliance No.	RA 9136 (EPIRA of	DOE	July 31, 2017	5	August 30, 2022

		17-08-S-19173L	2001) / ERC Resolution No. 16 Series 2014				
2. Plant Services and Logistics	RSFFPP Operations	Certificate of Compliance No. 1803-M-00300L	RA 9136 (EPIRA of 2001) / ERC Resolution No. 16 Series 2014		March 15,2018	5	May 05, 2023
3. GRCS/ Refinery Finance	Establishment Clearance & Registration	Business Permit No.	RA 7160	AFAB	December 28, 2021	Annual	December 31, 2021
4. ERSF/ Refinery Finance	Fire Safety Inspection	Fire Safety Inspection Certificate No.R03-206-0955-S2020	RA 9514	BFP	September 25, 2020	Annual	September 25, 2021
5. QC Laboratory	Laboratory Operation	Certificate of Authority to Operate No. 155 QC Laboratory	RA 10657	PRC	June 26, 2019	Every 3 years	June 26, 2022
	Laboratory Operation	Certificate of Authority to Operate No. 156 RSFFB Laboratory	RA 10658		June 26, 2019	Every 3 years	June 26, 2022
6. Occupational Health and Safety	Registry of Establishment	Certificate of Registration Reg. Cert. No. RO302-1408-RE-21	OSH Rule 1200	OSH		As issued	

Operations

Terminal	Name of Permit / License	Issuing Agency	Issue Date	Validity Period, years	Expiry Date
JOCASP	Discharge Permit	DENR	14-Dec-20	2	4-Jan-23
JOCASP	PTO for Air Pollution Source Installation	DENR	7-Sep-20	4	5-Feb-25
JOCASP	Fire Safety Inspection Certificate	DILG - BFP	13-Nov-20	1	13-Nov-21
Batangas	PTO for Pressure Vessel - LPG Tanks	DOLE	14-Oct-20	1	14-Oct-21
Batangas	PTO for Internal Combustion Engine	DOLE	14-Oct-20	1	14-Oct-21
Batangas	PTO for Air Pollution Source Installation	DENR	30-Oct-20	5	30-Oct-25
Limay	PTO for Pressure Vessel - LPG Tanks	DOLE	15-Oct-20	1	14-Oct-21
Palawan	SCC for LPG Refilling Plant	DOE	7-Sep-20	3	7-Sep-23
Palawan	PTO for Air Pollution Source Installation	DENR	12-Feb-20	5	11-Feb-25
Palawan	Certificate of Annual Inspection	LGU	11-Sep-20	1	11-Sep-21
Pasacao	Discharge Permit	DENR	25-Sep-17	5	14-Sep-22
Pasacao	PTO for Air Pollution Source Installation	DENR	8-Jul-17	5	15-Jun-22
Amlan	PTO for Internal Combustion Engine	DOLE	6-Nov-20	1	6-Nov-21
Bacolod	SCC for LPG Refilling Plant	DOE	20-Sep-20	3	20-Sep-23
Bacolod	SCC for LPG Import Terminal	DOE	27-Oct-20	3	27-Oct-23
Bacolod	FLA	DENR	22-Aug-06	25	22-Aug-31
Iloilo	SCC for LPG Storage Plant	DOE	26-Feb-20	3	27-Feb-23
Iloilo	SCC for LPG Import Terminal	DOE	21-Oct-20	3	21-Oct-23
Mactan	Discharge Permit	DENR	5-Dec-19	5	5-Dec-24

Mactan	PTO for Air Pollution Source Installation	DENR	18-Jun-19	5	7-Mar-24
Mactan	Permit to Operate	PPA	29-Jul-04	25	29-Jul-29
Mandaue	Discharge Permit OWS1	DENR	5-Dec-19	3	5-Dec-22
Mandaue	Discharge Permit OWS2	DENR	16-Jan-20	3	16-Jan-23
Mandaue	Discharge Permit OWS3	DENR	21-Feb-20	3	21-Feb-23
Mandaue	PTO for Air Pollution Source Installation	DENR	9-Jun-17	5	9-Jun-22
Mandaue	FLA	DENR	16-Feb-07	25	16-Feb-32
Ormoc	SCC for LPG Refilling Plant	DOE	21-Mar-19	3	20-Mar-22
Ormoc	PTO for Air Pollution Source Installation	DENR	18-Jun-19	5	18-Jun-24
Ormoc	FLA	DENR	18-Feb-11	25	18-Feb-36
Roxas	PTO for Air Pollution Source Installation	DENR	12-Oct-20	5	14-Sep-25
Tacloban	PTO for Pressure Vessel - LPG Tanks	DOLE	4-Nov-20	1	4-Nov-21
Tacloban	PTO for Pressure Vessel - Other Equipment	DOLE	4-Nov-20	1	4-Nov-21
Tacloban	PTO for Internal Combustion Engine	DOLE	4-Nov-20	1	4-Nov-21
Tacloban	PTO for Electrical Inspection	DOLE	4-Nov-20	1	4-Nov-21
Tacloban	PTO for Air Pollution Source Installation	DENR	27-May-18	5	27-May-23
Tacloban	Fire Safety Inspection Certificate	DILG - BFP	29-Sep-20	1	29-Sep-21
Tagbilaran	PTO for Air Pollution Source Installation	DENR	20-Dec-19	5	4-Jan-25
Bawing	SCC for LPG Storage Plant	DOE	10-Apr-18	4	2-Dec-21
Davao	PTO for Pressure Vessel - LPG Tanks	DOLE	1-Oct-20	1	27-Sep-21
Davao	PTO for Pressure Vessel - Other Equipment	DOLE	1-Oct-20	1	27-Sep-21
Davao	PTO for Internal Combustion Engine	DOLE	1-Oct-20	1	27-Sep-21
Davao	SCC for LPG Refilling Plant	DOE	12-Feb-20	3	22-Oct-22
Davao	Discharge Permit	DENR	8-Apr-19	5	7-Jan-24
Davao	FLA	DENR	19-Aug-20	1	19-Aug-21
Davao	Certificate of Annual Inspection	LGU	12-Feb-20	1	11-Feb-21
Davao	Mechanical Permit	LGU	1-Oct-20	1	27-Sep-21
Davao	Electrical Permit	LGU	6-Oct-20	1	9-Oct-21
Iligan	Discharge Permit	DENR	08-Apr-19	6	30-Oct-24
Iligan	PTO for Air Pollution Source Installation	DENR	16-Jan-19	4	28-Apr-23

Iligan	FLA	DENR	13-Dec-05	25	11-Dec-30
Iligan	Barangay Clearance	LGU	23-Jan-20	2	31-Dec-21
Iligan	Permit to Operate	PPA	14-Jul-09	19	01-Jul-28
Jimenez	SCC for LPG Storage Plant	DOE	1-Oct-19	3	2-Oct-22
Jimenez	Discharge Permit	DENR	11-Dec-20	1	11-Nov-21
Jimenez	PTO for Air Pollution Source Installation	DENR	18-Mar-19	6	18-Dec-24
Nasipit	PTO for Electrical Inspection	DOLE	13-Nov-20	1	11/13/2021
Nasipit	Discharge Permit	DENR	08-Oct-20	5	8-Oct-25
Nasipit	PTO for Air Pollution Source Installation	DENR	24-Sep-20	5	24-Sep-25
Tagoloan	SCC for LPG Import Terminal	DOE	23-Dec-20	3	21-Apr-24
Tagoloan	PTO for Air Pollution Source Installation	DENR	4-Jun-18	5	9-Mar-23
Tagoloan	FLA	DENR	20-Feb-09	25	20-Feb-34
Pasig	SCC for LPG Refilling Plant	DOE	7-Jul-20	3	7-Jul-23
Pasig	PTO for Air Pollution Source Installation	DENR	5-Aug-20	5	5-Aug-25
Pasig	Permit to Operate	PPA	1-Sep-19	2	31-Aug-21
Legaspi	PTO for Pressure Vessel - LPG Tanks	DOLE	13-Nov-20	1	13-Nov-21
Legaspi	PTO for Pressure Vessel - Other Equipment	DOLE	13-Nov-20	1	13-Nov-21
Legaspi	PTO for Internal Combustion Engine	DOLE	13-Nov-20	1	13-Nov-21
Legaspi	PTO for Electrical Inspection	DOLE	13-Nov-20	1	13-Nov-21
Legaspi	SCC for LPG Storage Plant	DOE	10-Apr-18	4	19-Feb-22
Legaspi	SCC for LPG Refilling Plant	DOE	12-Feb-20	3	14-Feb-23
Legaspi	Discharge Permit	DENR	28-Feb-18	5	20-Mar-23
Legaspi	Business Permit	LGU	17-Jan-20	1	17-Jan-21
San Fernando	PTO for Pressure Vessel - LPG Tanks	DOLE	29-Oct-20	1	29-Oct-21
San Fernando	PTO for Pressure Vessel - Other Equipment	DOLE	29-Oct-20	1	29-Oct-21
San Fernando	PTO for Internal Combustion Engine	DOLE	29-Oct-20	1	29-Oct-21
San Fernando	PTO for Electrical Inspection	DOLE	29-Oct-20	1	29-Oct-21
San Fernando	SCC for LPG Storage Plant	DOE	14-Feb-19	3	14-Feb-22
San Fernando	Sanitary Permit	LGU	31-Dec-20	1	31-Dec-21
San Fernando	Certificate of Annual Inspection	LGU	31-Dec-20	1	31-Dec-21
San Fernando	Mechanical Permit	LGU	31-Dec-20	1	31-Dec-21

San Fernando	Electrical Permit	LGU	31-Dec-20	1	31-Dec-21
San Fernando	Barangay Clearance	LGU	31-Dec-20	1	31-Dec-21
San Fernando	Business Permit	LGU	31-Dec-20	1	31-Dec-21
SL Panasia	Permit to Operate	PPA	21-Feb-18	5	21-Feb-23

Environment and Safety

Name of Facility	Name of Permit / License	Issuing Agency	Permit Number	Issue Date	Validity Period	Expiry Date
Amlan Terminal	Permit to Operate APSCI	DENR-EMB	PTO-OL-R07-2021-02965-R	May 12, 2021	5 years	May 12, 2026
Amlan Terminal	Discharge Permit	DENR-EMB	DP-R07-21-03359	June 10, 2021	5 years	June 10, 2026
Amlan Terminal	CNC	DENR-EMB	CNC-OL-R07-2013-03-0069	March 9, 2015	N/A	N/A
Amlan Terminal	HW Generator's ID	DENR-EMB	OL-GR-R7-46-016012	April 20, 2021	N/A	N/A
Bacolod Terminal	Discharge Permit	DENR-EMB	DP-R06-21-03345	June 8, 2021	6 months	January 8, 2022
Bacolod Terminal	Permit to Operate APSCI	DENR-EMB	17-POA-A-1845-499	February 17, 2017	5 years	January 15, 2022
Bacolod Terminal	ECC	DENR-EMB	ECC-0607-0516-135-120	May 17, 2007	N/A	N/A
Bacolod Terminal	HW Generator's ID	DENR-EMB	GR-R18-45-00029	July 13, 2017	N/A	N/A
Bacolod Terminal	CCO Registration	DENR-EMB	CCOr-Pb-2020-00048	February 27, 2020	N/A	N/A
Batangas Terminal	Discharge Permit	DENR-EMB	DP-R4A-21-01689	March 20, 2021	1 year	March 20, 2022

Batangas Terminal	ECC	DENR-EMB	ECC-R4A-1402-0115	August 13, 2018	N/A	N/A
Batangas Terminal	HW Generator’s ID	DENR-EMB	OL-GR-R4A-10-012945	March 7, 2021	N/A	N/A
Batangas Terminal	CCO Registration	DENR-EMB	CCO-PCB-R4A-PET-77	May 4, 2018	N/A	N/A
Batangas Terminal	Permit to Operate APSCI	DENR-EMB	PTO-OL-R4A-2020-02011-R	October 30, 2020	5 years	October 30, 2025
Bawing Terminal	Discharge Permit	DENR-EMB	DP-R12-20-05067	November 3, 2020	5 years	November 3, 2025
Bawing Terminal	Permit to Operate APSCI	DENR-EMB	PTO-OL-R12-2020-0267	November 16, 2025	5 years	November 16, 2025
Bawing Terminal	ECC	DENR-EMB	ECC-OL-R12-2019-0267	November 29, 2019	N/A	N/A
Bawing Terminal	HW Generator’s ID	DENR-EMB	OL-GR-R12-63-012126	February 19, 2021	N/A	N/A
Bawing Terminal	CCO Registration	DENR-EMB	CCO-PCB-04-01-000586	September 22, 2014	N/A	N/A
Caticlan Aviation Facility	ECC	DENR-EMB	ECC-OL-R06-2020-0118	April 15, 2020	N/A	N/A
Davao Terminal	Discharge Permit	DENR-EMB	2019-WDP-A-1124-273	April 8, 2019	5 years	January 7, 2024
Davao Terminal	Discharge Permit	DENR-EMB	DP-R11-21-04586	July 26, 2021	5 years	March 26, 2026
Davao Terminal	Permit to Operate APSCI	DENR-EMB	PTO-OL-R11-2021-05496-R	July 21, 2021	5 years	July 21, 2026
Davao Terminal	ECC	DENR-EMB	ECC-OL-R11-2011-039	September 3, 2019	N/A	N/A

Davao Terminal	HW Generator's ID	DENR-EMB	OL-GR-R11-24-012412	April 5, 2021	N/A	N/A
Davao Terminal	CCO Registration	DENR-EMB	CCO-PCB-RXI-2014-0005	August 14, 2014	N/A	N/A
Gasul Legazpi	Permit to Operate APSCI	DENR-EMB	PTO-OL-R05-2021-06105-R	August 10, 2021	1 year	August 10, 2022
Gasul Legazpi	Discharge Permit	DENR-EMB	WDP-18C-05AL-178	February 28, 2018	5 years	March 20, 2023
Gasul Legazpi	ECC	DENR-EMB	ECC-R05-2104-0005	April 28, 2021	N/A	N/A
Gasul Legazpi	HW Generator's ID	DENR-EMB	OL-GR-R5-05-016778	August 26, 2021	N/A	N/A
Gasul Legazpi	CCO Registration	DENR-EMB	CCO-PCB-R5-PET-148	September 14, 2017	N/A	N/A
Gasul Legazpi	CCO Registration	DENR-EMB	CCOr-Pb-2019-00245	December 12, 2019	N/A	N/A
Gasul Pasig	Discharge Permit	LLDA	DP-24C-2021-00349	January 28, 2021	2 Years	February 3, 2023
Gasul Pasig	Permit to Operate APSCI	DENR-EMB	PTO-OL-NCR-2020-00326-R	August 5, 2020	5 years	August 5, 2025
Gasul Pasig	ECC	DENR-EMB	NCR2005-01-11-002-120	January 11, 2005	N/A	N/A
Gasul Pasig	HW Generator's ID	DENR-EMB	OL-GR-NCR-74-010941	December 31, 2020	N/A	N/A
Gasul San Fernando	Permit to Operate APSCI	DENR-EMB	FLA-17A-03PA-091	December 28, 2016	5 years	January 30, 2022
Gasul San Fernando	Discharge Permit	DENR-EMB	DP-R03-20-03525	August 19, 2020	1 year	July 19, 2021*
Gasul San Fernando	ECC	DENR-EMB	ECC-R03-1105-0249	September 5, 2017	N/A	N/A

Gasul San Fernando	HW Generator's ID	DENR-EMB	OL-GR-R3-54-016591	July 19, 2021	N/A	N/A
Iligan Terminal	Permit to Operate APSCI	DENR-EMB	2018-POA-D-1035-926	January 16, 2019	5 years	April 18, 2023
Iligan Terminal	Discharge Permit	DENR-EMB	DP-R10-19-03486	April 8, 2019	5 years	October 30, 2024
Iligan Terminal	ECC	DENR-EMB	ECC-R10-1006-0133	December 3, 2012	N/A	N/A
Iligan Terminal	HW Generator's ID	DENR-EMB	OL-GR-R10-35-012131	March 3, 2021	N/A	N/A
Iloilo ITP Facility	ECC	DENR-EMB	ECC-OL-R06-2020-0132	May 7, 2020	N/A	N/A
Iloilo Terminal	Discharge Permit	DENR-EMB	DP-RO6-21-01883	March 25, 2021	1 year	January 25, 2022
Iloilo Terminal	Permit to Operate APSCI	DENR-EMB	19-POA-A-0630-115	January 14, 2019	5 years	January 30, 2024
Iloilo Terminal	ECC	DENR-EMB	ECC-0607-0516-136-120A	November 19, 2012	N/A	N/A
Iloilo Terminal	HW Generator's ID	DENR-EMB	06-45-0023	July 28, 2000	N/A	N/A
Iloilo Terminal	CCO Registration	DENR-EMB	CCOr-Pb-2020-00015	January 21, 2020	N/A	N/A
Isabel Terminal	Discharge Permit	DENR-EMB	DP-R08-20-04860	October 22, 2020	1 year	October 22, 2021
Isabel Terminal	Permit to Operate APSCI	DENR-EMB	PTO-OL-R08-2020-03173-R	December 21, 2020	5 years	December 21, 2025
Isabel Terminal	CNC	DENR-EMB	CNC-R08-1101-0001	January 7, 2021	N/A	N/A
Isabel Terminal	HW Generator's ID	DENR-EMB	OL-GR-R8-37-008371	November 17, 2020	N/A	N/A

Jimenez Terminal	Discharge Permit	DENR-EMB	DP-R10-20-05348	December 11, 2020	1 year	November 11, 2021
Jimenez Terminal	Permit to Operate APSCI	DENR-EMB	2013-POA-L-1042-632	March 18, 2019	5 years	December 18, 2024
Jimenez Terminal	ECC	DENR-EMB	C-LPG/FP1042-1087	June 21, 2016	N/A	N/A
Jimenez Terminal	HW Generator's ID	DENR-EMB	GR-R10-42-00001	April 21, 2015	N/A	N/A
Jimenez Terminal	CCO Registration	DENR-EMB	CCO-PCB-RX15- 1042-001	February 25, 2015	N/A	N/A
JOCASP Terminal	Discharge Permit	LLDA	DP-25c-018-03141	December 14, 2020	4 years	January 4, 2023
JOCASP Terminal	Permit to Operate APSCI	DENR-EMB	20-POA-B-137605-133	September 7, 2020	5 years	February 5, 2025
JOCASP Terminal	ECC	DENR-EMB	ECC-NCR-1101-0008	September 26, 2017	N/A	N/A
JOCASP Terminal	HW Generator's ID	DENR-EMB	GR-NCR-76-03103	September 19, 2018	N/A	N/A
JOCASP Terminal	CCO Registration	DENR-EMB	CCOr-Pb-2019-00243	December 12, 2019	N/A	N/A
Laoag ITP Facility	ECC	DENR-EMB	ECC-OL-R01-2020-0057	March 16, 2020	N/A	N/A
Limay Terminal	Permit to Operate APSCI	DENR-EMB	POA-20D-03BA-077	March 11, 2020	5 years	April 30, 2025
Limay Terminal	Discharge Permit	DENR-EMB	DP-R03-21-05013	August 10, 2021	1 year	August 10, 2022
Limay Terminal	ECC	DENR-EMB	R03-1111-0550	August 3, 2018	N/A	N/A
Limay Terminal	HW Generator's ID	DENR-EMB	GR-R3-08-0035	September 29, 2016	N/A	N/A

Mactan Aviation Terminal	Permit to Operate APSCI	DENR-EMB	POA-19-G-072251-226	June 18, 2019	5 years	March 7, 2024
Mactan Aviation Terminal	Discharge Permit	DENR-EMB	DP-R07-19-04253	December 5, 2019	5 years	December 5, 2024
Mactan Aviation Terminal	ECC	DENR-EMB	ECC-R07-0807-0257-104	March 22, 2018	N/A	N/A
Mactan Aviation Terminal	HW Generator's ID	DENR-EMB	GR-R7-22-00485	March 13, 2019	N/A	N/A
Mactan Aviation Terminal	CCO Registration	DENR-EMB	CCOr-Pb-2020-00002	January 7, 2020	N/A	N/A
Mandaue Terminal	Permit to Operate APSCI	DENR-EMB	POA-17-F-072252-089	June 9, 2017	5 years	June 9, 2022
Mandaue Terminal	Discharge Permit	DENR-EMB	DP-R07-19-04257	December 5, 2019	3 years	December 5, 2022
Mandaue Terminal	Discharge Permit	DENR-EMB	DP-R07-20-00191	January 16, 2020	3 years	January 16, 2023
Mandaue Terminal	Discharge Permit	DENR-EMB	DP-R07-20-00943	February 21, 2020	3 years	February 21, 2023
Mandaue Terminal	ECC	DENR-EMB	CC RO7 0902 0063 104	December 18, 2018	N/A	N/A
Mandaue Terminal	HW Generator's ID	DENR-EMB	OL-GR-R7-22-018929	June 29, 2021	N/A	N/A
Nasipit Terminal	Permit to Operate APSCI	DENR-EMB	PTO-OL-R13-2020-01168-R	September 24, 2020	5 years	September 24, 2025
Nasipit Terminal	Discharge Permit	DENR-EMB	DP-R13-20-04507	October 8, 2020	5 years	October 8, 2025
Nasipit Terminal	ECC	DENR-EMB	ECC-OL-R13-2020-0113	May 21, 2020	N/A	N/A

Nasipit Terminal	ECC	DENR-EMB	ECC-R13-1001-0012	November 14, 2016	N/A	N/A
Nasipit Terminal	HW Generator's ID	DENR-EMB	GR-R13-02-00006	June 9, 2015	N/A	N/A
Nasipit Terminal	CCO Registration	DENR-EMB	CCO-PCB-R13-PET-61	July 21, 2015	N/A	N/A
Navotas Terminal	Discharge Permit	DENR-EMB	DP-NCR-21-01218	March 2, 2021	1 year	March 1, 2022
Navotas Terminal	Discharge Permit	DENR-EMB	DP-NCR-21-02561	April 30, 2021	1 year	April 1, 2022
Navotas Terminal	Permit to Operate APSCI	DENR-EMB	18-POA-C-137503-086	March 23, 2018	5 years	March 20, 2023
Navotas Terminal	ECC	DENR-EMB	ECC-NCR-1206-0224	December 19, 2014	N/A	N/A
Navotas Terminal	HW Generator's ID	DENR-EMB	OL-GR-NCR-75-016499	May 26, 2021	N/A	N/A
NLOBP Terminal	Permit to Operate APSCI	DENR-EMB	PTO-OL-NCR-2021-05639-T	July 26, 2021	3 months	October 26, 2021
NLOBP Terminal	ECC	DENR-EMB	ECC-NCR-1609-0061	October 3, 2016	N/A	N/A
NLOBP Terminal	HW Generator's ID	DENR-EMB	OL-GR-NCR-39-008237	January 18, 2021	N/A	N/A
Ormoc Terminal	Discharge Permit	DENR-EMB	DP-R08-21-01422	March 9, 2021	1 year	March 9, 2022
Ormoc Terminal	Permit to Operate APSCI	DENR-EMB	POA-2019-F-0837-0175	June 18, 2019	5 years	June 18, 2024
Ormoc Terminal	Discharge Permit	DENR-EMB	DP-R08-21-03944	July 2, 2021	1 year	July 2, 2022
Ormoc Terminal	ECC	DENR-EMB	ECC R8-0803-029-6280	May 28, 2008	N/A	N/A

Ormoc Terminal	HW Generator’s ID	DENR-EMB	OL-GR-R8-37-012799	March 24, 2021	N/A	N/A
Ormoc Terminal	CCO Registration	DENR-EMB	CCO-PCB-R8-PET-1	August 18, 2015	N/A	N/A
Ormoc Terminal	CCO Registration	DENR-EMB	CCOr-Pb-2019-00244	December 12, 2019	N/A	N/A
Ormoc Terminal	Discharge Permit	DENR-EMB	DP-R08-20-03752	September 3, 2020	1 year	September 3, 2021*
Palawan Terminal	Discharge Permit	DENR-EMB	DP-R4B-21-03277	June 4, 2021	1 year	June 4, 2022
Palawan Terminal	Permit to Operate APSCI	DENR-EMB	2020-POA-D-0453-352	February 12, 2020	5 years	February 11, 2025
Palawan Terminal	ECC	DENR-EMB	ECC-R4B-1804-0005	February 11, 2019	N/A	N/A
Palawan Terminal	HW Generator’s ID	DENR-EMB	OL-GR-R4B-53-010687	December 6, 2020	N/A	N/A
Palawan Terminal	CCO Registration	DENR-EMB	CCOr-Pb-2020-00097	July 27, 2020	N/A	N/A
Pandacan Manufacturing	Discharge Permit	LLDA	DP-25a-2020-02058	September 4, 2020	2 Years	July 6, 2022
Pandacan Manufacturing	Permit to Operate APSCI	DENR-EMB	19-POA-J-133912-005	February 18, 2020	4 years	October 10, 2024
Pandacan Manufacturing	ECC	DENR-EMB	ECC-LLDA-2005-209-540-GP	October 18, 2005	N/A	N/A
Pandacan Manufacturing	ECC	DENR-EMB	NCR2004-09-30-545-219-LOBP	September 30, 2004	N/A	N/A
Pandacan Manufacturing	HW Generator’s ID	DENR-EMB	OL-GR-NCR-39-006376	November 9, 2020	N/A	N/A
Panglao ITP Facility	ECC	DENR-EMB	CNC-OL-R07-2020-03-00277	March 3, 2020	N/A	N/A

Pasacao Terminal	Permit to Operate APSCI	DENR-EMB	POA-17F-05CS-679	June 8, 2017	5 years	June 15, 2022
Pasacao Terminal	Discharge Permit	DENR-EMB	WDP-17I-05CS-292	September 25, 2017	5 years	September 14, 2022
Pasacao Terminal	ECC	DENR-EMB	ECC-BDP-998-05CS-010	February 10, 1999	N/A	N/A
Pasacao Terminal	HW Generator's ID	DENR-EMB	OL-GR-R5-17-001136	September 11, 2020	N/A	N/A
Pasacao Terminal	CCO Registration	DENR-EMB	CCO-PCB-R5-PET-147	September 14, 2017	N/A	N/A
Petron Bataan Refinery	Discharge Permit	DENR-EMB	DP-R03-21-03399	June 16, 2021	9 months	March 10, 2022
Petron Bataan Refinery	Discharge Permit	DENR-EMB	DP-R03-21-03398	March 23, 2021	1 year	March 10, 2022
Petron Bataan Refinery	Discharge Permit	DENR-EMB	DP-R03-21-05098	August 12, 2021	7 months	March 12, 2022
Petron Bataan Refinery	Discharge Permit	DENR-EMB	DP-R03-21-03601	June 17, 2021	10 months	April 17, 2022
Petron Bataan Refinery	Discharge Permit	DENR-EMB	DP-R03-21-03321	June 16, 2021	1 year	June 7, 2022
Petron Bataan Refinery	Discharge Permit	DENR-EMB	DP-R03-21-05013	August 10, 2021	1 year	August 10, 2022
Petron Bataan Refinery	Permit to Operate APSCI	DENR-EMB	PTO-OL-R03-2021-00342-R	January 20, 2021	5 years	January 20, 2026
Petron Bataan Refinery	Permit to Operate APSCI	DENR-EMB	PTO-OL-R03-2021-04040-R	June 10, 2021	5 years	June 10, 2026

Petron Bataan Refinery	HW Generator's ID	DENR-EMB	OL-GR-R3-08-000306	July 22, 2020	N/A	N/A
Petron Bataan Refinery	CCO Registration	DENR-EMB	CCOr-R03-Cn-2018-00130	June 27, 2018	N/A	N/A
Petron Bataan Refinery	CCO Registration	DENR-EMB	CCO-R03-Hg-2018-0016	July 25, 2018	N/A	N/A
Petron Bataan Refinery	CCO Registration	DENR-EMB	CCOr-Pb-2018-00039	April 19, 2018	N/A	N/A
Petron Bataan Refinery	ECC	DENR-EMB	1002-0007	December 3, 2021	N/A	N/A
Petron Corporation	CCOi Registration	DENR-EMB	CCOi-Pb-2021-00267	May 25, 2021	6 months	November 25, 2021
Poro Terminal	Permit to Operate APSCI	DENR-EMB	POA-20A-01LU14-025	February 24, 2020	5 years	January 30, 2025
Poro Terminal	Discharge Permit	DENR-EMB	DP-R01-21-01164	February 28, 2021	5 years	February 28, 2026
Poro Terminal	Discharge Permit	DENR-EMB	DP-R01-21-01165	February 28, 2021	5 years	February 28, 2026
Poro Terminal	HW Generator's ID	DENR-EMB	OL-GR-R1-33-014911	April 4, 2021	N/A	N/A
Poro Terminal	CCO Registration	DENR-EMB	CCO-PCB-2015-03-004	March 3, 2015	N/A	N/A
Poro Terminal	ECC	DENR-EMB	ECC-R01-0807-0257-0104	January 9, 2019	N/A	N/A
Rosario Terminal	Permit to Operate APSCI	DENR-EMB	017-POA-0421-1481	March 17, 2017	5 years	February 28, 2022
Rosario Terminal	Discharge Permit	DENR-EMB	DP-R4A-21-01478	March 12, 2021	1 year	March 12, 2022

Rosario Terminal	Permit to Operate APSCI	DENR-EMB	2018-POA-0421-1481	September 24, 2018	5 years	August 31, 2023
Rosario Terminal	ECC	DENR-EMB	ECC (R4A-1301-0028)	June 26, 2013	N/A	N/A
Rosario Terminal	HW Generator's ID	DENR-EMB	OL-GR-R4A-21-012797	March 21, 2021	N/A	N/A
Roxas Terminal	Permit to Operate APSCI	DENR-EMB	PTO-OL-R06-2020-01651-R	October 14, 2020	5 years	September 14, 2025
Roxas Terminal	ECC	DENR-EMB	0604-1117-777-120A	December 20, 2019	N/A	N/A
Roxas Terminal	HW Generator's ID	DENR-EMB	OL-GR-R6-19-012834	March 2, 2021	N/A	N/A
Roxas Terminal	Discharge Permit	DENR-EMB	DP-R06-21-01450	Mar 12, 2021	6 months	September 11, 2021*
SL Pan Asia	Discharge Permit	DENR-EMB	DP-R03-21-03204	June 2, 2021	1 year	June 2, 2022
SL Pan Asia	Permit to Operate APSCI	DENR-EMB	PTO-OL-R03-2021-02128	April 8, 2021	5 years	April 8, 2026
SL Pan Asia	ECC	DENR-EMB	OL-R03-2019-0311	July 5, 2019	N/A	N/A
SL Pan Asia	HW Generator's ID	DENR-EMB	OL-GR-R3-08-013312	May 12, 2021	N/A	N/A
Subic PFC – Fuel Additives Blending Plant	Discharge Permit	DENR-EMB	DP-R03-20-04513	October 8, 2020	1 year	October 8, 2021
Subic PFC – Fuel Additives Blending Plant	Permit to Operate APSCI	DENR-EMB	POA-20E-03AZ-210	June 23, 2020	5 years	May 31, 2025

Subic PFC – Fuel Additives Blending Plant	ECC	DENR-EMB	R03-1204-0165	October 13, 2015	N/A	N/A
Subic PFC – Fuel Additives Blending Plant	HW Generator's ID	DENR-EMB	OL-GR-R3-71-004202	September 28, 2020	N/A	N/A
Tacloban Terminal	Discharge Permit	DENR-EMB	DP-R08-21-03834	June 28, 2021	1 year	June 28, 2022
Tacloban Terminal	Discharge Permit	DENR-EMB	DP-R08-21-03832	June 28, 2021	1 year	June 28, 2022
Tacloban Terminal	Permit to Operate APSCI	DENR-EMB	18-POA-C-0837-0056	March 27, 2018	5 years	March 27, 2023
Tacloban Terminal	Discharge Permit	DENR-EMB	DP-R08-20-02856	July 16, 2020	1 year	July 16, 2021*
Tacloban Terminal	ECC	DENR-EMB	ECC-OL-R08-2019-0137	August 1, 2019	N/A	N/A
Tacloban Terminal	HW Generator's ID	DENR-EMB	OL-GR-R8-37-012441	January 25, 2021	N/A	N/A
Tacloban Terminal	CCO Registration	DENR-EMB	CCO-PCB-R8-PET-47	August 13, 2016	N/A	N/A
Tagbilaran Terminal	Discharge Permit	DENR-EMB	DP-R07-21-04301	July 16, 2021	1 year	July 16, 2022
Tagbilaran Terminal	Discharge Permit	DENR-EMB	DP-R07-21-03673	June 22, 2021	17 months	November 21, 2022
Tagbilaran Terminal	Permit to Operate APSCI	DENR-EMB	POA-19-A-071247-029	Dec. 20, 2019	5 years	January 4, 2025
Tagbilaran Terminal	CNC	DENR-EMB	CNC – R07 – 1308 – 0020	September 6, 2013	N/A	N/A
Tagbilaran Terminal	HW Generator's ID	DENR-EMB	OL-GR-R7-12-011730	September 14, 2021	N/A	N/A

Tagoloan Terminal	Discharge Permit	DENR-EMB	DP-R10-20-01674	December 11, 2020	1 year	December 11, 2021
Tagoloan Terminal	Discharge Permit	DENR-EMB	DP-R10-21-00371	January 21, 2021	1 year	January 21, 2022
Tagoloan Terminal	Permit to Operate APSCI	DENR-EMB	2018-POA-C-1043-583	June 4, 2018	5 years	March 9, 2023
Tagoloan Terminal	Permit to Operate APSCI	DENR-EMB	PTO-OL-R10-2021-04061	June 10, 2021	5 years	June 10, 2026
Tagoloan Terminal	ECC	DENR-EMB	95-ECC-STF/ODE-1043-852	May 11, 2018	N/A	N/A
Tagoloan Terminal	HW Generator's ID	DENR-EMB	OL-GR-R10-43-006003	October 8, 2020	N/A	N/A
Tagoloan Terminal	CCO Registration	DENR-EMB	CCO-PCB-R10-PET-68	January 9, 2021	N/A	N/A
Tagoloan Terminal	CCO Registration	DENR-EMB	CCO-2016-0003-Asbestos	July 1, 2016	N/A	N/A
Tagoloan Terminal	CCO Registration	DENR-EMB	CCOr-Pb-2020-00014	October 1, 2020	N/A	N/A
Zamboanga Terminal	Discharge Permit	DENR-EMB	2017-WDP-0973-0012	January 17, 2017	5 years	December 14, 2021
Zamboanga Terminal	ECC	DENR-EMB	A-2017-017-ZC	August 1, 2017	N/A	N/A
Zamboanga Terminal	HW Generator's ID	DENR-EMB	GR-R9-73-00024	August 24, 2015	N/A	N/A
Zamboanga Terminal	CCO Registration	DENR-EMB	CCO-PCB-R9-PET-18	December 15, 2016	N/A	N/A
Zamboanga Terminal	CCO Registration	DENR-EMB	CCOr-Pb-2020-00001	March 10, 2021	N/A	N/A
Zamboanga Terminal	Permit to Operate APSCI	DENR-EMB	2015-POA-J-0973-0201	Nov. 11, 2020	5 years	November 11, 2025

Zamboanga Terminal	Permit to Operate APSCI	DENR-EMB	2018-POA-K-0973-0126	December 3, 2018	5 years	November 27, 2023

Marketing and Trade Promotions

Promo	License	Issuing Agency	Issue Date	Validity Period	Expiry Date
Petron Free Antibac Treatment	Sales Promo Permit	Department of Trade and Industry	28-Dec-20	Jan. 1 - Jun 30, 2021	30-Jun-21
Perfect Match National Promo	Sales Promo Permit	Department of Trade and Industry	26-Jan-21	Jan. 28 - Feb. 28, 2021	28-Feb-21
Fuel Up To Win! Promo	Sales Promo Permit	Department of Trade and Industry	28-Jan-21	Jan. 29 - 31, 2021	31-Jan-21
My Chinese Valentine Promo	Sales Promo Permit	Department of Trade and Industry	8-Feb-21	Feb. 12 - 14, 2021	14-Feb-21
Blazing HERoes Promo	Sales Promo Permit	Department of Trade and Industry	10-Mar-21	Mar. 15 - 31, 2021	31-Mar-21
Safety First! Promo	Sales Promo Permit	Department of Trade and Industry	17-Mar-21	Mar. 18 - 31, 2021	31-Mar-21
Sprint to Win Promo	Sales Promo Permit	Department of Trade and Industry	20-May-21	May 29 - Jun. 30, 2021	30-Jun-21
SUPER MIDYEAR TREAT	Sales Promo Permit	Department of Trade and Industry	28-May-21	Jun. 10 - 30, 2021	30-Jun-21
Rev Up with Rev-X	Sales Promo Permit	Department of Trade and Industry	24-Jun-21	Jul. 1 - Aug. 31, 2021	31-Aug-21
Panalo Bakunado Promo	Sales Promo Permit	Department of Trade and Industry	25-Jun-21	Jul. 1 - Aug. 31, 2021	31-Aug-21
Rev Up with Rev-X	Advertising Permit	Ad Standards Council	14-Jul-21	Jul. 14 - Aug. 31, 2021	31-Aug-21
Panalo Bakunado	Advertising Permit	Ad Standards Council	14-Jul-21	Jul. 14 - Aug. 31, 2021	31-Aug-21
Panalo Bakunado 2	Advertising Permit	Ad Standards Council	14-Jul-21	Jul. 14 - Aug. 31, 2021	31-Aug-21
Petron Value Card Mobile App Now Up	Sales Promo Permit	Department of Trade and Industry	17-Aug-21	Sept. 16 - Oct. 15, 2021	15-Oct-21

Petron Value Card Mobile App Now Up Points Multiplier Promo	Sales Promo Permit	Department of Trade and Industry	18-Aug-21	Sept. 16 - Oct. 15, 2021	15-Oct-21
Panalo Bakunado 2 Promo	Sales Promo Permit	Department of Trade and Industry	1-Sep-21	Sep. 6 - 21, 2021	21-Sep-21

Non-Fuel Business

Name of Permit / License	Issuing Agency	Issue Date	Validity Period	Expiry Date	Service Station
Barangay Business Clearance	Municipal Government of San Pedro	20-May-21	1 year	31-Dec-21	Petron Express Center 3
Municipal Business Permit as Lessor	Municipal Government of San Pedro	21-May-21	1 year	31-Dec-21	Petron Express Center 3
Bureau of Fire Protection	Region IV-A San Pedro, Laguna City Fire Station	20-May-21	1 year	31-Dec-21	Petron Express Center 3
Baranggay Business Clearance	Municipality of Lipa Barangay Tibig	22-Apr-21	1 year	31-Dec-21	Petron KM79, Lipa
Municipal Business Permit as Lessor	Province of Batangas Municipality of Lipa	14-Jul-21	1 year	31-Dec-21	Petron KM79, Lipa
Bureau of Fire Protection	Region IV-1 Lipa City Fire Station	9-Jul-21	1 year	8-Jul-22	Petron KM79, Lipa
Barangay Business Clearance	Municipality of Mandaluyong Barangay Highway Hills	25-Jan-21	1 year	31-Dec-21	Petron Sierra Madre
Barangay Business Clearance	Pamahalaang Barangay ng Lias	13-Jan-21	1 year	31-Dec-21	Petron Express Center 1
Municipal Business Permit as Lessor	Municipal Government of Marilao	20-Jan-21	1 year	31-Dec-21	Petron Express Center 1

Bureau of Fire Protection	Region III Marilao City Fire Station	6-Aug-21	1 year	8-Aug-22	Petron Express Center 1
Baranggay Business Clearance	Municipality of Bocaue Barangay Taal	14-Jan-21	1 year	31-Dec-21	Petron Express Center 2
Municipal Business Permit as Lessor	Province of Bulacan Municipality of Bocaue	20-Jan-21	1 year	31-Dec-21	Petron Express Center 2
Bureau of Fire Protection	Region III Bocaue City Fire Station	9-Nov-20	1 year	8-Nov-21	Petron Express Center 2
Barangay Business Clearance	Municipality of Plaridel Barangay Sto. Nino	10-Jun-21	6 months	31-Dec-21	Petron KM42, Parkville
Municipal Business Permit as Lessor	Province of Bulacan Municipality of Plaridel	10-Jun-21	6 months	31-Dec-21	Petron KM42, Parkville
Bureau of Fire Protection	Region III Plaridel City Fire Station	7-Jun-21	1 year and 3 months	12-Sep-22	Petron KM42, Parkville

PSTPL:

Business Registration Details	Issuing Agency	Incorporation Date	Validity Period	Expiry Date
Petron Singapore Business registration (UEN 201010281D)	ACRA (Accounting and Corporate Regulatory Authority)	May 13, 2010	N/A	none

Petron Malaysia:

License Particulars	Name of Permit / License	Issuing Agency / Authority	Issue Date (DD/MM/YYYY)	Validity Period	
Assessment Tax	A0299002.169 Alamat Harta: BT 1 ½, Jalan Pantai, Port Dickson	Majlis Perbandaran Port Dickson (Port Dickson Municipal Office)	01/01/2021	1 Year	31/12/2022
Assessment Tax	A0212182.169 (CABOT) Alamat Harta: Lot 372, Batu 2 Jalan Pantai, 71000, Port Dickson	Majlis Perbandaran Port Dickson (Port Dickson Municipal Office)	01/01/2021	1 Year	31/12/2022
Assessment Tax	A0109020.366 Alamat Harta: Jln Rumah Rehat, Bandar Port Dickson	Majlis Perbandaran Port Dickson (Port Dickson Municipal Office)	01/01/2021	1 Year	31/12/2022
Quit Rent	Various List of Quit Rents	Port Dickson Land Office	By individual lot size	Varies across lots	Varies across lots

LPG Manufacturing	Lesen Mengilang Gas Petroleum Cecair (License: GM05000003)	Ministry of Domestic Trade, Co-operatives & Consumerism	07/03/2021	2 Years	06/03/2023
Gasoline & Diesel Manufacturing	Lesen Mengilang Diesel (Euro 2M) (License: PM05000003)	Ministry of Domestic Trade, Co-operatives & Consumerism	06/03/2020	2 Years	05/03/2022
Gasoline & Diesel Manufacturing	Lesen Mengilang Petrol (Ron 95) (License: PM05000004)	Ministry of Domestic Trade, Co-operatives & Consumerism	06/03/2020	2 Years	05/03/2022
Gasoline & Diesel Manufacturing	Lesen Mengilang Petrol (Ron 97) (License: PM05000001)	Ministry of Domestic Trade, Co-operatives & Consumerism	06/03/2020	2 Years	05/03/2022
Gasoline & Diesel Manufacturing	Lesen Mengilang Petrol (Ron 100) (License: PM05000002)	Ministry of Domestic Trade, Co-operatives & Consumerism	06/03/2020	2 Years	05/03/2022
Kero Manufacturing	Lesen Mengilang Minyak Tanah (License: AM05000002)	Ministry of Domestic Trade, Co-operatives & Consumerism	17/04/2021	3 Years	16/04/2024
Electrical Installation 11kv/ 28400KW, 80kW & 160KW	Pepasangan No.: ST(MLK)P/S/NS/00706	SuruhanJaya Tenaga Malaysia (Energy Commission of Malaysia)	20/08/2021	1 Year	19/08/2022
Private Electrical License , 240 kw	Pepasangan No.: ST(MLK)P/S/NS/01092	SuruhanJaya Tenaga Malaysia (Energy Commission of Malaysia)	20/08/2021	1 Year	19/08/2022

Skid Tank	Permit Barang Kawalan Berjadual No. Rujukan: PKPDNHEP (PD) 600-2/3/53 (License: BL22020029968)	Ministry of Domestic Trade, Co-operatives & Consumerism	14/08/2021	1 Year	13/08/2022
Storage License - Dangerous Products - Non-Dangerous Products - Diesel	Lesen Menyimpan Minyak Merbahaya K/P: 00016760 No. Akaun: L0011003-3	Majlis Perbandaran Port Dickson (Port Dickson Municipal Office)	01/01/2021	1 Year	31/12/2021
Storage License - Dangerous Products - Non-Dangerous Products - Diesel	Lesen Menyimpan Minyak Tidak Merbahaya K/P: 00016760 No. Akaun: L0011004-4	Majlis Perbandaran Port Dickson (Port Dickson Municipal Office)	01/01/2021	1 Year	31/12/2021
Storage License - Dangerous Products - Non-Dangerous Products - Diesel	Lesen Menyimpan Minyak Diesel K/P: 00016760 No. Akaun: L0011005-5	Majlis Perbandaran Port Dickson (Port Dickson Municipal Office)	01/01/2021	1 Year	31/12/2021
Customs Bonded Warehouse Licence	Gudang Berlesen Persendirian (Petroleum) LicenseNo.: N1J-G2-00000001/12	Royal Malaysian Customs	01/12/2020	2 Years	30/11/2022
Temporary Warehouse License	License No.: MPPD 436/116/2019/04	Majlis Perbandaran Port Dickson (Port Dickson Municipal Office)			31/12/2021
Radio Communications 5N/1255-5-1 & 2 5N/1255-2-1	Type of Apparatus: - Private Use Station VHF/UHF (Land Mobile-Private) - VHF Station (Maritime)	Suruhanjaya Multimedia Malaysia (Malaysian	01/01/2021	1 Year	31/12/2021

5N/1255-6-1 & 2-1 5N/1255-4-1 5N/1255-7-1 5N/1255-3-1 & 2		Communications and Multimedia Commission)			
Sales Tax License	License No.: N11-CJ-12000005/12	Royal Malaysian Customs	04/12/2012	N/A	-1 time registration. -Renewal refer to Warehouse License
Caustic Soda	Permit to Purchase, Store and Use of Sodium Hidroxide License No.: 009119 Register No.: NC0065/2021	Seremban State Health Department	01/01/2021	1 Year	12/31/2021
Plot Approval - Site Permission Approval For CODO site	Kelulusan Kebenaran Tapak (KKT)	Ministry of Domestic Trade, Co-operatives & Consumerism	Varies (Approval as per site)	2 Years	Upon Approval date and Validity period
Development Order (DO) Approval For CODO site	Kebenaran Merancang (KM)	Local Municipals / Councils	Varies (Approval as per site)	1 Year before Building Plan approval submission and renewable subject to various municipals / councils requirements	Upon Approval date and Validity period
Building Plan Approval For CODO site	Building Plan (BP) Approval	Local Municipals / Councils	Varies (Approval as per site)	1 Year and extension before end date	Upon Approval date and Validity period
Highway Permit For CODO sites on Highway	Highway Permit	Lembaga Lebuhraya Malaysia (Malaysia Highway Authority) & various Highway	Varies (Approval as per site)	1 to 2 Years	Upon Approval date and Validity period

		Concessionaire Companies			
Certificate of Completion and Compliance (CCC) For CODO sites	Certificate of Completion and Compliance (CCC)	Various Local Municipals / Councils	Varies (Approval as per site)	Station lifespan	N/A
Certificate of Highway Project Perfection For CODO sites on Highway	Sijil Kesempurnaan Pembinaan (SKP)	Lembaga Lebuhraya Malaysia (Malaysia Highway Authority) & various Highway Concessionaire Companies	Varies (Approval as per site)	Station lifespan	N/A
SOLAS – Shipper Registration for Verified Gross Mass of Packed Container (for Lubes business)	SOLAS – Shipper Registration for Verified Gross Mass of Packed Container	Marine Department Malaysia, Port Klang	11/27/2020	2 Years	11/26/2022
Air Compressor Permit by individual station, under Petron's company name for CODO stations	Pemeriksaan Mesin Tekanan (PMT)	JKKP (Jabatan Keselamatan & Kesihatan Pekerjaan Malaysia) (The Department of Occupational Safety and Health)	By individual station's issue date	15 months	By individual station's expiry date

Hoist Permit by individual station, under Petron's company name for CODO station with hoist (for lubebay)	Pemeriksaan Mesin Angkat (PMA)	JKKP (Jabatan Keselamatan & Kesihatan Pekerjaan Malaysia) (The Department of Occupational Safety and Health)	By individual station's issue date	15 months	By individual station's expiry date
Genset Permit by individual station, under Petron's company name for CODO station with genset.	Genset operation License	SuruhanJaya Tenaga Malaysia (Energy Commission of Malaysia)	By individual station's issue date	1 Year	By individual station's expiry date
Temporary Hoarding Permit for project construction For CODO sites undergoing construction, under Petron's name	Hoarding Permit	City Hall	By individual station's issue date	3 mths to 1 year depend on council	By individual station's expiry date
Minor Work for project construction For CODO sites undergoing construction, under Petron's name	Permit Kerja-kerja Kecil	City Hall	By individual station's issue date	3 mths to 1 year depend on council	By individual station's expiry date

Bomba G8 For CODO station involved in underground tank replacement, applicable during construction period	Bomba G8 Blue Form	Respective Fire Departments	By individual station's issue date		By individual station's expiry date
Company Secretary	Qualifying License	(a) Companies Commission of Malaysia (CCM) (b) Malaysia Institute of Chartered Secretaries and Administrators (MAICSA)	(a) For CCM - 31/03/2019 (b) For MAICSA - 01/01/2021	(a) For CCM - 3 Years (b) For MAICSA - 1 Year	(a) For CCM - 31/03/2022 (b) For MAICSA - 31/12/2021
Company Secretary	Practising License	Companies Commission of Malaysia (CCM)	February 2021	3 Years	3 Years from renewal date
Company Registration No.	Company Registration	Companies Commission of Malaysia (CCM)	From the Company's date of incorporation	Subject to filing of Annual Returns.	Not applicable
Annual Listing – Main Market (for public listed companies)	Annual Listing – Main Market	Bursa Malaysia Securities Berhad	From date of registration	Subject to annual payment of listing fee.	Not applicable
Bursa Link Access - Main market (for public listed companies)	Annual Listing – Main Market	Bursa Malaysia Securities Berhad	From date of registration	Subject to annual payment of listing fee.	Not applicable

LPS (Loss Prevention System)	LPS (Loss Prevention System) license	Loss Prevention System, Incorporated	01/01/2021 (1st issued on Jan 1, 2013)	1 Year	31/12/2021
PMRMB PDA License	Petrol Development Act (PDA) License	Ministry of Domestic Trade, Co-operatives & Consumerism	25/07/2020	2 Years	24/07/2022
PFI PDA License	Petrol Development Act (PDA) License	Ministry of Domestic Trade, Co-operatives & Consumerism	08/04/2020	2 Years	07/04/2022
POMSB PDA License	Petrol Development Act (PDA) License	Ministry of Domestic Trade, Co-operatives & Consumerism	08/04/2021	3 Years	07/04/2024
PMRMB CSA License - Fuel	Control Supply Act (CSA) License - Trading	Ministry of Domestic Trade, Co-operatives & Consumerism	24/12/2020	5 Years	23/12/2025
PMRMB CSA License - LPG	Control Supply Act (CSA) License - Trading	Ministry of Domestic Trade, Co-operatives & Consumerism	23/04/2021	5 Years	22/04/2026
PFI CSA License - Fuel	Control Supply Act (CSA) License - Trading	Ministry of Domestic Trade, Co-operatives & Consumerism	24/12/2020	5 Years	23/12/2025
POMSB CSA License - Fuel	Control Supply Act (CSA) License - Trading	Ministry of Domestic Trade, Co-operatives & Consumerism	20/06/2021	3 Years	19/06/2024

Office/Premise	Pejabat Pengurusan (Menara) (Level 3, Level 10-L12A) DBKL.JPPP/PR01/0867/04/2017	Dewan Bandaraya Kuala Lumpur (Kuala Lumpur City Hall)	29/07/2020	1 Year	28/07/2021 (Renewal was delayed due to MCO. Online appointment was scheduled on 29 Sept 2021)
Office/Premise	Pejabat Pengurusan (Menara) (Level 13) DBKL.JPPP/PR01/0061/08/2018	Dewan Bandaraya Kuala Lumpur (Kuala Lumpur City Hall)	08/12/2020	1 Year	07/12/2021
Office/Premise	Papan Tanda Iklan (Pejabat Urusan) DBKL.JPPP/IK2E/0285/06/2013	Dewan Bandaraya Kuala Lumpur (Kuala Lumpur City Hall)	15/07/2021	1 Year	14/07/2022
PDA License	Petrol Development Act (PDA) License for PFI, PMRMB & POMSB	Ministry of Domestic Trade, Co-operatives & Consumerism	Multiple Issuances	2 Years	PMRMB – 24/7/2022 PFISB – 7/4/2022 POMSB - 7/4/2024
CSA License	Control Supply Act (CSA) License for PGT, SBT, TWU, SDK, KTN, PDT, BLT (Petrol, Diesel, Kerosene & LPG)	Ministry of Domestic Trade, Co-operatives & Consumerism	Multiple Issuances	1 Year / 2 Years	PGT – 12/3/2022 TWU – 17/5/2022 SDK – 20/7/23 KTN – 12/10/22 PDT – 22/11/22, 21/11/22 & 6/3/22 BLT – 7/2/23

Warehouse License	Warehouse License for PGT, SBT, TWU, SDK, BLT, KTN, PDT	Respective Local Customs	Multiple Issuances	2 Years	PGT – 31/3/23 SBT – 31/12/21 TWU – 17/3/23 SDK – 31/12/22 BLT – 31/12/21 KTN – 20/6/22 PDT – 30/11/22
Trading License	Trading License for SBT, TWU, SDK,	Respective Local Councils	Multiple Issuances	1 year	SBT – 31/12/21 TWU – 31/12/21 SDK – 31/12/21
Fire Certificate	Fire Certificate for PGT, SBT, SDK, TWU, LPP, KTN, BLT, PDT	Respective Local Fire Departments	Multiple Issuances	1 Year	PGT – 7/4/22 SBT – 2/7/22 SDK – 26/5/21 (Waiting Local Fire Department Inspection for renewal. Delayed due to MCO) TWU – 16/5/22 LPP – 18/9/22 KTN – 9/8/22 BLT – 10/9/21 (Waiting Local Fire Department Inspection for renewal. Delayed due to MCO) PDT – 17/12/21
KPC LAND LEASE (Terminal 1) 17,178m2	KPC LAND LEASE (Terminal 1) 17,178m2 for KTN	Kuantan Port Consortium	06/01/2021	1 Year	06/01/2022

KPC LAND LEASE (Terminal 2) 16,190m2	KPC LAND LEASE (Terminal 2) 16,190m2 for KTN	Kuantan Port Consortium	31/12/2020	1 Year	31/12/2021
Quit Rent (Property Tax)	Quit Rent (Property Tax) for SDK, TWU. BLT	Respective Land Offices	Multiple Issuances	1 Year	SDK – 8/1/21 TWU – 31/12/24 BLT – 31/12/21
Assessment Fees. (Property Tax)	Assessment Fees. (Property Tax) for SBT, SDK, TWU, KTN, BLT	Respective Local Councils	Multiple Issuances	½ Year	SBT – 31/12/21 SDK – 9/12/21 TWU -31/12/21 KTN – 1/1/22 BLT – 31/12/21
Biodiesel License	License to Store and Mix Biofuels for PGT, SBT, SDK, TWU, KTN, LPP, BLT, PDT	Ministry of Plantation Industries and Commodities	Multiple Issuances	3 Years	PGT – 28/1/23 SBT – 1/5/23 SDK – 1/8/23 TWU – 2/3/23 KTN – 15/3/24 LPP – 11/11/21 BLT – 2/10/23 PDT – 21/11/23
Generator Set	Generator Set for SBT, TWU, SDK, KTN	SuruhanJaya Tenaga Malaysia (Energy Commission of Malaysia)	Multiple Issuances	5 Years	SBT – 21/06/2022 TWU – 06/09/2021(Renewal in-progress. Pending site visit by Energy Commission. Delayed due to MCO) SDK – 05/08/2026 KTN – 01/03/2022
Tank Storage License (PGT)	PG/I/2016/05/200636-PG/I/2016/05/300636	Majlis Bandaraya Pasir Gudang (Pasir	01/01/2021	1 Year	31/12/2021

		Gudang City Council)			
Storage License (PDT)	Storage License 1.Diesel 2.Non-Dangerous Products 3.Dangerous Products 4.Advertising Licenses	Majlis Perbandaran Port Dickson (Port Dickson Municipal Office)	11/01/2021	1 Year	31/12/2021
Manufacturing Licenses (PDT)	Manufacturing Licenses 1.Petrol & Diesel 2.Kerosene 3.LPG	Ministry of Domestic Trade, Co-operatives & Consumerism	Multiple Issuances	2 Years	Petrol & Diesel – 05/03/2022 Kerosene – 16/04/2024 LPG – 06/03/2023
ISPS Statement of Compliance	ISPS Statement of Compliance for BLT	Marine Department of Malaysia	05/10/2019	5 Years	05/09/2024
Authority to Handle Goods or cargo Over Foreshore.	Authority to Handle Goods or cargo Over Foreshore for BLT	Penang Port Commission	31/12/2020	1 Year	31/12/2021
Walkie Talkie License	Walkie Talkie License for BLT, KTN, PDT	Malaysian Communications and Multimedia Commission	Multiple Units	1 Year	BLT – 31/12/21 KTN – 31/12/21 PDT – 31/12/21
MCM License	MCM License B1762556	Metrology Corporation Malaysia	19/05/2021	1 Year	18/05/2022
MPOB License	MPOB License 618103025000	Malaysian Palm Oil Board	04/01/2021	1 Year	31/03/2022
ST Certificate	ST Certificate ST(PIP)P/S/PRK/02120	SuruhanJaya Tenaga Malaysia (Energy Commission of Malaysia)	14/05/2020	Min. 1 Year & Max. 5 Years	14/05/2023

Permit Sodium Hydroxide	Permit Sodium Hydroxide AC0161/2020	Jabatan Farmasi	31/12/2020	1 Year	31/12/2021
MPM License	MPM License L-0027171-01	Majlis Perbandaran Manjung (Manjung Municipal Office)	01/03/2022	1 Year	01/03/2022
Certificate of Fitness	Certificate of Fitness for PGT, TWU, SBT, LPP, KTN, BLT (Air Receiver, Vertical Air Receiver, Steam Boiler (NG/MFO), Reactor Transesterification, Methanol Recovery Column, Cooler, Exhaust Air Condenser, Methanol Rectification Condenser, Methanol Receiver, Washing Water Receiver, Stage Dryer, Dryer Cycle Heater, Methylester Receiver, NAOH Receiver, Dryer & Heating System, Condensate Column, Distillation Column, Post Distillation Still, Bleaching Vessel, Distillate 2 Condenser, Post Distillate Condenser, Main Vacuum Condenser, Air Set Condenser, Distillate1&2 Receiver, Final Heater, Falling Film Evaporator, F.A Condenser / Steam Generator, Final Condenser, Heat Exchanger, Condenser, Air Set Condenser, Boiler Steam Header)	Local DOSH	Multiple Issuances	1 Year	

Schedule of Material Permits

1. Certificate of Incorporation issued by the Securities and Exchange Commission ("SEC"), together with the Certificate of Filing Amended Articles of Incorporation dated July 6, 2015

2. Business permits of Petron Corporation and its subsidiaries

3. Import and Export Certificate of Registration issued by the Bureau of Customs ("BOC")*

Permit	Permit No.	Issue Date	Validity
BOC Certificate of Registration (Mandaluyong)	CCN: IM0003112039	April 15, 2021	April 15, 2022
BOC Certificate of Registration (AFAB)	CCN: EX0001062913	March 8, 2021	March 8, 2022
BOC Certificate of Registration (AFAB)	CCN: IM0009074716	March 1, 2021	March 1, 2022

4. Permit to discharge and shipside permits from the BOC*

5. Certificate of Accreditation as Importer issued by BOC

6. Permit to Produce Biofuel- Blended Gasoline (E-10 / E-Gasoline) issued by the Bureau of Internal Revenue ("BIR")*

7. Authority to Release Imported Goods issued by BIR*

8. Permit to Export issued by BIR*

9. BOC Authority to Load and Export Declaration*

10. Department of Energy ("DOE") Import Notice*

11. BIR and DOE denaturing request for bioethanol*

12. BIR permit to transport bioethanol*

13. BIR permit to buy local ethanol*

14. Environmental Compliance Certificate issued by the Department of Environment and Natural Resources ("DENR")

   a. Refinery

Facility	ECC Number	Date Issued
Petron Bataan Refinery	1002-0007	3-Dec-12

   b. Terminals

Facility	ECC Number	Date Issued
MM&S		
Laoag ITP Facility	ECC-OL-R01-2020-0057	16-Mar-2020
NLOBP	ECC-NCR-1609-0061	3-Oct-16
Pandacan (Grease Plant & LOBP	ECC-LLDA-2005-209-3540	18-Oct-05
	NCR 2004-01-30-545-219	30-Sep-04

JOCASP	ECC-NCR-1101-0008	07-Aug-2017
Navotas	ECC-NCR-1206-0224	19-Dec-14
Rosario	ECC-R4A-1301-0028	26-Jun-13
Subic	R03-1204-0165	13-Oct-15
LPO		
Batangas	ECC-R4A-1402-0115	13-Aug-18
Limay	R03-1111-0550	27-Jul-18
Palawan	ECC-R4B-1804-0005	11-Feb-19
PanAsia Storage Tanks	ECC-OL-R03-2019-0311	05-Jul-2019
Pasacao	ECC-BDP-99B-05CS-010	10-Feb-99
Poro	ECC-R01-0807-0257-0104	9-Jan-19
Odiongan	ECC-R4B-1810-0008	25-Oct-18
VIS		
Amlan	CNC-OL-R07-2015-03-00069	9-Mar-15
Bacolod	0607-0516-135-120	16-May-07
Caticlan Aviation Facility	ECC-OL-R06-2020-0118	15-Apr-2020
Iloilo	ECC 0607-0516-136-120A	19-Nov-12
Iloilo ITP Facility	ECC-OL-R06-2020-0132	7-May-2020
Isabel	CNC-RO8-1101-0001	7-Jan-11
Mactan	ECC-R07-0807-0257-104	30-Jan-18
Mandaue	ECC-R07-0902-0063-104	18-Dec-18
Ormoc	ECC-R8-0803-029-6280	28-May-08
Panglao ITP Facility	CNC-OL-R07-2020-03-00277	3-Mar-2020
Roxas	ECC-0604-1117-777-120A	20-Dec-2019
Tacloban	ECC-OL-R08-2019-0137	01-Aug-2019
Tagbilaran	CNC-R07-1308-0020	9/6/2013
MIN		
Bawing	ECC-OL-R12-2019-0267	29-Nov-2019
Davao	ECC-R11-1707-0012	24-Jul-17
Iligan	ECC-R10-1006-0133	3-Dec-12
Jimenez	96-ECC-LPG/FP-1042-1087	
Nasipit	ECC-R13-1001-0012	14-Nov-16
Nasipit Oil Receiving Line	ECC-OL-R13-2020-0113	21-May-2020
Tagoloan	95-ECC-STF/ODE-1043-852	22-Dec-2020
Zamboanga	A-2017-017-ZC	1-Aug-17
LPG		
Gasul Pasig	NCR-2005-01-11-002-120	11-Jan-05
Gasul Legazpi	CNC-R05-1007-0007	8-Jul-10
Gasul San Fernando	R03-1105-0249	5-Sep-17
Gasul San Pablo	ECC-R4A-1810-0284	29-Oct-18

c. Company-owned Service Stations

Approved ECC Aldrtz Talisay
Approved ECC Angeles PAmpanga sheila te

Approved ECC - Lopue Property
Approved ECC - Pampanga (Gimenez)
Approved ECC Quirino Ilonggot
Approved ECC Amang Rodrigguez Pasig GSIS
Approved ECC Antipolo Paguntalan
Approved ECC Bacolod City Taculing Negros Guines
Approved ECC Buendia Pasay Triumvirate
Approved ECC Calamba Laguna Javier property
Approved ECC Caloocan Congressional Chan
Approved ECC Castillejos Virland
Approved ECC CO Sam Consolacion, Panabo City
Approved ECC Consolacion Cebu
Approved ECC East Orient Lipa
Approved ECC Eusebio Maybunga Pasig
Approved ecc F Blumentritt
Approved ECC F Legaspi Blackrock
Approved ECC General Trias
APPROVED ECC gingoog Villahermosa Misamis
Approved ECC Gonzaga NGC Villamonte BAcolod
Approved ECC JAro Iloilo Paul Que
Approved ECC JAro Paul Que Iloilo
Approved ECC Kamagong Makati Kings Power
Approved ECC Lapaz Burgos Johny Young
Approved ECC Lizares Bacolod
Approved ECC M3 South Ventures - Isabela
Approved ECC Magan Vaca Zambales
Approved ECC Mariveles Bataan -SIOSON
Approved ECC MAyon corner Calamba QC
Approved ECC MExico Pampanga
Approved ECC Murcia Negros lopues
Approved ECC Nueva Ecija Marcelo
approved ecc oliveros magsakay
Approved ECC P. Ocampo
Approved ECC Petron Rodriguez Rizal, Ella Mariano
Approved ECC Pililia Rizal
Approved ECC Quezon Avenue
Approved ecc See sing kho aguada ozamiz
Approved ECC Sonia Madrid Rodriguez Rizal
Approved ECC Sorsogon comfyland
Approved ECC Sorsogon welex
Approved ECC Sumulong Antipolo Bright Chemicals
Approved ECC Talisay Tanaun
Approved ECC Tejero Soriano Del Rosario Gen trias
Approved ECC Tesoro Davao
Approved ECC Tondo R10
Approved ECC Toril Davao
Approved ECC triangulo solid manila

Approved ECC Veterans Avenue Zamboanga Decedientes
Approved ECC Villamonte Bacolod Chester Chua
Approved ECC(Charlie Te)
Approved ECC-Cabilang Baybay Carmona Reyes Unimega
Approved ECC-Petron Mataas na Kahoy, batangas
Approved Minglanilla Cebu ECC
Bago Negros Approved ECC- DBI
Barangka Mandaluyong Approved ECC
Blasco Pili ECC Approved
Bokawkan Baguio ECC Approved
Canley pasig approved ecc
ECC Approved Kasiglahan Rodriguez Rizal Ignacio
ECC Approved Yulo Calamba SMC
ECC Approved Marawoy Volvo Robledo Lipa Leviste
ECC Approved Regalado Grand Pacific
ECC Approved (1) Regalado
ECC Approved (2) Bagumbayan Terra Aurea
ECC Approved (2) Levi Mariano
ECC Approved Addas Bacoor Cavite
ECC approved Alaminos Laguna Reyes
ECC Approved Ayala land Pasong Buaya Imus Daang Hari
ECC approved Bauang La Union Dumuk
ECC Approved Bibiana Gen san
ECC approved Blumentritt San Juan Zoraymee
ECC Approved CEntral Av
ECC Approved Felix Avenue Ignacio
ECC approved Jethro Chua-C. Raymundo Avenue, Brgy. Caniogan, Pasig City
ECC Approved Katipunan Quezon City
ECC Approved Kauswagan Tamparong
ECC approved Lipa Balintawak Jeremy Sy
ECC Approved Maraouy Leviste
ECC Approved Mobo Masbate Radaza
ECC Approved NS Amoranto QC
ECC Approved Oakbrook Land Inc.-Ortigas Ext., Brgy. Rosario, Pasig City
ECC Approved Palawan Puerto Dandal
ECC approved Petron V Rama Cebu
ECC Approved Pulo Diezmo
ECC Approved Shalom Holdings Inc.-F. Blumentritt cor. San Luis St., Brgy. Tibagan, San Juan City
ECC approved Sindalan Limjoco
ECC approved Sta Rosa Tagaytay Pulong sta cruz
ECC approved statement Sindalan Pampanga
ECC approved Tandang Sora INC
ECC approved Taytay Highway 2000
ECC DAGUPAN
ECC LA UNION SAN FERNANDO Carlatan

ECC LA UNION SAN FERNANDO
ECC Petron Los Banos Service Station
ECC Taytay Highway 2000
ECC_MAKATI PIO DEL PILAR suyen osmena calhuon
ECC_MAKATI PIO DEL PILAR
ECC_MUNTINLUPA CUPANG
ECC_PASAY EDSA
ECC_PASIG MERALCO
ECC_PASIG ORANBO
ECC_QC CUBAO Raptor
ECC_QC KALAYAAN
Go Chan Bacalso
Kedtag General Santos ECC Approved
Lapuz Lapaz Iloilo chua Approved ECC
Maguikay ECC Approved
Mel Rox General Luis Novaliches Approved ECC
Petron ECC Sumulong greatland Antipolo
Pulo Diezmo ECC Approved
Sta. Barbara- approved ECC
Triangulo Naga Approved ECC
V. Rama - Approved ECC - Sign & notarized
ZLT Malabon ECC amended

15. DENR foreshore lease agreements (or proof of payment of occupational fees for pending applications for foreshore lease agreements)

16. Certificate of Compliance (COC No. 18-03-M-00300L) issued by Energy Regulatory Commission on 15 March 2018 in favor of Petron for its Refinery Solid Fuel-Fired Boiler Power Plant, which is valid for the period covering 6 May 2018 to 5 May 2023.

17. Authority of the Freeport Area of Bataan (AFAB)

    a. FAB Certificate of Registration
    b. FAB Certificate of Tax Incentives
    c. Registration Agreement between AFAB and Petron

INTELLECTUAL PROPERTY *(Philippines)*

I. ***TRADEMARKS***

Trademarks	*Registration Date*	*Application / Registration #*	*Expiration Date*	*Registration Term*
Gasul and Device (stylized letter "P"with a drop of oil in the Center and two flames on its left side)	*11/10/1995 (renewed on 11/10/2015)*	*61920*	*11/10/2025*	*10 years*
Petron Autokote	*5/21/1996 (renewed on 5/21/2016)*	*63034*	*5/21/2026*	*10 years*

Gearfluid	*10/21/1993 (renewed on 10/21/2013)*	*56350*	*10/21/2023*	*10 years*
Petrogrease EP-2	*4/16/1993 (renewed on 4/16/2013)*	*54838*	*4/16/2023*	*10 years*
LPG Gasul Cylinder 50 kg.	*5/19/1995 (renewed on 5/19/2015)*	*142*	*5/19/2025*	*10 years*
LPG Gasul Cylinder 11 kg.	*2/23/1996 (renewed on 2/23/2016)*	*147*	*2/23/2026*	*10 years*
LPG Gasul Cylinder 2.7 kg.	*12/5/2004*	*4-1992-079388*	*6/5/2025*	*20 years*
Marinekote	*9/21/1994 (renewed on 9/21/2014)*	*59360*	*9/21/2024*	*10 years*
Gasul	*5/12/1994 (renewed on 5/12/2014)*	*57945*	*5/12/2024*	*10 years*
Gasulgrille (wordmark)	*6/20/2021*	*4-2020-00004615*	*6/20/2031*	*10 years*
Gasulette	*11/25/1993 (renewed on 11/25/2013)*	*56565*	*11/25/2023*	*10 years*
Petron logo consisting of stylized rep. of letter P within an oil drop inside a square like device	*12/17/1997 (renewed on 12/17/2017)*	*65503*	*12/17/2027*	*10 years*
2T Logo design consisting of arabic no. 2 in blue against a red background and red letter T against a blue background	*12/8/1998 (renewed on 12/8/2018)*	*66752*	*12/8/2028*	*10 years*
Petron STM	*5/21/1996 (renewed on 5/21/2016)*	*63028*	*5/21/2026*	*10 years*

Oil Saver with a Device consisting of a crank case	*1/18/2004*	*4-1994-095517*	*7/18/2024*	*20 years*
Lubritop with a device consisting of a car's front view	*4/28/2003*	*4-1994-97599*	*10/28/2023*	*20 years*
Antimist with a device consisting of a front windshield of a car	*2/24/2005*	*4-1994-095520*	*8/24/2025*	*20 years*
Power Booster with a device consisting of one (1) cylinder of an engine	*2/24/2005*	*4-1994-096308*	*8/24/2025*	*20 years*
Grease Solve	*12/4/2014*	*04-2014-004956*	*12/4/2024*	*10 years*
Hypex	*9/20/1995 (renewed on 11/4/2018)*	*66347*	*11/4/2028*	*10 years*
Turnol	*12/13/1999 (renewed on 12/13/2019)*	*4-1995-105107*	*12/13/2029*	*10 years*
Clean ' n Shine	*2/19/2007 (renewed on 2/19/2017)*	*4-2002-0003328*	*2/19/2027*	*10 years*
Petromul CSS-1	*1/17/2005*	*4-1995-104217*	*7/17/2025*	*20 years*
GEP with a Device Consisting of a Transmission Block	*12/2/1997 (renewed on 12/2/2017)*	*65375*	*12/2/2027*	*10 years*
Petrokut	*10/8/2001*	*4-1996-114330*	*4/8/2022*	*20 years*
Petrokote	*07/24/2014*	*4/2014/00003457*	*07/24/2024*	*10 years*
Petron 2040	*09/11/2014*	*4-2014-00003454*	*09/11/2024*	*10 years*
Petron Railroad Extra	*8/8/2001*	*4-1996-114845*	*2/8/2022*	*20 years*
Rubbex	*10/18/2001*	*4-1996-114332*	*4/18/2022*	*20 years*

Process Oil	*09/11/2014*	*04-2014-003458*	*09/11/2024*	*10 years*
Petron XD3	*07/24/2014*	*4-2014-00003456*	*07/24/2024*	*10 years*
Dust Stop Oil	*10/18/2001*	*4-1996-114328*	*4/18/2022*	*20 years*
Petrotherm	*2/27/2002*	*4-1996-114847*	*8/27/2022*	*20 years*
Petrosine	*4/12/2002*	*4-1996-114846*	*10/12/2022*	*20 years*
2T Motorcycle Oil 2T in a brush like design on the other side super imposed in an oil drop device within a semi-oblong device and man riding on a motorcycle	*7/22/1997 (renewed on 1/8/2007)*	*4-1997-122827*	*7/8/2027*	*10 years*
Automatic Transmission Fluid (ATF) ATF within an oil drop device and a figure of letter Y with a tube container on the top.	*7/22/1997 (renewed on 11/1/2002)*	*4-1997-122828*	*5/1/2023*	*10 years*
New Petron Logo consisting of a stylized letter P representing an oil flow contained within a square device color red and blue alternately with the word Petron below)	*1/17/2005*	*4-1997-122829*	*7/17/2025*	*20 years*
Milrol	*8/24/2003*	*4-1997-127095*	*2/24/2024*	*20 years*
Petropen	*3/11/2004*	*4-1997-127093*	*9/11/2024*	*20 years*
DCL 100	*3/11/2004*	*4-1997-127094*	*9/11/2024*	*20 years*
Petron GST	*2/10/2003*	*4-1997-127292*	*8/10/2023*	*20 years*
Petron with XCS	*2/10/2003*	*4-1997-127293*	*8/10/2023*	*20 years*
Sprint 4T	*7/1/2005 (renewed on 7/1/2015)*	*4-2002-003292*	*7/1/2025*	*10 years*
Solvent 3040	*6/8/2006 (renewed on 6/8/2016)*	*4-1998-000275*	*10/8/2026*	*10 years*
Ultron and A Device consisting of Blue Oil Drop	*6/8/2006*	*4-1994-092806*	*12/8/2026*	*20 years*

Extra with a car device against a red background	*11/4/1998 (renewed on 11/4/2018)*	*66298*	*11/4/2028*	*10 years*
Petron	*10/24/2005*	*4-1997-122419*	*4/24/2026*	*20 years*
Ropgriz	*5/12/2005*	*4-1997-127480*	*11/12/2025*	*20 years*
Molygrease	*1/6/2006*	*4-1997-127488*	*7/6/2026*	*20 years*
Super DC	*5/21/2004*	*4-1997-127482*	*11/21/2024*	*20 years*
Petron TF	*2/24/2005*	*4-1997-127477*	*8/24/2025*	*20 years*
Petron HDX	*5/12/2005*	*4-1997-127479*	*11/12/2025*	*20 years*
Petron GX	*2/16/2007*	*4-1997-127481*	*8/16/2027*	*20 years*
Your Friend on the Road with the arbitrary representation of letter F resembling a leaping man	*9/15/2019*	*4-2019-009926*	*9/15/2029*	*10 years*
Petron Old Logo (Tradename)	*11/4/1998 (renewed on 11/4/2018)*	*66243*	*11/4/2028*	*10 years*
Blaze	*7/30/2006 (renewed on 7/30/2016)*	*4-2000-006530*	*7/30/2026*	*10 years*
With XCS	*2/10/2003*	*4-1997-127291*	*9/10/2024*	*20 years*
Petron Gasul 11 KG POL-VALVED CYLINDER as stamped/marked container	*9/18/2006 (renewed on 9/18/2016)*	*4-2005-000217*	*9/18/2026*	*10 years*
Ultron Extra	*12/3/2016*	*4-2016-00006095*	*12/3/2026*	*10 years*
Rev-X Trekker	*12/3/2016*	*4-2016-010475*	*12/3/2026*	*10 years*
Ultron Rallye	*12/3/2016*	*4-2016-00006094*	*12/3/2026*	*10 years*
Rev-X HD	*1/6/2016*	*4-2004-009872*	*1/6/2026*	*10 years*
Rev-X Hauler	*12/3/2016*	*4-2016-010474*	*12/3/2026*	*10 years*
Ultron Touring	*6/25/2006 (renewed on 6/25/2016)*	*4-2002-001350*	*6/25/2026*	*10 years*
Ultron Race	*6/16/2006 (renewed on 6/16/2016)*	*4-2002-0001352*	*06/16/2026*	*10 years*
Xpert Diesel Oils	*7/1/2015*	*4-2002-008378*	*7/1/2025*	*10 years*
Ultimate Release from Engine Stress	*9/25/2006 (renewed on 9/25/2016)*	*4-2002-0008380*	*9/25/2026*	*10 years*

Xpert sa Makina. X-tra ang Kita	*3/5/2007 (renewed on 3/5/2017)*	*4-2002-008381*	*3/5/2027*	*10 years*
Pchem	*11/13/2006 (renewed on 11/13/2016)*	*4-2002-0008379*	*11/13/2026*	*10 years*
Penetrating Oil	*8/28/2005 (renewed on 8/28/2015)*	*4-2002-0003294*	*8/29/2025*	*10 years*
Lakbay Alalay	*9/15/2019*	*4-2019-0001795*	*9/15/2029*	*10 years*
Fuel Success	*3/26/2017*	*4-2005-001139*	*3/26/2027*	*10 years*
Xtra	*9/15/2019*	*4-2019-009920*	*9/15/2029*	*10 years*
PetronConnects	*2/19/2007 (renewed on 2/19/2017)*	*4-2005-010590*	*2/19/2027*	*10 years*
Treats (for bottled water)	*3/26/2007 (renewed on 3/26/2017)*	*4-2005-010952*	*3/26/2027*	*10 years*
Fuel Hope	*09/15/2019*	*4-2019-009928*	*9/15/2029*	*10 years*
Fuel Trust	*9/15/2019*	*4-2019-009922*	*9/15/2029*	*10 years*
Fuel Experience	*9/15/2019*	*4-2019-009921*	*9/15/2029*	*10 years*
Fuel Drive	*11/28/2019*	*4-2019-00009937*	*11/28/2029*	*10 years*
Fuel Excellence	*11/28/2019*	*4-2019-00009941*	*11/28/2029*	*10 years*
Fuel Efficiency	*9/15/2019*	*4-2019-009924*	*9/15/2029*	*10 years*
Xtend	*11/28/2019*	*4-2019-00009939*	*11/28/2029*	*10 years*
Tulong Aral ng Petron & Device	*12/26/2019*	*4-2019-012552*	*12/26/2030*	*10 years*
Rider	*2/2/2010*	*4-2007-012941*	*8/2/2020 (Renewal filed on 11/26/19)*	*10 years*
Car Care Center & Logo	*6/15/2009*	*4-2007-013238*	*6/15/2019 (Renewal DAU filed on 8/20/20)*	*10 years*
Fiesta Gas with device	*12/22/2008 (renewed on 12/22/2018)*	*04-2008-003273*	*12/22/2028*	*10 years*
FIESTA GAS 2.7kg Cylinder	*6/14/2012*	*04-2008-010690*	*12/14/2022*	*10 years*
FIESTA GAS 5kg Cylinder	*6/14/2012*	*04-2008-010691*	*12/14/2022*	*10 years*
FIESTA GAS 5kg POL-VALVED	*6/14/2012*	*04-2008-010692*	*12/14/2022*	*10 years*
FIESTA GAS 11kg POL-VALVED	*6/14/2012*	*04-2008-010694*	*12/14/2022*	*10 years*

FIESTA GAS 11kg Cylinder	*6/14/2012*	*04-2008-010693*	*12/14/2022*	*10 years*
FIESTA GAS 22kg POL-VALVED	*6/14/2012*	*04-2008-010695*	*12/14/2022*	*10 years*
FIESTA GAS 50kg POL-VALVED	*6/14/2012*	*04-2008-010696*	*12/14/2022*	*10 years*
e-FUEL	*5/9/2009*	*04-2008-013065*	*11/9/2019 (Renewal DAU filed on 8/20/20)*	*10 years*
Petron Blaze 100	*12/6/12*	*04-2010-013008*	*12/6/2022*	*10 years*
Petron Lakbay Pinoy	*10/20/2011*	*04-2010-013503*	*4/20/2022*	*10 years*
Petron Pinoy Fuels and Device	*1/27/2012*	*04-2011-000092*	*7/27/2022*	*10 years*
Petron Pinoy Diesel and Device	*8/16/2012*	*04-2011-000091*	*2/16/2023*	*10 years*
Petron Pinoy Regular and Device	*8/16/2012*	*04-2011-000090*	*2/16/2023*	*10 years*
Sagip Alalay	*June 15, 2017*	*04-2011-007339*	*6/15/2027*	*10 years*
Econo	*7/26/2012*	*04-2011-007779*	*1/26/2023*	*10 years*
Elite	*5/24/2012*	*04-2011-007780*	*11/24/2022*	*10 years*
Pantra	*5/24/2012*	*04-2011-007781*	*11/24/2022*	*10 years*
TSI and Device	*12/22/2011*	*04-2011-007782*	*6/22/2022*	*10 years*
Limay Energen Corporation	*4/5/2012*	*04-2011-007783*	*10/5/2022*	*10 years*
Racer Maximum Performance	*8/16/2012*	*04-2011-010893*	*02/16/2023*	*10 years*
Petrolene	*3/15/2012*	*04-2011-012093*	*09/15/2022*	*10 years*
Petron Value Card and Device	*6/14/2012*	*04-2011-012095*	*12/14/2022*	*10 years*
Go Petron ! Get rewards and Benefits!	*6/14/2012*	*04-2011-012096*	*12/14/2022*	*10 years*
Carbon Buster	*March 3, 2016*	*04-2012-002621*	*3/3/2026*	*10 years*
Petron Canopy Fascia	*8/25/2016*	*04-2012-002619*	*8/25/2026*	*10 years*
Petron XCS3	*5/11/2017*	*04-2016-014946*	*5/11/2027*	*10 years*
Petron XCS 3 Triple Action Premium Unleaded	*June 15, 2017*	*04-2012-003185*	*06/15/2027*	*10 years*
Pshop	*9/22/13*	*04-2013-000856*	*9/22/2023*	*10 years*
Footprints Inside a Sphere & Device	*7/11/13*	*04-2013-001518*	*7/11/2022*	*10 years*
Lakbay Alalay Para Sa Kalikasan - A Journey of Nurturing Nature	*7/11/13*	*04-2013-001519*	*7/11/2023*	*10 years*
Everyone's Vision & Device	*7/11/13*	*04-2013-001520*	*7/11/2023*	*10 years*
Petron Super Xtra Gasoline	*8/22/13*	*04-2013-003597*	*8/22/2023*	*10 years*

Xtra Advance (inside a rectangle device)	*8/8/13*	*04-2013-003452*	*8/8/2023*	*10 years*
Champion Gasoline	*July 17, 2014*	*04-2013-004200*	*7/17/2024*	*10 years*
Maxi-Gas	*11/14/13*	*04-2013-004203*	*11/14/2023*	*10 years*
Xtra Exceed	*11/14/13*	*04-2013-004204*	*11/14/2023*	*10 years*
Ultramax Gasoline	*2/2/2020*	*04-2019-006025*	*2/2/2030*	*10 years*
Ecomax Gasoline	*4/11/2019*	*04-2019-006027*	*10/24/2029*	*10 years*
Pmax Gasoline	*2/2/2020*	*04-2019-006026*	*2/2/2030*	*10 years*
Petron Ronnie Mascot & Device	*11/14/13*	*04-2013-004219*	*11/14/2023*	*10 years*
Xtra Ultra	*11/14/13*	*04-2013-004220*	*11/14/2023*	*10 years*
Xtra Prime	*11/14/13*	*04-2013-004221*	*11/14/2023*	*10 years*
Xtra Miles	*11/14/13*	*04-2013-004222*	*11/14/2023*	*10 years*
Pinoy HP Gasoline	*11/14/13*	*04-2013-004223*	*11/14/2023*	*10 years*
Extra Excel	*11/14/13*	*04-2013-004224*	*11/14/2023*	*10 years*
Unli Power Saver Gasoline	*11/14/13*	*04-2013-004225*	*11/14/2023*	*10 years*
Seat Belts Save Lives	*7/17/14*	*04-2013-004955*	*07/17/2024*	*10 years*
Petron Ronnie Mascot in Seatbelt & device	*8/15/13*	*04-2013-004957*	*8/15/2023*	*10 years*
Petron Super Driver & Device	*9/22/13*	*04-2013-006236*	*9/22/2023*	*10 years*
Petron Fleet Card and Device	*8/7/14*	*04-2013-006237*	*08/07/2024*	*10 years*
Privilege Miles Card and Device	*8/7/14*	*04-2013-006238*	*08/07/2024*	*10 years*
Pay With Points, Save Your Cash	*05/29/14*	*04-2013-006865*	*05/29/2024*	*10 years*
Triangle Device	*11/29/13*	*04-2013-007813*	*11/29/2023*	*10 years*
Boomerang Device	*11/29/13*	*04-2013-007815*	*11/29/2023*	*10 years*

REV-X	*12/25/2014*	*04-2013-008902*	*12/25/2024*	*10 years*
Road Safety and Device	*7/31/2014*	*04-2013-008904*	*07/31/2024*	*10 years*
Miles	*4/17/14*	*04-2013-008906*	*04/17/2024*	*10 years*
Petron Chinese Name (Long Type)	*7/10/14*	*04-2014-001127*	*07/10/2024*	*10 years*
Petron Chinese Name (Flag Type)	*7/10/14*	*04-2014-001128*	*07/10/2024*	*10 years*
Super Tsuper	*7/10/14*	*04-2014-001129*	*07/10/2024*	*10 years*
Gift App Device	*7/ 31/2014*	*04-2014-001395*	*07/31/2024*	*10 years*
Accident Insurance & Device	*9/11/2014*	*04-2014-001397*	*09/11/2024*	*10 years*
Petron Blaze Spikers & Device	*6/25/2015*	*04-2014-002066*	*06/25/2025*	*10 years*
Diesel Max	*10/29/2015*	*04-2014-004113*	*10/29/2025*	*10 years*
Thermal Control System & Device	*3/16/2017*	*04-2014-004495*	*3/16/2027*	*10 years*
Thermal Stress Stabilizing System & Device	*7/16/2015*	*04-2014-004497*	*07/16/2025*	*10 years*
Dynamic Cleaning Technology & Device	*7/16/2015*	*04-2014-004498*	*07/16/2025*	*10 years*
Miles Better	*10/30/2014*	*04-2014-006553*	*10/30/2024*	*10 years*
Your Fleet Your Rules	*10/30/2014*	*04-2014-006552*	*10/30/2024*	*10 years*
Xtra Advance Euro 4 & Device	*2/26/2015*	*04-2014-011266*	*2/26/2025*	*10 years*
Petron Super Xtra Gasoline Euro 4 and Device	*2/26/2015*	*04-2014-011267*	*2/26/2025*	*10 years*
Diesel Max Euro 4 & Device	*2/26/2015*	*04-2014-011268*	*2/26/2025*	*10 years*
Turbo Diesel Euro 4 & Device	*2/26/2015*	*04-2014-011269*	*2/26/2025*	*10 years*
XCS Euro 4 & Device	*5/28/2015*	*04-2014-011270*	*5/28/2025*	*10 years*
Fast Gas Fast Prize	*5/21/2015*	*04-2014-013407*	*5/21/2025*	*10 years*

Petron PMB	*12/17/2015*	*04-2015-002897*	*12/17/2025*	*10 years*
BLU & Device	*1/17/2019*	*04-2018-011933*	*1/17/2029*	*10 years*
Petron Gasul (BLU with GASUL tank)	*12/27/2018*	*04-2018-011936*	*12/27/2028*	*10 years*
Puno ng Buhay	*6/30/2016*	*04-2015-011854*	*6/30/2026*	*10 years*
Tri-Action	*5/12/2016*	*04-2015-011855*	*05/12/2026*	*10 years*
Blaze Racing	*5/12/2016*	*04-2015-011857*	*05/12/2026*	*10 years*
Tri Plus	*5/12/2016*	*04-2015-011858*	*05/12/2026*	*10 years*
Gas Padala	*9/22/2016*	*04-2015-012767*	*09/22/2026*	*10 years*
Lakbay Ligtas	*3/17/2016*	*04-2015-013465*	*03/17/2026*	*10 years*
Petromate	*June 30, 2016*	*04-2016-002710*	*6/30/2026*	*10 years*
TRI ACTION ADVANTAGE	*12/3/2016*	*04-2016-011613*	*12/3/2026*	*10 years*
CAPTAIN BOOSTER	*4/20/2017*	*04-2016-011972*	*4/20/2027*	*10 years*
RIDER 4T	*December 18, 2020*	*04-2019-020489 (04-2016-014563)*	*12/18/2030*	*10 years*
PERFORMANCE RUN	*8/17/2017*	*04-2017-004781*	*8/17/2027*	*10 years*
SUPER SAYA!	*10/19/1017*	*04-2017-008296*	*10/19/2027*	*10 years*
PETRON BEST DAY	*11/23/2017*	*04-2017-009466*	*5/23/2027*	*10 years*
FE DELA FIESTA (Fiesta Gas)	*12/17/2017*	*04-2017-009468*	*6/17/2027*	*10 years*
PETRON MOTORSPORTS	*5/2/2019*	*04-2018-014919*	*5/2/2029*	*10 years*
RESIBO BLOWOUT	*5/23/2019*	*04-2018-018659*	*5/23/2029*	*10 years*
‘pCHEM DEF (Diesel Exhaust Fluid)	*2/2/2020*	*04-2019-008865*	*2/2/2030*	*10 years*
Blaze 100 Octane Euro 6	*4/16/2020*	*04-2019-010497*	*4/16/2030*	*10 years*
Petron Laser Wash	*2/10/2020*	*04-2019-010498*	*2/10/2030*	*10 years*

Petron Car Wash	*2/10/2020*	*04-2019-010499*	*2/10/2030*	*10 years*
Fuel Wise (Long Form)	*November 9, 2020*	*04-2019-013240*	*10/4/2030*	*10 years*
Fuel Wise (Flag Type)	*November 9, 2020*	*04-2019-013241*	*10/4/2030*	*10 years*
Fuel Wise (Long Form in Black)	*November 9, 2020*	*04-2019-013242*	*10/4/2030*	*10 years*
Fuel Wise (Flag Type in Black)	*November 9, 2020*	*04-2019-013243*	*10/4/2030*	*10 years*
i Fuel (logo)	*4/16/2020*	*04-2019-014455*	*4/16/2030*	*10 years*
i Fuel (Mark)	*4/16/2020*	*04-2019-014456*	*4/16/2030*	*10 years*
HTP	*2/10/2020*	*04-2019-017075*	*2/10/2030*	*10 years*
Petrofuel Logistics Inc.	*November 9, 2020*	*04-2019-017076*	*10/4/2030*	*10 years*
Gasul (stylized word)	*2/10/2020*	*04-2019-017077*	*2/10/2030*	*10 years*
Petron Canopy Fascia (b/w)	*March 19, 2021*	*04-2019-020487*	*2/12/2031*	*10 years*
"P" logo (b/w)	*March 19, 2021*	*04-2019-020488*	*2/12/2031*	*10 years*
Kalakbay (word mark)	*March 19, 2021*	*04-2019-020491*	*2/12/2031*	*10 years*
Kasabay sa Lakbay (word mark)	*March 19, 2021*	*04-2019-020492*	*2/12/2031*	*10 years*
Kasabay sa Paglakbay (word mark)	*March 19, 2021*	*04-2019-020493*	*2/12/2031*	*10 years*
Kasabay sa Paglalakbay (word mark)	*March 19, 2021*	*04-2019-020494*	*2/12/2031*	*10 years*
Fuel Wisely with Petron (word mark)	*December 18, 2020*	*04-2019-020495*	*12/28/2030*	*10 years*
Be Sure to Fuel Wisely (word mark)	*December 18, 2020*	*04-2019-020496*	*12/28/2030*	*10 years*
Petron Canopy Fascia (color)	*March 19, 2020*	*04-2019-020497*	*03/19/2030*	*10 years*

"P" logo (color)	*March 19, 2020*	*04-2019-020498*	*03/19/2030*	*10 years*
Lakbay Alalay (word mark)	*April 16, 2020*	*04-2019-021246*	*4/16/2030*	*10 years*
Lakbay Alalay (logo)	*March 19, 2020*	*04-2019-021253*	*3/13/2030*	*10 years*
Reyna (logo)	*February 1, 2021*	*04-2020-502816*	*12/14/2030*	*10 years*
Kalmakina (Logo – b&w)	*May 7, 2021*	*04-2020-04618*	*5/7/2031*	*10 years*
Kalmakina (word)	*May 7, 2021*	*04-2020-004619*	*5/7/2031*	*10 years*
#Beastmode	*June 20, 2021*	*04-2020-004621*	*6/20/2031*	*10 years*
Gasulite (word mark)	*May 28, 2021*	*4-2020-004614*	*5/28/2031*	*10 years*
Gasulito (word)	*May 28, 2021*	*4-2020-004612*	*5/28/2031*	*10 years*
Petron (wordmark)	*June 18, 2021*	*4-2021-505528*	*6/18/2031*	*10 years*
Power that Persists	*June 18, 2021*	*4-2021-510106*	*6/18/2031*	*10 years*
Mean Clean Machine	*June 18, 2021*	*4-2021-510107*	*6/18/2031*	*10 years*
Rev – X Power	*June 18, 2021*	*4-2021-510108*	*6/18/2031*	*10 years*

II. ***COPYRIGHT***

Owner	***Copyright***	***Registration Number***	***Date Filed***	***Date Approved***	***Term***
Petron Corporation	*7 kgs. Liquified Petroleum Gas (LPG) Container*	*96-621*	*07/17/96*	*7/19/96*	*During the lifetime of the creator and for another 50 years after the creator's death*
	Gasulito w/ stylized letter "P" and 2 flames	*96-709*	*07/17/96*	*7/19/96*	
	Powerburn 2T	*96-812*	*08/15/96*	*8/19/96*	
	Petron New Logo (22 styles)	*97-154 to 97-175*	*01/30/97*	*n/a*	

**Obtained on per shipment / transaction basis.*

Petron Corporation

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

OFFER SUPPLEMENT

Offer of ₱18,000,000,000 Fixed Rate Bonds
consisting of
Series E Bonds: 3.4408% p.a. due 2025
Series F Bonds: 4.3368% p.a. due 2027

to be issued from the
₱50,000,000,000 Fixed Rate Bonds
Under Shelf Registration

Offer Price: 100% of Face Value
to be listed in the Philippine Dealing & Exchange Corp.

SOLE ISSUE MANAGER

BDO Capital and Investment Corporation

JOINT LEAD BOOKRUNNERS AND JOINT LEAD UNDERWRITERS*

BDO Capital and Investment Corporation
Chinabank Capital
Philippine Commercial Capital, Inc.
PNB Capital
SB Capital A Subsidiary of Security Bank

CO-LEAD UNDERWRITERS

FIRST METRO INVESTMENT CORPORATION
LAND BANK OF THE PHILIPPINES
RCBC CAPITAL CORPORATION

TRUSTEE

PHILIPPINE COMMERCIAL CAPITAL, INC.
TRUST AND INVESTMENT GROUP**

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

The date of this Offer Supplement is September 24, 2021.

** BDO Capital & Investment Corporation is a subsidiary of BDO Unibank, Inc., which is among the lenders of the bilateral long-term loans that will be repaid with the proceeds of this Offer. See "Use of Proceeds" on page 45 of this Offer Supplement.*
***Philippine Commercial Capital, Inc. – Trust and Investment Group is the trust and investment department of Philippine Commercial Capital, Inc., one of the Joint Lead Bookrunners and Joint Lead Underwriters.*

PETRON CORPORATION
SMC Head Office Complex
40 San Miguel Avenue
Mandaluyong City, Philippines
Telephone Number: (632) 8884 9200
Corporate Website: www.petron.com

Petron Corporation ("**Petron**", the "**Company**" or the "**Issuer**"), a corporation duly organized and existing under Philippine law, prepared the Prospectus dated September 24, 2021 (the "**Prospectus**") relating to the shelf registration and the offer and sale, in tranches, in the Philippines within the Shelf Period (as defined below) of Philippine Peso-denominated fixed rate bonds (the "**Bonds**") in the aggregate principal amount of ₱50,000,000,000.

The Bonds shall be taken from the shelf in tranches within a period of three (3) years from the effective date of the Registration Statement, subject to applicable regulations (the "**Shelf Period**").

This Offer Supplement dated September 24, 2021 (the "**Offer Supplement**" and as the context may require, the term includes the Prospectus) relates to the first tranche of the Bonds (collectively, the "**Offer Bonds**") and the public offer for sale, distribution and issuance by the Company of the Offer Bonds (the "**Offer**"). The Offer will have an aggregate principal amount of Eighteen Billion Pesos (₱18,000,000,000). The Offer Bonds will be issued at face-value and listed and traded through the Philippine Dealing & Exchange Corp. ("**PDEx**").

The Company has applied with the Securities and Exchange Commission ("**SEC**") for the issuance of a Permit to Sell the Offer Bonds, and expects to receive such permit before commencing with the Offer. The Company will apply for the listing of the Offer Bonds in the PDEx. However, there is no assurance that such a listing will actually be achieved either before or after the issue date of the Offer Bonds or whether such a listing will materially affect the liquidity of the Offer 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 Offer Bonds will be issued on October 12, 2021 (the "**Issue Date**") and will comprise of fixed rate bonds due in 2025 (the "**Series E Bonds**"), and in 2027 (the "**Series F Bonds**"). The Issuer has the discretion to allocate the Offer Bonds between the Series E Bonds and the Series F Bonds based on the book building process.

The Series E Bonds shall have a term of four (4) years from the Issue Date, with a fixed interest rate equivalent to 3.4408% per annum.

The Series F Bonds shall have a term of six (6) years from the Issue Date, with a fixed interest rate equivalent to 4.3368% per annum.

Interest on the Offer Bonds shall be payable quarterly in arrears on January 12, April 12, July 12, and October 12 of each year with the first Interest Payment Date on January 12, 2022, for as long as the Offer Bonds remain outstanding, or the subsequent Business Day without adjustment if such Interest Payment Date is not a Business Day. For a more detailed discussion on the interest payments due on the Offer Bonds, see "*Description of the Offer Bonds – Interest*" of this Offer Supplement.

Subject to the consequences of default as may be contained in the Trust Agreement, and unless otherwise redeemed or purchased, with respect to the Series E Bonds, prior to the fourth (4^{th}) anniversary from the Issue Date; and with respect to the Series F Bonds, prior to the sixth (6^{th}) anniversary from the Issue Date, the Offer Bonds will be redeemed at par or 100% of the face value thereof on the relevant Maturity Date. For a more detailed discussion on the redemption of the Offer Bonds, please refer to the discussion under the section "*Description of the Offer Bonds – Redemption and Purchase*" of this Offer Supplement.

It is expected that the Offer Bonds will be delivered in book-entry form against payment thereof to the Philippine Depository & Trust Corp. ("**PDTC**").

The Company estimates that the net proceeds from the Offer shall amount to approximately ₱17.783 billion, after fees, commissions and expenses. The net proceeds of the Offer shall be used for the redemption of the Company's Series A Bonds, the partial financing of the Power Plant Project, and the payment of existing indebtedness. For a more detailed discussion on the use of proceeds, see "*Use of Proceeds*" of this Offer Supplement.

BDO Capital & Investment Corporation ("**BDO Capital**") has been appointed as Sole Issue Manager for the Offer, and BDO Capital, China Bank Capital Corporation, Philippine Commercial Capital, Inc., PNB Capital and Investment Corporation and SB Capital Investment Corporation have been appointed as the Joint Lead Bookrunners and Joint Lead Underwriters for the Offer. The Joint Lead Bookrunners and Joint Lead Underwriters will receive an underwriting fee equivalent to 0.35% of the final aggregate principal amount of the Offer Bonds issued, which is inclusive of any fees to be paid to any Co-Lead Underwriters and Selling Agents and in accordance with the terms of the Underwriting Agreement. For a more detailed discussion on the underwriting fees to be received by the Joint Lead Bookrunners and Joint Lead Underwriters, see "*Plan of Distribution*" of this Offer Supplement.

The Company reserves the right to withdraw the offer and sale of the Offer Bonds at any time, and the Sole Issue Manager, and the Joint Lead Bookrunners and Joint Lead Underwriters reserve the right to reject any application to purchase the Offer Bonds in whole or in part and to allot to any prospective purchaser less than the full amount of the Offer Bonds sought by such purchaser. If the Offer is withdrawn or discontinued, the Company shall subsequently notify the SEC and, as applicable, the PDEx. Any of the Joint Lead Bookrunners and Joint Lead Underwriters, Co-Lead Underwriters and Selling Agents may acquire for their own account a portion of the Offer Bonds.

This document constitutes the Offer Supplement relating to the Offer described herein. Unless defined in this Offer Supplement, terms used herein shall be deemed to be defined as set forth in the Prospectus. This Offer Supplement contains the final terms of the Offer and must be read in conjunction with the Prospectus and the Bond Agreements. Full information on the Issuer and the Offer is only available on the basis of the combination of this Offer Supplement, the Prospectus and the Bond Agreements. All information contained in the Prospectus are deemed qualified by, and should be read together with, the disclosures of the Company after September 24, 2021 as filed with the SEC, The Philippine Stock Exchange, Inc. ("PSE") and/or the PDEx. All information contained in the Prospectus are deemed incorporated by reference in this Offer Supplement. In case of any inconsistency between this Offer Supplement and the Prospectus, then the more detailed portions in this Offer Supplement shall at all times prevail.

Unless otherwise stated, the information contained in the Prospectus and this Offer Supplement has been supplied by the Company. The Company (which has taken all reasonable care to ensure that such is the case) confirms that the information contained in the Prospectus and this Offer Supplement are correct, and that there is no material misstatement or omission of fact which would make any statement in the Prospectus and this Offer Supplement misleading in any material respect. The Joint Lead Bookrunners and Joint Lead Underwriters have exercised reasonable due diligence required by regulations in ascertaining that all material representations contained in the Prospectus and this Offer Supplement 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.

Unless otherwise indicated, all information in the Prospectus and this Offer Supplement is as of the date provided. Neither the delivery of the Prospectus and this Offer Supplement nor any sale made pursuant to the Prospectus and this Offer Supplement shall, under any circumstances, create any implication that the information contained herein is correct as of any date after the date hereof or that there has been no change in the affairs of the Company and its subsidiaries since such date. No representation or warranty, express or implied, is made or given by the Sole Issue Manager and the Joint Lead Bookrunners and Joint Lead Underwriters, the Trustee or the Registry and Paying Agent or their respective affiliates or legal advisers as to the accuracy, completeness or sufficiency of the information contained in this Offer Supplement, and nothing contained in this Offer Supplement is, or shall be relied upon as, a promise, representation or warranty by the Sole Issue Manager and the Joint Lead Bookrunners and Joint Lead Underwriters, the Trustee or the Registry and Paying Agent or their respective affiliates or legal advisers. This Offer Supplement is neither intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by either the Issuer, the Sole Issue Manager and the Joint Lead Bookrunners and Joint Lead Underwriters, the Trustee or the Registry and Paying Agent or their respective affiliates or legal advisers that any recipient of this Offer Supplement should purchase the Offer Bonds.

Market data and certain industry forecasts used throughout the Prospectus and the Offer Supplement 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 the Company does not make any representation, undertaking or other assurance as to the accuracy or completeness of such information, or that any projections will be achieved, or in relation to any other matter, information, opinion or statements in relation to the Offer. Any reliance placed on any projections or forecasts is a matter of commercial judgment. Certain agreements are referred to in the Prospectus and the Offer Supplement in summary form. Any such summary does not purport to be a complete or accurate description of the agreement and prospective investors are expected to independently review such agreements in full.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN IS TRUE AND CURRENT.

PETRON CORPORATION

By:

RAMON S. ANG
President and Chief Executive Officer

REPUBLIC OF THE PHILIPPINES)
MANDALUYONG CITY, METRO MANILA) SS.

SUBSCRIBED AND SWORN to before me this SEP 24 2021 in Mandaluyong City, affiant exhibiting to me his Passport No. P2247867B expiring on May 21, 2029 as competent evidence of identity.

Doc No.: 516;
Page No.: 105;
Book No.: II;
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

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Definition of Terms

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

Applicable Law..................................	Any statute, law, regulation, ordinance, rule, judgment, order, decree, directive, guideline, policy, requirement or other governmental restriction or any similar form of decision of, or determination by, or any interpretation or administration of any of the foregoing by, any Governmental Authority.
Applicant	A person, whether natural or juridical, who seeks to subscribe to the Offer Bonds and submits a duly accomplished Application to Purchase, together with all requirements set forth therein.
Application to Purchase...................	The application form accomplished and submitted by an Applicant for the purchase of a specified amount of the Series E Bonds and/or Series F Bonds, together with all the other requirements set forth in such application form.
BDO Capital....................................	BDO Capital & Investment Corporation.
BIR..	Philippine Bureau of Internal Revenue.
Bond Agreements...........................	Collectively, the Application to Purchase (when executed), the Underwriting Agreement, the Trust Agreement and the Registry and Paying Agency Agreement, and any amendments thereto.
Bondholder	Any person, natural or juridical, whose name appears, at any relevant time, as the registered owner of the Offer Bonds in the Registry of Bondholders.
Bonds..	Collectively, the fixed rate bonds of up to an aggregate principal amount of ₱50,000,000,000, inclusive of the Offer Bonds, to be issued in one or more tranches within the Shelf Period.
BSP...	Bangko Sentral ng Pilipinas.
Business Day or Banking Day	A day other than a public non-working holiday, Saturday or Sunday on which banks are generally open for business in Metro Manila.
Capital Stock	With respect to any Person, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the date of the Trust Agreement or issued thereafter, including, without limitation, all Common Stock and preferred stock.
Change in Law or Circumstance …	Each of the events described as such under "*Description of the Offer Bonds – Redemption by Reason of Change in Law or Circumstance*".

Change of Control.........................	San Miguel Corporation (and/or its Affiliates) ceasing to, whether directly or indirectly, have an aggregate economic interest of more than 50.0% in the Issuer or ceasing to have control over the Issuer. For purposes of this definition, "Affiliate" means, with respect to San Miguel Corporation, any person that directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with San Miguel Corporation. In this context, "control" means the possession, directly or indirectly, of the power to direct, or cause the direction of, the management and policies of such person, whether through ownership of voting shares, by contract, or otherwise.
China Bank Capital ………………..	China Bank Capital Corporation.
Code	Philippine Securities Regulation Code (as the same may be amended from time to time).
Co-Lead Underwriters ……………..	Collectively, FMIC, LBP and RCBC Capital.
Common Stock	With respect to any Person, any and all shares, interests, rights to purchase, warrants, options or other participations in, and other equivalents (however designated, whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding on the date of the Trust Agreement, and include, without limitation, all series and classes of such common stock or ordinary shares.
Company, Issuer or Petron.............	Petron Corporation.
Consolidated Gross Liabilities	Total interest-bearing liabilities of the Issuer on a consolidated basis consisting of: (a) Short-term loans; (b) Current portion of long-term debt; and (c) Long-term debt (net), as recognized and measured in its quarterly interim unaudited and year-end audited consolidated financial statements prepared in conformity with PFRS.
Consolidated Net Worth	Total stockholders' equity of the Issuer (including any non-controlling interest) on a consolidated basis, as recognized and measured in its quarterly interim unaudited and year-end audited consolidated financial statements prepared in conformity with PFRS.
Declaration of Default	The declaration given through notice in writing and delivered to the Issuer that the Issuer is in default. Please see "*Description of the Offer Bonds – Consequences of Default*" and the relevant section(s) of the Trust Agreement.

Default Payment Date	Five (5) Business Days from the receipt of the Declaration of Default. Upon a Declaration of Default, the Issuer must pay all amounts due no later than such date. Please see "*Description of the Offer Bonds – Consequences of Default*" and the relevant section(s) of the Trust Agreement.
Disqualified Stock	Any class or series of Capital Stock of any Person that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or otherwise, is (a) required to be redeemed prior to the Maturity Date of the Series F Bonds, (b) redeemable at the option of the holder of such class or series of Capital Stock or any other person at any time prior to the Maturity Date of the Series F Bonds, or (c) convertible into or exchangeable for Capital Stock referred to in paragraphs (a) or (b) above or Indebtedness having a scheduled maturity date prior to the Maturity Date of the Series F Bonds; provided, that (i) any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of a "change of control" occurring prior to the Maturity Date of the Series F Bonds shall not constitute Disqualified Stock if the "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the paragraph *Redemption by Reason of Change of Control* and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Issuer's repurchase of the Offer Bonds as are required to be repurchased pursuant to the paragraph *Redemption by Reason of Change of Control and Circumstance*; and (ii) any class or series of debt securities or preferred stock convertible or exchangeable into Common Stock, the terms of which allow for a cash payment in lieu of Common Stock upon conversion or exchange in the event that the issue or distribution of Common Stock to the holder thereof will cause such Person to violate foreign ownership regulations applicable in the Philippines from time to time, shall not constitute Disqualified Stock provided that any such cash payments are made with the proceeds of the sale of equity interests of such Person to an unaffiliated Person.
Disruption Event	Either or both of: (a) a material disruption to those payment communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with the transactions contemplated by the Trust Agreement (including under the terms and conditions of the Offer Bonds) to be carried out which disruption is not caused by, and is beyond

	the control of, any of the parties to the Trust Agreement; or (b) the occurrence of any other event which results in a disruption (of a technical or systems-related nature or beyond the control of any of the parties to the Trust Agreement) to the treasury or payment operations of a party preventing that party, or any other party, to the Trust Agreement from: (1) performing its payment obligations under the Trust Agreement (including under the terms and conditions of the Offer Bonds); or (2) communicating with other parties in accordance with the terms of the Trust Agreement (including under the terms and conditions of the Offer Bonds).
Events of Default	Each of the events described as such under "*Description of the Offer Bonds – Events of Default*" and the relevant section(s) of the Trust Agreement.
FMIC	First Metro Investment Corporation.
Governmental Approval	Any authorization, consent, concession, grant, approval, right, franchise, privilege, registration, filing, certificate, license, permit or exemption from, by or with any Governmental Authority, whether given or withheld by express action or deemed given or withheld by failure to act within any specified time period.
Governmental Authority	Any government agency, authority, bureau, department, court, tribunal, legislative body, public official, statutory or legal entity (whether autonomous or not), commission, corporation, or instrumentality, whether national or local, of the Republic of the Philippines.
Guarantee	Any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (b) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided, that the term "Guarantee" shall not include (i) endorsements for collection, and (ii) deposits in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

Indebtedness .... Any indebtedness for or in respect of:

(a) all obligations of such Person for borrowed money;
(b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
(c) all obligations of such Person to pay the deferred purchase price of property or services except trade accounts payables arising in the ordinary course of business;
(d) all obligations of such Person as lessee which are capitalized in accordance with PFRS;
(e) all Indebtedness of others secured by a Security Interest on any asset of such Person;
(f) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
(g) all obligations in respect of any Disqualified Stock, provided that such Disqualified Stock (i) falls within paragraph (a) of the definition of "Disqualified Stock" or (ii) falls within paragraph (b) of the definition of "Disqualified Stock" and the Person entitled to exercise the option to require redemption of such Disqualified Stock has exercised or given notice to exercise such option or; (iii) falls within paragraph (c) of the definition of "Disqualified Stock"; and has been converted into Indebtedness having a scheduled maturity prior to the Maturity Date of the Series F Bonds;
(h) all Indebtedness of others Guaranteed by such Person;
(i) all non-contingent obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit (other than a standby letter of credit), Guarantee or similar instrument; and
(j) any interest rate swap, currency swap, forward foreign exchange transaction, cap, floor, collar or option transaction or any other treasury transaction or any combination thereof or any other transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and the amount of Indebtedness in relation to any such transaction described in this paragraph (j) shall be calculated by reference to the mark-to-market valuation of such transaction at the relevant time),

and so that where the amount of Indebtedness is to be calculated, no amount shall be taken into account more than once in the same calculation and, where the amount is to be calculated on a consolidated basis in respect of a corporate group, monies

	borrowed or raised, or other indebtedness, as between members of such group shall be excluded. Notwithstanding the foregoing, "Indebtedness" shall not include any capital commitments, purchase commitments or similar obligations incurred in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights); provided that such obligation is not reflected on the statement of financial position of the Person or any Subsidiary (contingent obligations referred to in a footnote to financial statements and not otherwise reflected on the statement of financial position will not be deemed to be reflected on such statement of financial position).
Interest Payment Date	January 12, 2022 and thereafter, each of January 12, April 12, July 12, and October 12 of each year, or the next Banking Day if such date falls on a non-Banking Day, during which any of the Offer Bonds are outstanding.
Issue Date.......................................	October 12, 2021, or such other date as the Issuer and the Joint Lead Bookrunners and Joint Lead Underwriters may agree in writing; provided, that such date shall be a date which is within the validity of the Permit to Sell Securities.
Joint Lead Bookrunners and Joint Lead Underwriters……………………	Collectively, BDO Capital, China Bank Capital, PCCI, PNB Capital and SB Capital.
LBP	Land Bank of the Philippines.
Majority Bondholders	(a) With respect to matters relating only to the Series E Bonds, Bondholders representing more than fifty percent (50%) of the outstanding principal amount of the Series E Bonds, (b) with respect to matters relating only to the Series F Bonds, Bondholders representing more than fifty percent (50%) of the outstanding principal amount of the Series F Bonds, and (c) with respect to matters affecting all Offer Bonds, Bondholders representing more than fifty percent (50%) of the outstanding principal amount of the Offer Bonds.
Master Certificate of Indebtedness.	For each of the Series E Bonds and Series F Bonds, the bond certificate issued by the Issuer in the name of the Trustee for the benefit of the Bondholders covering the entire principal amount of the relevant series purchased during the Offer Period and to be issued by the Issuer on the Issue Date, which shall be substantially in the form attached as Annex B of the Trust Agreement.
Material Adverse Effect	In the reasonable opinion of the Majority Bondholders, acting in good faith and in consultation with the Issuer, a material adverse effect on (a) the ability of the Issuer to observe and comply with the provisions of and perform its financial obligations

	under the Offer Bonds or any Bond Agreement; or (b) the validity or enforceability of the Offer Bonds or any Bond Agreement; or (c) the financial condition, business or operations of the Issuer taken as a whole.
Maturity Date	In respect of the Series E Bonds, the fourth ($4^{th)}$ anniversary of the Issue Date or on October 12, 2025. In respect of the Series F Bonds, the sixth (6^{th}) anniversary of the Issue Date or on October 12, 2027.
Month	The period commencing on a specified day in a calendar month and ending on the numerically corresponding day in the relevant subsequent calendar month (or if there is no day so corresponding in the calendar month in which such period ends, such period shall end on the last day of such calendar month).
Offer	The offer for subscription of the Offer Bonds to eligible investors subject to the terms and conditions in the Prospectus, this Offer Supplement, the Application to Purchase and the other Bond Agreements.
Offer Bonds....................................	The SEC-registered Series E Bonds and Series F Bonds to be issued by Petron in the aggregate principal amount of ₱18,000,000,000. As the context may require, the Bonds issued by Petron on the Issue Date pursuant to the Prospectus, this Offer Supplement and the other Bond Agreements.
Offer Period…………………………..	To commence on September 27, 2021 and end at 5:00 p.m. on October 5, 2021, or such other date as may be mutually agreed between the Issuer and the Joint Lead Bookrunners and Joint Lead Underwriters.
Offer Supplement………………	This document so titled and dated September 24, 2021 issued along with and supplementary to the Prospectus and containing the specific terms and conditions of the Offer and the Offer Bonds.
Optional Redemption Dates ……….	In respect of the Series F Bonds, (a) the fourth (4^{th}) anniversary of the Issue Date, or (b) the fifth (5^{th}) anniversary of the Issue Date.
Paying Agent	Philippine Depository & Trust Corp., a corporation with a quasi-banking license duly organized and existing under and by virtue of the laws of the Republic of the Philippines, whose principal obligation is to handle payments of the principal of, interest on, and all other amounts payable on the Offer Bonds, to the Bondholders, pursuant to the Registry and Paying Agency Agreement. The term includes, wherever the context permits, all other Person or Persons for the time being acting as

	paying agent or paying agents under the Registry and Paying Agency Agreement.
Payment Account...........................	The account to be opened and maintained by the Paying Agent with such Payment Account Bank designated by the Issuer and solely managed by the Paying Agent, in trust and for the irrevocable benefit of the Bondholders, into which the Issuer shall deposit the amount of the interest and/or principal payments due on the Outstanding Bonds on a relevant date and exclusively used for such purpose, the beneficial ownership of which shall always remain with the Bondholders. As used in this definition, the terms "Outstanding Bonds" and "Payment Account Bank" have the respective meanings given to such terms in the Registry and Paying Agent Agreement.
Payment Date	As the context may require, each Interest Payment Date, the Maturity Date for the relevant series of the Offer Bonds, and/or the relevant Redemption Date.
Payment Default	An event where the Issuer defaults in the payment when due of any amount payable under the Trust Agreement and the Offer Bonds, unless such failure arises solely as a result of an administrative or technical error or a Disruption Event and payment is made within three (3) Business Days after the date such payment is due.
PCCI	Philippine Commercial Capital, Inc.
PDEx..	Philippine Dealing & Exchange Corp.
PDEx Rules	The applicable rules, conventions, and guidelines of PDEx.
PDS Group-Registered Cash Settlement Banks............................	Banking institutions that provide cash payment services for client investors arising from fixed income securities activities in PDS Group subsidiaries.
PDTC	Philippine Depository & Trust Corp.
Penalty Interest................................	Penalty fee on the defaulted amount(s) at the rate of twelve percent (12%) per annum.
Permit to Sell Securities or Permit to Sell	The Certificate of Permit to Sell or Offer for Sale of Securities issued by the SEC in respect of the Offer.
Permitted Security Interest...............	i. any Security Interest existing as of the date of the Trust Agreement; ii. any Security Interest over or affecting any asset of any company which becomes a member of the Petron Group after the date of the Trust Agreement, where the Security Interest is created prior to the date on which that company becomes a member of the Petron Group;

iii. any Security Interest upon, or with respect to, any of the present or future business, agreement, assets or revenues (including uncalled capital) of the Company:

A. any Indebtedness which (subject to part (B) of this definition below) is not Public Debt; or

B. any Public Debt (i) which (x) by its terms does not provide that the Company is an obligor, (y) by its terms does not provide that a guarantee or credit support of any kind is given by the Company and (z) does not have the legal effect of providing recourse against any of the assets of the Company and (ii) no default with respect to which would permit, upon notice, lapse of time or both, any holders of any other Indebtedness of the Company to declare a default on such other Indebtedness or cause the payment of such other Indebtedness to be accelerated or payable prior to its stated maturity,

which, in either case (either alone or when aggregated with all other present or future business, undertaking, assets or revenues (including uncalled capital) of the Company upon, or with respect to, which Security Interests are subsisting), does not exceed 15% of the consolidated Total Assets of the Petron Group taken as a whole;

iv. any Security Interest for government-imposed duties, taxes, assessments or fees not yet delinquent or which are being contested in good faith;

v. any Security Interest arising by operation of law (other than any preference or priority under Article 2244(14)(a) of the Civil Code of the Philippines, as the same may be amended from time to time) on any property or asset of the Company;

vi. any Security Interest created by the Issuer in the ordinary course of business if:

A. such Security Interest is incurred in a manner consistent with industry practice;

B. such Security Interest is not created to secure any obligation for borrowed money (whether short-term, medium-term or long-term) of the Company or other Persons; and

C. such Security Interest does not impair the use of any assets required for the business operations of the Company.

vii. any Security Interest incurred or deposits made in the ordinary course of business to secure (or obtain letters of credit that secure) the performance of tenders, statutory obligations, surety or appeal bonds, bonds for release of attachment, stay of execution or injunction, bids, tenders, government contracts and similar obligations if:

A. such Security Interest is incurred in a manner consistent with industry practice;

B. such Security Interest is not created to secure any obligation for borrowed money;

C. such Security Interest does not impair the use of any assets required for the business operations of the Company; and

D. the aggregate value of all such Security Interest does not exceed US$150 million (or its equivalent in another currency or currencies); and

viii. any extension, renewal, supplement, or replacement (or successive extensions, renewals, supplements, or replacements) in whole or in part of any Security Interest referred to in paragraph (i) and (iii), or any Indebtedness secured thereby; provided, that such extension, renewal, supplements, or replacement is limited to all or any part of the same property that secured the Security Interest extended, renewed, supplemented, or replaced (plus any construction, repair, or improvement on such property) and shall secure no larger amount of financial Indebtedness than that existing at the time of such extension, renewal, supplement, or replacement;

ix. Any Security Interest over or affecting any asset acquired by the Company after the date of the Trust Agreement if:

A. the Security Interest was not created in contemplation of the acquisition of that asset by the Company;

B. the principal amount secured has not been increased in contemplation of, or since the acquisition of that asset by, the Company; and

C. the Security Interest is removed or discharged within six (6) months of the date of acquisition of such asset; and

x. Security Interest created with the prior written consent of the Majority Bondholders.

Person ………......................................	Any individual, firm, corporation, partnership, association, joint venture, tribunal, limited liability company, trust, government or political subdivision or agency or instrumentality thereof, or any other entity or organization.
Petron Group....................................	At any time, the Company and its Subsidiaries at such time.
PFRS..	Philippine Financial Reporting Standards.
Philippines.......................................	The Republic of the Philippines.
Philippine Peso, Peso, PHP or ₱....	Philippine Pesos, the legal currency of the Philippines.
PhilRatings......................................	Philippine Rating Services Corporation.
PNB Capital	PNB Capital and Investment Corporation.
Prospectus ………………………….	The prospectus dated September 24, 2021 and any amendments, supplements and addenda thereto for the offer and sale to the public of the Offer Bonds. As the context may require, the term includes this Offer Supplement.
PSE...	The Philippine Stock Exchange, Inc.
Public Debt	Any present or future Indebtedness (whether being principal, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stocks, loan stocks or other securities which are for the time being, capable of being quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, and any Guarantee or indemnity of any such Indebtedness.
Purchase Price	In respect of each Offer Bond, an amount equal to the face amount of such Offer Bond, which is payable upon submission of the duly executed Application to Purchase.
RCBC Capital	RCBC Capital Corporation.
Record Date....................................	(a) The two (2) Business Days immediately preceding the relevant Payment Date, which shall be the cut-off date in determining the Bondholders entitled to receive interest, principal or any amount due under the Offer Bonds or (b) such other date as the Issuer may duly notify PDTC.
Redemption Date............................	The date when the Offer Bonds (or any series thereof) are redeemed earlier than the relevant

	Maturity Date in accordance with the terms and conditions of the Offer Bonds.
Registrar..	Philippine Depository & Trust Corp. The term includes, wherever the context permits, all other Person or Persons for the time being acting as registrar or registrars under the Registry and Paying Agency Agreement.
Registration Statement.....................	The registration statement with the SEC in connection with the offer and sale to the public of the Bonds (inclusive of the Offer Bonds).
Registry of Bondholders	The electronic registry book of the Registrar containing the official information on the Bondholders and the amount of the Offer Bonds they respectively hold, including all transfers and assignments thereof or any liens or encumbrances thereon, to be maintained by the Registrar pursuant to and under the terms of the Registry and Paying Agency Agreement.
Registry and Paying Agency Agreement	Agreement so titled dated September 24, 2021, and its annexes and attachments, as may be modified, supplemented or amended from time to time, and entered into between the Company and the Registrar and Paying Agent in relation to the Offer Bonds.
RTGS…………………………………	Philippine Payment Settlement System via Real Time Gross Settlement that allows banks to effect electronic payment transfers which are interfaced directly to the automated accounting and settlement systems of the BSP.
SB Capital.......................................	SB Capital Investment Corporation.
SEC..	Philippine Securities and Exchange Commission.
Security Interest	Any (a) mortgage, charge, pledge, lien or other security interest or encumbrance or other preferential arrangement of any kind, including, without limitation, any preference or priority under Article 2244(14) of the Civil Code of the Philippines, as the same may be amended from time to time, in each case, to the extent securing payment or performance of an Indebtedness prior to any general creditor of such person; or (b) and the right of a vendor, lessor, or similar party under any conditional sales agreement, capital lease or other title retention agreement, any other right of or arrangement with any creditor to have its claims satisfied out of any property or assets, or the proceeds therefrom, prior to any general creditor of the owner thereof.
Selling Agents................................	Bank of Commerce and Development Bank of the Philippines
Series E Bonds	The Offer Bonds to be issued by the Issuer, with an aggregate principal amount of ₱9,000,000,000, having a term beginning on the Issue Date and

	ending four (4) years from the Issue Date or on October 12, 2025, with a fixed interest rate equivalent to 3.4408% per annum.
Series F Bonds	The Offer Bonds to be issued by the Issuer, with an aggregate principal amount of ₱9,000,000,000, having a term beginning on the Issue Date and ending six (6) years from the Issue Date or on October 12, 2027, with a fixed interest rate equivalent to 4.3368% per annum.
Sole Issue Manager........................	BDO Capital & Investment Corporation.
Shelf Period	Subject to applicable regulations, a period of three (3) years from the effective date of the Registration Statement within which the Bonds under shelf registration may be offered and sold in tranches.
Subsidiaries	With respect to any Person, more than 50% of the voting power of the outstanding voting stock of which is owned or controlled, directly or indirectly by another Person and one or more other Subsidiaries of such Person. To be controlled by another means that (a) the controlling entity (whether directly or indirectly, and whether by the ownership of share capital, the possession of voting power, contract or otherwise) has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of that controlled company or otherwise controls or has a power to control the affairs and polices of that controlled company and control shall be construed accordingly, and (b) the controlling entity identifies said controlled company as a subsidiary in its latest available consolidated financial statements.
Tax Code	Philippine National Internal Revenue Code of 1997 (as the same may be amended from time to time), and its implementing rules and regulations as may be in effect from time to time.
Total Assets	With respect to any Person, the total consolidated assets of such Person and its Subsidiaries as determined by reference to the most recently available quarterly or annual consolidated financial statements of such Person and its Subsidiaries prepared in accordance with PFRS.
Trust Agreement	Agreement so titled and dated September 24, 2021, and its annexes and attachments, as may be modified, supplemented or amended from time to time, and entered into between the Company and the Trustee.
Trustee..	Philippine Commercial Capital, Inc. – Trust and Investment Group.
Underwriters	The Joint Lead Bookrunners and Joint Lead Underwriters and the Co-Lead Underwriters for the Offer.

Underwriting Agreement.................	The Issue Management and Underwriting Agreement dated September 24, 2021, and its annexes and attachments, as may be modified, supplemented or amended from time to time, and entered into between the Company and the Sole Issue Manager, and Joint Lead Bookrunners and Joint Lead Underwriters in relation to the Offer of the Offer Bonds.

Summary of the Offer

The following summary should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in the Prospectus and this Offer Supplement, including, but not limited to, the discussion on the "Description of the Offer Bonds" and "Plan of Distribution." In case of any inconsistency between this Offer Supplement and the Prospectus, then the more detailed portions in this Offer Supplement shall at all times prevail. This overview may not contain all of the information that prospective investors should consider before deciding to invest in the Offer Bonds. Accordingly, any decision by a prospective investor to invest in the Offer Bonds should be based on a consideration of the Prospectus, this Offer Supplement and the Bond Agreements as a whole.

Issuer	Petron Corporation
Instrument	Fixed rate bonds constituting the direct, unconditional, unsecured and unsubordinated Philippine Peso-denominated obligations of Petron, to be issued from the ₱50,000,000,000 Bonds under shelf registration with the SEC
Total Issue Size / Principal Amount of the Offer Bonds	₱18,000,000,000
The Offer	Philippine Peso-denominated (four) 4-year fixed rate bonds due 2025 and (six) 6-year fixed rate bonds due 2027 (the "**Offer Bonds**") with an aggregate principal amount of ₱18,000,000,000. The Offer Bonds will be issued from the ₱50,000,000,000 fixed rate bonds shelf registration of Petron.
Manner of Distribution	Public offering to eligible investors
Use of Proceeds	Net proceeds will be used for the redemption of the Company's Series A Bonds, the partial financing of the Power Plant Project, and the payment of existing indebtedness. (Please see "*Use of Proceeds*").
Form and Denomination of the Offer Bonds	The Offer Bonds shall be issued in scripless form in minimum denominations of ₱50,000 each, and in integral multiples of ₱10,000 thereafter, and traded in denominations of ₱10,000 in the secondary market.
Issue Price	At par (or 100% of face value)
Offer Period	The Offer shall commence on September 27, 2021 and end at 5:00 PM on October 5, 2021, or on such other date as the Issuer and the Joint Lead Bookrunners and Joint Lead Underwriters may agree upon.
Issue Date of the Offer Bonds	October 12, 2021
Maturity Date	Series E Bonds: the 4th anniversary of the Issue Date or on October 12, 2025 Series F Bonds: the 6th anniversary of the Issue Date or on October 12, 2027

Interest Rate	Series E Bonds: 3.4408% p.a. Series F Bonds: 4.3368% p.a.
Interest Payment Dates and Interest Payment Computation	Interest payment on the Offer Bonds shall commence on January 12, 2022 and thereafter, on January 12, April 12, July 12, and October 12 of each year, or the next Banking Day if any of such dates falls on a non-Banking Day, without adjustment for accrued interest (each, an "**Interest Payment Date**"). Interest on the Offer Bonds shall be calculated on a European 30/360-day count basis regardless of the actual number of days in a month. Interest shall be paid quarterly in arrears.
Final Redemption	Unless otherwise earlier redeemed or purchased and cancelled, the Offer Bonds shall be redeemed at par or 100% of face value on their respective Maturity Dates. However, if the relevant Maturity Date is not a Business Day, payment of all amounts due on such date will be made by the Issuer through the Paying Agent, without adjustment for accrued interest, on the succeeding Business Day.
Optional Redemption	The Issuer shall have the right, but not the obligation, to redeem in whole (and not in part), any outstanding Series F Bonds on the dates set out below (each an "**Optional Redemption Date**").

	Optional Redemption Dates	**Optional Redemption Price**
Series F Bonds	4th anniversary of the Issue Date	101.0%
	5th anniversary of the Issue Date	100.5%

provided that, if the relevant Optional Redemption Date falls on a day that is not a Business Day, then the payment of the optional redemption price shall be made by the Issuer on the next Business Day, without adjustment to the amount of interest and optional redemption price to be paid. For the avoidance of doubt, the Bondholders shall not have any right to cause the Issuer to redeem the Series F Bonds pursuant to this Optional Redemption Option.

The amount payable to the Bondholders upon the exercise of the Optional Redemption by the Issuer shall be calculated, based on the principal amount of the Series F Bonds being redeemed, as the sum of: (a) the accrued interest computed from the last Interest Payment Date up to the relevant Optional Redemption Date; and (b) the product of the principal amount of the Series F Bonds being redeemed and the Optional Redemption Price in accordance with the above table.

The Issuer shall give no less than thirty (30) nor more than sixty (60) days' prior written notice to the Trustee and the Registrar and Paying Agent of its intention to redeem the Series F Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Series

	F Bonds on the Optional Redemption Date stated in such notice.
Redemption for Taxation Reasons	If payments under the Offer Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the relevant Offer Bond series in whole, and not in part only, on any Interest Payment Date (having given not more than sixty (60) nor less than thirty (30) days' notice to the Trustee and the Registrar and Paying Agent) at par (or 100% of face value) and paid together with the accrued interest thereon, subject to the requirements of Applicable Law; provided that, if the Issuer does not redeem the Offer Bonds, then all payments of principal and interest in respect of the Offer Bonds shall be made free and clear of, and without withholding or deduction for, any such new or additional taxes, duties, assessments or governmental charges, unless such withholding or deduction is required by law. In that event, the Issuer shall pay to the Bondholders concerned such additional amount as will result in the receipt by such Bondholders of such amounts as would have been received by them had no such withholding or deduction for new or additional taxes been required.
Redemption by Reason of Change in Law or Circumstance	Upon the occurrence of a Change in Law or Circumstance, the Issuer shall provide the Trustee, or the Trustee shall procure, an opinion of legal counsel confirming the occurrence of any Change in Law or Circumstance and the consequences thereof, such legal counsel being from a law firm reasonably acceptable to the Trustee. Thereupon, the Trustee, after consultation with the Issuer and, in any case, within five (5) days after receipt of such legal opinion, shall give to the Issuer and all the Bondholders written notice of such Change in Law or Circumstance. Within thirty (30) days from such notice (the "**Cure Period**"), the Issuer shall use reasonable measures available to it to remedy the Change in Law or Circumstance so that the same event shall cease. The Issuer shall also have the option to redeem in whole, but not in part, the Offer Bonds at par (or 100% of face value) and paid together with the accrued interest thereon, exercisable by giving within the Cure Period not more than sixty (60) nor less than thirty (30) (or such shorter period prescribed by Applicable Law, if any) days' notice to the Trustee and the Registrar and Paying Agent. After the lapse of the Cure Period with the Change in Law or Circumstance continuing and without the Issuer giving notice of exercise of its option to redeem under this Section, the Majority Bondholders may, by notice in writing delivered to the Issuer through the Trustee, declare the Offer Bonds, including the accrued interest thereon, to be immediately due and payable, and upon such declaration, the same shall be immediately due and payable within thirty (30) days after receipt of such notice (or such shorter period prescribed by Applicable Law, if any), without any prepayment penalty.

Redemption by Reason of Change of Control	Upon the occurrence of a Change of Control, Bondholders holding at least two-thirds (2/3) of the outstanding principal amount of the Offer Bonds may require the Issuer to redeem the Offer Bonds at par (or 100% of face value), which shall be paid together with the accrued interest thereon. Within fifteen (15) days following a Change of Control, the Issuer shall notify the Trustee, which shall, in turn, notify the Bondholders (i) that a Change of Control has occurred and that the Bondholders holding at least two-thirds (2/3) of the outstanding principal amount of the Offer Bonds may require the Issuer to redeem all (but not some) of the Offer Bonds, and (ii) the date set by the Issuer for such redemption (which shall not be earlier than thirty (30) days and no later than sixty (60) days from the date notice is received by the Trustee). The decision of the Bondholders holding at least two-thirds (2/3) of the outstanding principal amount of the Offer Bonds shall be conclusive and binding upon all the Bondholders.
Purchase and Cancellation	The Issuer may purchase the Offer Bonds at any time in the open market or by tender or by contract, in accordance with PDEx Rules, as may be amended from time to time, without any obligation to make *pro rata* purchases from all Bondholders. Offer Bonds so purchased shall be redeemed and cancelled and may not be re-issued. Upon listing of the Offer Bonds on PDEx, the Issuer shall disclose any such transactions in accordance with the applicable PDEx Rules.
Taxation	Based on law and regulations effective as of the date of this Offer Supplement: (1) Interest income on the Offer Bonds to be received by Philippine citizens or resident aliens from the Offer Bonds will be subject to income tax, which is withheld at source, at the rate of 20%. (2) Interest income on the Offer Bonds to be received by non-resident aliens engaged in trade or business in the Philippines will be subject to a 20% final withholding tax while that to be received by non-resident aliens not engaged in trade or business will be subject to a 25% final withholding tax. (3) Interest income on the Offer Bonds to be received by domestic corporations and resident foreign corporations will be taxed at the rate of 20%. (4) Interest income on the Offer Bonds to be received by non-resident foreign corporations will be subject to a 25% final withholding tax. Bondholders who are exempt from or are not subject to final withholding tax on interest income or are covered by a lower final withholding tax rate by virtue of a tax treaty may claim such exemption or lower rate, as the case may be, by submitting the necessary documents as required by the BIR and the Issuer.

	Documentary stamp tax for the primary issue of the Offer Bonds and the execution of the Bond Agreements, if any, shall be for the Issuer's account. Please see the sections on "*Taxation*" in the Prospectus and "*Description of the Offer Bonds – Payment of Additional Amounts – Taxation*" in this Offer Supplement for a more detailed discussion on the tax consequences of the acquisition, ownership and disposition (*e.g.,* secondary transfer) of the Offer Bonds.
Bond Rating	The Offer Bonds are rated PRS Aaa, with Stable Outlook, by PhilRatings. The rating is subject to regular annual reviews, or more frequently as market developments may dictate, for as long as the Offer Bonds are outstanding.
Bond Listing	The Issuer will list the Offer Bonds on PDEx on the Issue Date.
Transfer of the Offer Bonds	Trading of the Offer Bonds shall be coursed through a PDEx Trading Participant subject to the applicable PDEx Rules and conventions. Transfer and/or settlement of the Offer Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and the Registrar. Upon any assignment, title to the Offer Bonds will pass by recording of the transfer from the transferor to the transferee in the electronic Registry of Bondholders to be maintained by the Registrar. Please see the sections on "*Description of the Offer Bonds – Transfers; Tax Status*" in this Offer Supplement for a more detailed discussion on transfer of the Offer Bonds.
Own Risk	Investment in the Offer Bonds is not covered by the Philippine Deposit Insurance Corporation. Any loss or depreciation in the value of the assets of the Bondholders resulting from the investment or reinvestment in the Offer Bonds and the regular conduct of the Trustee's trust business shall be for the sole account of the Bondholder.
Sole Issue Manager	BDO Capital & Investment Corporation
Joint Lead Bookrunners and Joint Lead Underwriters	BDO Capital & Investment Corporation China Bank Capital Corporation Philippine Commercial Capital, Inc. PNB Capital and Investment Corporation SB Capital Investment Corporation
Trustee	Philippine Commercial Capital, Inc. – Trust and Investment Group
Registrar and Paying Agent	Philippine Depository & Trust Corp.
Counsel to the Issuer	Picazo Buyco Tan Fider & Santos
Counsel to the Sole Issue Manager and the Joint Lead	SyCip Salazar Hernandez & Gatmaitan

Bookrunners and Joint Lead Underwriters		
Governing Law	Philippine law	
Indicative Timetable	Filing of the Registration Statement with the SEC	July 5, 2021
	Receipt of SEC Permit to Sell	September 27, 2021
	Offer Period	September 27, 2021 to October 5, 2021
	Issue Date / Settlement Date	October 12, 2021
	Listing Date	October 12, 2021

Capitalization

The following table sets forth the consolidated capitalization of the Issuer as at March 31, 2021 and as adjusted to give effect to the Offer. This table should be read in conjunction with the Issuer's unaudited condensed consolidated interim financial statements as at March 31, 2021, found in Appendix "A" of the Prospectus.

	As at 31 March 2021	
	Actual (unaudited)	**Adjusted for maximum Offer size of ₱18 billion[1]**
	(in ₱ millions)	
Short-term liabilities		
Short-term loans	₱76,452	₱76,452
Current portion of long-term debt - net	32,491	32,491
Total short-term liabilities	₱108,943	₱108,943
Long-term liabilities		
Long-term debt – net of current portion	₱85,870	₱103,653
Total Debt	₱194,813	₱212,596
Equity		
Equity Attributable to Equity Holders of the Parent:		
Capital stock	9,485	9,485
Additional paid-in capital	37,500	37,500
Capital securities	36,481	36,481
Retained earnings	29,898	29,898
Equity reserves	(19,749)	(19,749)
Treasury shares	(15,122)	(15,122)
Total Equity Attributable to Equity Holders of the Parent	78,493	78,493
Non-controlling interests	6,637	6,637
Total Equity	₱85,130	₱85,130
Total capitalization[2]	**₱279,943**	**₱297,726**

Notes:

(1) Adjusted amount as at March 31, 2021 includes proceeds of ₱18 billion from the Offer, after deduction of commissions and expenses.

(2) Total capitalization is the sum of (i) Total Debt, and (ii) Total Equity.

Description of the Offer Bonds

The following does not purport to be a complete listing of all the rights, obligations, or privileges of the Offer 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 the Prospectus, this Offer Supplement, the Trust Agreement, and the other Bond Agreements or other agreements relevant to the Offer such as the Application to Purchase, and to perform their own independent investigation and analysis of the Issuer and the Offer 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. They must not rely solely on any statement or 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 counsel and accountants in order to be better advised of the circumstances surrounding the Offer Bonds.

The shelf registration of up to ₱50,000,000,000 aggregate principal amount of the Bonds was authorized by a resolution of the Board of Directors on August 3, 2021. The Offer Bonds with an aggregate principal amount of ₱18,000,000,000 shall be issued for the first tranche.

The Offer Bonds will be issued on October 12, 2021 (the "**Issue Date**") and will comprise of fixed rate bonds due in 2025 (the "**Series E Bonds**") and in 2027 (the "**Series F Bonds**"). The Issuer has the discretion to allocate the principal amount of the Offer Bonds between the Series E Bonds and the Series F Bonds based on the book building process.

The Offer Bonds shall be offered and sold through a general public offering in the Philippines.

The Offer Bonds shall be governed by a Trust Agreement executed on September 24, 2021 between the Issuer and Philippine Commercial Capital, Inc. – Trust and Investment Group as Trustee. The Trustee has no interest in or relation to Petron which may conflict with its role as Trustee for the Offer Bonds. The description of the terms and conditions of the Offer Bonds set out below includes summaries of, and is subject to, the detailed provisions of the Trust Agreement.

A Registry and Paying Agency Agreement has been executed on September 24, 2021 in relation to the Offer Bonds between the Issuer and PDTC as Registrar and Paying Agent. The Registrar and Paying Agent has no interest in or relation to Petron which may conflict with its role as Registrar for the Offer.

Copies of the Trust Agreement and the Registry and Paying Agency Agreement are available for inspection during normal business hours at the specified offices of the Trustee. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of all the provisions of the Trust Agreement and are deemed to have notice of those provisions of the Registry and Paying Agency Agreement applicable to them.

FORM, DENOMINATION AND TITLE

Form and Denomination

The Offer Bonds shall be issued in scripless form. A Master Certificate of Indebtedness representing each of the Series E Bonds and the Series F Bonds shall be issued to and registered in the name of the Trustee for the benefit of the Bondholders.

The Offer Bonds shall be issued in minimum denominations of ₱50,000 each, and in integral multiples of ₱10,000 thereafter, and traded in denominations of ₱10,000 in the secondary market.

Title

Legal title to the Offer Bonds shall be shown in the Registry of Bondholders maintained by the Registrar. A notice confirming the principal amount of the Offer Bonds purchased by each Applicant in the Offer shall be issued by the Registrar to all Bondholders following the Issue Date. Upon any assignment, title to the Offer Bonds shall pass by recording of the transfer from the transferor to the transferee in the electronic Registry of Bondholders. Settlement in respect of such transfer or change of title to the Offer Bonds, including the settlement of any cost arising from such transfer or change, including, but not limited to, documentary stamps taxes, if any, shall be for the account of the relevant Bondholder or the transferee, as applicable.

BOND RATING

The Offer Bonds have been rated PRS Aaa, with Stable Outlook, by PhilRatings. PRS Aaa is the highest rating assigned by PhilRatings. PhilRatings took into account the following major rating factors in assigning the ratings and outlook: (a) sustained retail presence and market leadership, both in the Philippines and Malaysia, albeit with declining market share locally; (b) declining profitability driven by the decrease in sale volume due to the pandemic but maintenance of ample liquidity and financial flexibility in relation to debt servicing; (c) experienced management and synergies with companies belonging to the San Miguel group; and (d) economic uncertainty, rising inflation, and the decline in demand attributable to the COVID-19 pandemic.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.

The rating is subject to annual review, or more frequently as market developments may dictate, for as long as the Offer Bonds are outstanding. After Issue Date, the Trustee shall monitor the compliance of the Offer Bonds with the regular annual reviews.

TRANSFER OF THE OFFER BONDS

Registry of Bondholders

The Issuer shall cause the Registry of Bondholders to be kept by the Registrar, in electronic form. The names and addresses of the Bondholders and the particulars of the Offer Bonds held by them and of all transfers and assignments of the Offer Bonds shall be entered into the Registry of Bondholders. Transfers of ownership shall be effected through book-entry transfers in the scripless Registry of Bondholders.

As required by Circular No. 428-04 issued by the BSP, the Registrar shall send each Bondholder a written statement of registry holdings at least quarterly (at the cost of the Issuer), and a written advice confirming every receipt or transfer of the Offer Bonds that is effected in the Registrar's system. Such statement of registry holdings shall serve as the confirmation of ownership of the relevant Bondholder as of the date thereof. Any requests of Bondholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Bondholder. No transfer of the Offer Bonds may be made during the Closed Period (as defined below).

Initial placement of the Offer Bonds and subsequent transfers of interests in the Offer Bonds shall be subject to applicable prevailing Philippine selling restrictions.

Transfers; Tax Status

Trading of the Offer Bonds will be coursed through a PDEX Trading Participant subject to the applicable PDEx Rules. Trading, transfer and/or settlement of the Offer Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and the Registrar and Paying Agent. Upon any assignment of the Offer Bonds, title thereto will pass by recording of the transfer from the transferor to the transferee in the Registry of Bondholders to be maintained by the Registrar.

Settlement in respect of such transfers or change of title to the Offer Bonds, including the settlement of any documentary stamp taxes, if any, arising from subsequent transfers, shall be for the account of the relevant Bondholder or the transferee, as applicable.

Subject to the provisions of the Registry and Paying Agency Agreement, and the relevant rules, conventions and guidelines of PDEx and PDTC, the Bondholders may not transfer their Offer Bonds as follows:

(a) transfers across Tax Categories on a date other than on Interest Payment Dates that fall on a Business Day; provided, however, that transfers from a tax-exempt Tax Category to a taxable Tax Category on a date other than an Interest Payment Date shall be allowed using the applicable tax rate on PDEx, ensuring the computations are based on the final withholding tax rate of the taxable party to the trade. Should this transaction occur, the tax-exempt person shall be treated as being of the same Tax Category as its taxable counterparty for the interest period within which such transfer occurred; provided, finally, that this restriction shall be in force until a Non-Restricted Trading & Settlement Environment for Corporate Securities is implemented. For purposes hereof, "**Tax Categories**" shall refer to the four (4) final withholding tax categories in the PDEx system covering, particularly, tax-exempt persons, 20% tax-withheld persons, 25% tax-withheld persons, and 30% tax-withheld persons, as such categories may be revised, amended or supplemented by PDEx in accordance with its rules and Applicable Law;

(b) transfers by Bondholders with deficient documents; and

(c) transfers during a Closed Period. For purposes hereof, "**Closed Period**" means period during which the Registrar shall not register any transfer or assignment of the Offer Bonds, specifically: (i) the period of two (2) Business Days preceding any Interest Payment Date or the due date for any payment of the Final Redemption Amount of the Offer Bonds; or (ii) the period when any of the Offer Bonds have been previously called for redemption.

Transfers taking place in the Registry of Bondholders after the Offer Bonds are listed on PDEx may be allowed between taxable and tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if/and or when so allowed under and in accordance with the relevant rules, conventions and guidelines of PDEx and PDTC.

A Bondholder claiming tax-exempt status is required to submit the required tax-exempt documents as detailed in the Registry and Paying Agency Agreement upon submission of the account opening documents to the Registrar and Paying Agent. Please see the sections on "*Description of the Offer Bonds –Tax-Exempt Status or Entitlement to Preferential Tax Rate*" for a detailed discussion on the requirements for claiming a preferential tax status.

Notwithstanding the submission by the Bondholder, or the receipt by the Issuer, the Registrar and Paying Agent, and the Joint Lead Bookrunners and Joint Lead Underwriters of documentary proof of tax-exempt status of a Bondholder, the Issuer may, in its sole and reasonable discretion, determine that such Bondholder is taxable and require the Registrar and Paying Agent to proceed to apply the tax due on the Offer Bonds. Any question on such determination shall be referred to the Issuer.

The Bondholders shall be responsible for monitoring and accurately reflecting their tax status in the Registry of Bondholders. The payment report to be prepared by the Registrar and Paying Agent and submitted to the Issuer in accordance with the Registry and Paying Agency Agreement, which shall be the basis of payments on the Offer Bonds on any Interest Payment Date, shall reflect the tax status of the Bondholders as indicated in their accounts as of the Record Date.

Secondary Trading of the Offer Bonds

The Issuer intends to list the Offer Bonds on PDEx for secondary market trading and, for that purpose, the Issuer has filed an application for such listing. However, there can be no assurance that such a listing will actually be achieved or whether such a listing will materially affect the liquidity of the Offer Bonds on the secondary market. Such listing would be subject to the Issuer's execution of a listing agreement with PDEx that may require the Issuer to make certain disclosures, undertakings and payments on an ongoing basis.

For so long as any of the Offer Bonds are listed on PDEx, the Offer Bonds will be traded in a minimum board lot size of ₱10,000, and in multiples of ₱10,000 in excess thereof. Secondary market trading in PDEx shall follow the applicable PDEx Rules, including rules, conventions and guidelines governing trading and settlement between Bondholders of different tax status, and shall be subject to the relevant fees of PDEx and PDTC, all of which shall be for the account of the Bondholders.

RANKING

The Offer Bonds shall constitute the direct, unconditional, unsecured and unsubordinated obligations of the Issuer ranking at least *pari passu* and ratably without any preference or priority among themselves and with all its other present and future direct, unconditional, unsecured and unsubordinated Indebtedness of the Issuer, whether now existing or hereafter outstanding, contingent or otherwise, other than Indebtedness mandatorily preferred by law and preferred claims under any bankruptcy, insolvency, reorganization, moratorium, liquidation or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (but not the preference or priority established by Article 2244(14)(a) of the Civil Code of the Philippines), but in the event of insolvency, such financial obligations shall be absolute and unconditional only to the extent permitted by Applicable Law relating to creditors' rights generally.

INTEREST

Interest Payment Dates

The Series E Bonds shall bear interest on its principal amount from and including the Issue Date at the rate of 3.4408% *per annum*, payable quarterly in arrears starting on January 12, 2022 as the first Interest Payment Date, and on January 12, April 12, July 12, and October 12 of each year at which the Series E Bonds are outstanding as the subsequent Interest Payment Dates, or the subsequent Banking Day, without adjustment for accrued interest, if the relevant Interest Payment Date falls on a non-Banking Day.

The Series F Bonds shall bear interest on its principal amount from and including the Issue Date at the rate of 4.3368% *per annum*, payable quarterly in arrears starting on January 12, 2022 as the first Interest Payment Date, and on January 12, April 12, July 12, and October 12 of each year at which the Series F Bonds are outstanding as the subsequent Interest Payment Dates, or the subsequent Banking Day, without adjustment for accrued interest, if the relevant Interest Payment Date falls on a non-Banking Day.

The cut-off date in determining the existing Bondholders entitled to receive interest, principal or any other amount due under the Offer Bonds shall be two (2) Business Days prior to the relevant Payment Date or such other date as the Issuer may duly notify PDTC (the "**Record Date**"). The Record Date shall be the reckoning date in determining the Bondholders entitled to receive interest, principal or any other amount due under the Offer Bonds.

Interest Accrual

The Offer Bonds shall cease to bear interest from and including the relevant Maturity Date, as defined in the discussion on "*Final Redemption*" below, unless, upon due presentation, payment of the principal in respect of the Offer Bonds then outstanding is not made, or is improperly withheld or refused, in which case the Penalty Interest (see "*Penalty Interest*" below) shall apply.

Determination of Interest

Interest on the Offer Bonds shall be calculated on a European 30/360-day count basis, regardless of the actual number of days in a month.

REDEMPTION AND PURCHASE

Final Redemption

Unless otherwise earlier redeemed or purchased and cancelled, the Offer Bonds shall be redeemed at par or 100% of face value on their respective Maturity Dates. However, if the relevant Maturity Date is not a Business Day, payment of all amounts due on such date will be made by the Issuer through the Paying Agent, without adjustment for accrued interest, on the succeeding Business Day.

Each Bondholder in whose name the Offer Bonds are registered in the Registry of Bondholders at the close of business on the Record Date preceding the Maturity Date shall be entitled to receive the principal amount of the Offer Bonds. In all cases, repayment of principal shall be remitted to the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement.

Optional Redemption

The Issuer shall have the right, but not the obligation, to redeem in whole (and not in part), any outstanding Series F Bonds on the dates set out below (each an "**Optional Redemption Date**").

	Optional Redemption Dates	**Optional Redemption Price**
Series F Bonds	4^{th} anniversary of the Issue Date	101.0%
	5^{th} anniversary of the Issue Date	100.5%

provided, that if the relevant Optional Redemption Date falls on a day that is not a Business Day, then the payment of accrued interest and the optional redemption price shall be made by the Issuer on the next Business Day, without adjustment to the amount of interest and optional redemption price to be paid. For the avoidance of doubt, the Bondholders shall not have any right to cause the Issuer to redeem the Series F Bonds pursuant to this Optional Redemption Option.

The amount payable to the Bondholders upon the exercise of the Optional Redemption by the Issuer shall be calculated, based on the principal amount of Offer Bonds being redeemed, as the sum of: (i) the accrued interest computed from the last Interest Payment Date up to the relevant Optional Redemption Date; and (ii) the product of the principal amount of the Series F Bonds being redeemed and the Optional Redemption Price in accordance with the above table.

The Issuer shall give no less than thirty (30) nor more than sixty (60) days' prior written notice to the Trustee and the Registrar and Paying Agent of its intention to redeem the Series F Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Series F Bonds on the Optional Redemption Date stated in such notice. Upon receipt by the Trustee of such notice, the Trustee through the Issuer shall secure from the Registrar and Paying Agent an updated list of Bondholders as of the Record Date indicated in the notice from the Issuer and provide written notices to all registered Bondholders of the intended early redemption. Each Bondholder in whose name the Series F Bonds subject of the early redemption are registered in the Registry of Bondholders at the close of business on the relevant Record Date shall be entitled to receive the interest and optional redemption price. The Issuer shall pay the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement.

Redemption for Taxation Reasons

If payments under the Offer Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the relevant Offer Bond series in whole, and not in part only, on any Interest Payment Date (having given not more than sixty (60) nor less than thirty (30) days' notice to the Trustee and the Registrar and Paying Agent) at par (or 100% of face value) and paid together with the accrued interest thereon, subject to the requirements of Applicable Law; provided that, if the Issuer does not redeem the Offer Bonds then all payments of principal and interest in respect of the Offer Bonds shall be made free and clear of, and without withholding or deduction for, any such new or additional taxes, duties, assessments or governmental charges, unless such withholding or deduction is required by law. In that event, the Issuer shall pay to the Bondholders concerned such additional amount as will result in the receipt by such Bondholders of such amounts as would have been received by them had no such withholding or deduction for new or additional taxes been required.

Accrued interest on the Offer Bonds to be redeemed under this section, from the last Interest Payment Date up to the relevant redemption date, shall be calculated on the basis of a 360-day year consisting of twelve (12) months of thirty (30) days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of thirty (30) days.

Redemption by Reason of Change in Law or Circumstance

Upon the occurrence of a Change in Law or Circumstance (as enumerated below), the Issuer shall provide the Trustee, or the Trustee shall procure, an opinion of legal counsel confirming the occurrence of any Change in Law or Circumstance and the consequences thereof, such legal counsel being from a law firm reasonably acceptable to the Trustee. Thereupon, the Trustee, after consultation with the Issuer and, in any case, within five (5) days after receipt of such legal opinion, shall give to the Issuer and all the Bondholders written notice of such Change in Law or Circumstance. Within thirty (30) days from such notice (the "**Cure Period**"), the Issuer shall use reasonable measures available to it to remedy the Change in Law or Circumstance so that the same event shall cease. The Issuer shall also have the option to redeem in whole, but not in part, the Offer Bonds at par (or 100% of face value) and paid together with the accrued interest thereon, exercisable by giving within the Cure Period not more than sixty (60) nor less than thirty (30) (or such shorter period prescribed by Applicable Law, if any) days' notice to the Trustee and the Registrar and Paying Agent.

After the lapse of the Cure Period with the Change in Law or Circumstance continuing and without the Issuer giving notice of exercise of its option to redeem under this Section, the Majority Bondholders may, by notice in writing delivered to the Issuer through the Trustee, declare the Offer Bonds, including the accrued interest thereon, to be immediately due and payable, and, upon such declaration the same shall be immediately due and payable within thirty (30) days after receipt of such notice (or such shorter period prescribed by Applicable Law, if any), without any prepayment penalty.

The following events shall be considered as changes in law or circumstances ("**Change in Law or Circumstance**") as it refers to the obligations of the Issuer and to the rights and interests of the Bondholders under the Trust Agreement and the Offer Bonds:

(a) Any government and/or non-government consent, license, authorization, registration or approval now or hereafter necessary to enable the Issuer to comply with its obligations under the Trust Agreement or the Offer Bonds shall be modified, withdrawn or withheld in a manner which will materially and adversely affect the ability of the Issuer to comply with such obligations; or

(b) Any provision of the Trust Agreement, the Offer Bonds or any of the related documents is or becomes, for any reason, invalid, illegal or unenforceable to the extent that it becomes for any reason unlawful for the Issuer to give effect to its rights or obligations thereunder, or to enforce any provisions of the Trust Agreement, the Offer Bonds or any of the related documents in whole or in part; or any law is introduced or any applicable existing law is modified or rendered ineffective or inapplicable to prevent or restrain the performance by the parties thereto of their obligations under the Trust Agreement, the Offer Bonds or any other related documents; or

(c) Any concession, permit, right, franchise or privilege required for the conduct of the business and operations of the Issuer shall be revoked, cancelled or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, in such manner as to materially and adversely affect the financial condition or operations of the Issuer; or

(d) The Republic of the Philippines or any competent authority thereof takes any action to suspend the whole or a substantial portion of the operations of the Issuer and to condemn, seize, nationalize or appropriate (either with or without compensation) the Issuer or any material portion of its properties or assets, unless such act, deed or proceedings are contested in good faith by the Issuer or the same does not materially and adversely affect the financial condition or operations of the Issuer.

Accrued interest on the Offer Bonds to be redeemed under this section, from the last Interest Payment Date up to the relevant Redemption Date, shall be calculated on the basis of a 360-day year consisting of twelve (12) months of thirty (30) days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of thirty (30) days.

Redemption by Reason of Change of Control

Upon the occurrence of a Change of Control, Bondholders holding at least two-thirds (2/3) of the outstanding principal amount of the Offer Bonds may require the Issuer to redeem the Offer Bonds at par (or 100% of face value), which shall be paid together with the accrued interest thereon. Within fifteen (15) days following a Change of Control, the Issuer shall notify the Trustee, which shall, in turn, notify the Bondholders (a) that a Change of Control has occurred and that the Bondholders holding at least two-thirds (2/3) of the outstanding principal amount of the Offer Bonds may require the Issuer to redeem all (but not some) of the Offer Bonds, and (b) the date set by the Issuer for such redemption (which shall not be earlier than thirty (30) days and no later than sixty (60) days from the date notice is received by the Trustee). The decision of the Bondholders holding at least two-thirds (2/3) of the outstanding principal amount of the Offer Bonds shall be conclusive and binding upon all the Bondholders.

Accrued interest on the Offer Bonds to be redeemed under this section, from the last Interest Payment Date up to the relevant Redemption Date, shall be calculated on the basis of a 360-day year consisting of twelve (12) months of thirty (30) days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of thirty (30) days.

Purchase and Cancellation

The Issuer may purchase the Offer Bonds at any time in the open market or by tender or by contract, in accordance with PDEx Rules, as may be amended from time to time, without any obligation to make pro rata purchases from all Bondholders. Offer Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

Upon listing of the Offer Bonds in the PDEx, the Issuer shall disclose any such transaction in accordance with the applicable PDEx disclosure rules.

Payments

The principal of, interests on, and all other amounts payable on the Offer Bonds shall be paid to the Bondholders through the Paying Agent. The Paying Agent shall credit the proper amounts received from the Issuer via RTGS, net of taxes and fees (if any), to the cash settlement banks of the Bondholders (nominated by the Bondholders in the Application to Purchase or as the Bondholder may notify the Paying Agent in writing), for onward remittance to the relevant cash settlement account of the Bondholder with the cash settlement bank. The principal of, and interest on, the Offer Bonds shall be payable in Philippine Pesos.

In the event that the details of the cash settlement account indicated by the Bondholder in the Application to Purchase are incomplete or erroneous, or the cash settlement account of the Bondholders has been closed, dormant, or inexistent, due to which payments to the Bondholders cannot be effected in a timely manner, the cash settlement bank shall handle such funds in accordance with its own internal procedures until the correction of the cash settlement account is effected and until credit of the relevant cash entitlement is completed. In these cases, the Issuer and the Paying Agent shall not be liable to the relevant Bondholder for any failure or delay in the Bondholder's receipt of such payments.

The Issuer shall ensure that so long as any of the Offer Bonds remain outstanding, there shall at all times be a Paying Agent for the purposes of the Offer Bonds and the Issuer or the Paying Agent may only terminate the appointment of the Paying Agent as provided in the Registry and Paying Agency Agreement. In the event the appointed office of any institution shall be unable or unwilling to continue to act as the Paying Agent, the Issuer shall appoint such other leading institution in the Philippines authorized to act in its place. The Paying Agent may not resign its duties or be removed without a successor having been appointed.

Payment of Additional Amounts – Taxation

Interest income on the Offer Bonds is subject to a withholding tax at rates of between 10% and 25% depending on the tax status of the relevant Bondholder under relevant law, regulation or tax treaty. Except for such withholding tax and as otherwise provided, all payments of principal and interest are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of the Republic of the Philippines, including, but not limited to, issue, registration or any similar tax or other taxes and duties, including interest and penalties, if any. If such taxes or duties are imposed, the same shall be for the account of the Issuer; provided however that, the Issuer shall not be liable for the following:

(a) The withholding tax applicable on interest earned on the Offer Bonds prescribed under the Tax Code, and its implementing rules and regulations as may be in effect from time to time; provided, further, that all Bondholders are required to provide the Issuer through the Bondholder's Selling Agent or PDEx Trading Participant and endorsed to the Registrar and Paying Agent their validly issued tax identification numbers issued by the BIR.

(b) Gross receipts tax under Section 121 of the Tax Code;

(c) Taxes on the overall income of any securities dealer or Bondholder, whether or not subject to withholding;

(d) Value-added tax under Sections 106 to 108 of the Tax Code; and

(e) Any applicable taxes on any subsequent sale or transfer of the Offer Bonds by any holder which shall be for the account of such holder (or its buyer, as the holder and the buyer may have agreed upon).

Documentary stamp tax for the primary issue of the Offer Bonds and the execution of the Bond Agreements, if any, shall be for the Issuer's account.

Please see the section on "*Taxation*" in the Prospectus for a more detailed discussion on the tax consequences of the acquisition, ownership and disposition of the Offer Bonds.

Tax-Exempt Status or Entitlement to Preferential Tax Rate

An investor who is exempt from the aforesaid withholding tax, or is subject to a preferential withholding tax rate, shall be required to submit the following requirements to the Registrar and Paying Agent, subject to acceptance by the Issuer, as being sufficient in form and substance:

(a) BIR-certified true copy of a valid, current and subsisting tax exemption certificate, ruling or opinion issued by the BIR and addressed to the relevant applicant or Bondholder, confirming its exemption or its entitlement to the preferential rate, as required under BIR Revenue Memorandum Circular No. 8-2014, including any clarification, supplement or amendment thereto;

(b) with respect to tax treaty relief, before the initial interest payment, three (3) originals of a duly accomplished valid, current and subsisting BIR Form No. 0901-I or Application Form for Treaty Purposes, Tax Residency Certificate ("**TRC**") duly issued by the foreign tax authority, and the relevant provision of the applicable tax treaty as required under BIR Revenue Memorandum Order No. 14-2021 and (i) three (3) originals of the duly notarized and consularized, if executed outside of the Philippines, Special Power of Attorney executed by the Bondholder in favor of its authorized representative (if the Application Form for Treaty Purposes is accomplished by an authorized representative); (ii) three (3) authenticated copies of the nonresident Bondholder's Articles or Memorandum of Incorporation / Association, trust agreement, or equivalent document copy confirming its establishment or incorporation, with an English translation thereof if in foreign language; (iii) three (3) originals of the Certificate of Non-Registration of Company duly issued by the SEC; and (iv) confirmation acceptable to the Issuer that the Bondholder is not doing business in the Philippines to support the applicability of a tax treaty relief;

(c) a duly notarized undertaking executed by (i) the corporate secretary or any authorized representative of such Applicant or Bondholder, who has personal knowledge of the exemption based on his official functions, if the Applicant purchases, or the Bondholder holds, the Offer Bonds for its account, or (ii) the trust officer, if the Applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Offer Bonds pursuant to its management of tax-exempt entities (*i.e.* Employee Retirement Fund, etc.), declaring and warranting such entity's tax-exempt status or preferential rate entitlement, undertaking to immediately notify the Issuer, the Registrar and the Paying Agent (1) of any suspension, revocation, amendment or invalidation (in whole or in part) of the tax exemption certificate, ruling or opinion issued by the BIR, executed using the prescribed form under the Registry and Paying Agency Agreement; (2) if there are any material changes in the factual circumstances of the Bondholder, including but not limited to its character, nature, and method of operation, which are inconsistent with the basis for its income tax exemption; or (3) if there are any change of circumstance, relevant treaty, law or regulation or any supervening event that may or would result in the interest income of the Offer Bonds being ineligible for exemption or preferential rate, with a declaration and warranty of its tax exempt status or entitlement to a preferential tax rate, and agreeing to indemnify and hold the Issuer, the Registrar and the Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding or incorrect withholding of the required tax, provided, that in case of corporate, partnership or trust account investors, such Bondholder shall also submit an original certification from the corporate secretary or an equivalent officer of the investor, setting forth the resolutions of its board of directors or equivalent body authorizing the execution of the undertaking and designating the signatories, with their specimen signatures, for the said purpose; and

(d) such other documentary requirements as may be reasonably required by the Issuer or the Registrar or Paying Agent, or as may be required under the applicable regulations of the relevant taxing or other authorities; which, for purposes of claiming tax treaty withholding rate benefits, shall include evidence of the applicability of a tax treaty and consularized proof of the Applicant's or Bondholder's legal domicile in the relevant treaty state, and confirmation acceptable to the Issuer that the Bondholder is not doing business in the Philippines;

provided that the Issuer shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the Bondholder on the interest payments to such Bondholder;

provided further that, all sums payable by the Issuer to tax exempt entities shall be paid in full without deductions for taxes, duties, assessments or government charges, subject to the submission by the Bondholder claiming the benefit of any exemption of the required documents and of additional reasonable evidence of such tax-exempt status to the Registrar.

Unless otherwise indicated above, the foregoing requirements shall be submitted, (i) in respect of an initial issuance of Offer Bonds, upon submission of the Application to Purchase to the Joint Lead Bookrunners and Joint Lead Underwriters or Selling Agents (if any) who shall then forward the same to the Registrar; or (ii) in respect of a transfer from a Bondholder to a purchaser, to the Registrar upon submission of the account opening documents.

Failure on the part of the Bondholder to submit the aforementioned document/s within the time prescribed shall result in the application of the regular tax rates.

FINANCIAL RATIO

The Issuer shall procure that the ratio of the Consolidated Gross Liabilities as at the last day of the relevant quarter period to the Consolidated Net Worth as at the last day of the relevant quarter period does not exceed 2.75x to 1.00x.

NEGATIVE PLEDGE

The Issuer covenants and agrees that, unless the Majority Bondholders shall otherwise consent in writing, the Issuer shall not, from the signing date of the Trust Agreement and for as long as the Offer Bonds or any portion thereof remain outstanding, create or have outstanding any Security Interest upon or with respect to, any of the present or future business, agreement, assets or revenues (including any uncalled capital) of the Company to secure any Indebtedness unless the Company, in the case of the creation of the Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

i. all amounts payable by it under the Offer Bonds are secured by the Security Interest equally and ratably with the relevant Indebtedness; or

ii. such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided to the satisfaction of the Majority Bondholders;

provided, that the foregoing restriction shall not apply to any Permitted Security Interest as defined in the Trust Agreement and in this Offer Supplement.

EVENTS OF DEFAULT

Each of the following events shall constitute an "**Event of Default**" under the Offer Bonds and the Trust Agreement:

(a) the Issuer defaults in the payment when due of any amount payable under the Offer Bonds and the Trust Agreement, unless such failure arises solely as a result of an administrative or technical error or a Disruption Event and payment is made within three (3) Business Days after the date such payment is due (a "**Payment Default**");

(b) the Issuer fails to perform, comply with, or violates any material provision, term, condition, covenant or obligation contained in the Offer Bonds, the Trust Agreement and the other Bond Agreements (other than by reason of paragraphs (a), (d), (e) and (f), (g), and (h) of this section, and any such failure, non-compliance or violation is not remediable or, if remediable, continues unremedied for a period of thirty (30) days (or such longer curing period granted to the Issuer by the Majority Bondholders) from the date after written notice thereof shall have been given to the Issuer by the Trustee;

(c) any representation or warranty which is made or deemed to be made by the Issuer or any of the directors or officers of the Issuer in the Offer Bonds, Trust Agreement, or any other Bond Agreements or otherwise in connection therewith, or in any certificate delivered by the Issuer thereunder or in connection therewith, shall prove to have been untrue or incorrect in any material respect as of the time it was made or deemed to have been made;

(d) any Indebtedness of the Issuer and/or any of its Material Subsidiaries, whether singly or in the aggregate, in excess of One Billion and Two Hundred Fifty Million Pesos (₱1,250,000,000) or its equivalent in other currencies is not paid on its due date or within any applicable grace period or is declared to be due and payable prior to its stated date of payment (except where liability for payment of that Indebtedness is being contested in good faith by appropriate means);

(e) a decree or order by a court or other Governmental Authority having jurisdiction over the premises is entered without the consent or application of the Issuer;

(1) adjudging the Issuer bankrupt or insolvent;

(2) approving a petition seeking a suspension of payments by or a reorganization of the Issuer under any applicable bankruptcy, insolvency or reorganization law;

(3) appointing a receiver, liquidator or trustee or assignee in bankruptcy or insolvency of the Issuer or of all or substantially all of the business or assets of the Issuer;

(4) providing for the winding-up or liquidation of the affairs of the Issuer;

(5) with a view to the rehabilitation, administration, liquidation, winding-up or dissolution of the Issuer; or

(6) taking other action under Applicable Law which is similar to any of the events mentioned in paragraphs (1) to (5) above (inclusive);

provided, that the issuance of any such decree or order shall not be an Event of Default if the same shall have been dismissed or stayed by injunction or otherwise within ninety (90) days from issuance thereof;

(f) the Issuer:

(1) institutes voluntary proceedings to be adjudicated bankrupt or insolvent or consents to the filing of a bankruptcy or insolvency proceeding against it;

(2) files a petition seeking a suspension of payments by it or its reorganization under any applicable bankruptcy, insolvency or reorganization law or consents to the filing of any such petition;

(3) seeks or consents to the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or of all or substantially all of its business or assets;

(4) makes an assignment for the benefit of its creditors or admits in writing its inability to pay its debts generally as they become due;

(5) files a petition seeking the winding-up or liquidation of its affairs or consents to the filing of any such petition;

(6) takes any other step with a view to its rehabilitation, administration, liquidation, winding-up or dissolution or a suspension of payments by it; or

(7) takes other action under Applicable Law which is similar to any of the events mentioned in paragraphs (1) to (6) above (including, without limitation, any out-of-court agreements, informal restructuring agreements, or rehabilitation plans under the Financial Rehabilitation and Insolvency Act (Republic Act No. 10142), as the same may be amended or replaced from time to time);

(g) final and executory judgment(s) or order(s) are rendered by a court of competent jurisdiction against the Issuer or its properties or assets from which no appeal may be made for the payment of money which will have a Material Adverse Effect and such judgment or order shall continue unsatisfied or undischarged after ninety (90) days;

(h) the Issuer shall suspend or discontinue all or a substantial portion of its business operations, whether voluntarily or involuntarily for a period of thirty (30) consecutive days, except in cases of (i) strike or lockout, (ii) when necessary to prevent business losses, (iii) shutdowns or regular preventive repairs or (iv) closures due to fortuitous events or force majeure, provided that in any such event of strikes, lockouts, shutdowns or repairs, or closures due to fortuitous events or force majeure events, there is no Material Adverse Effect; and

(i) any event or circumstance that will have a Material Adverse Effect has occurred.

Notice of Default

The Trustee shall, within five (5) Business Days after receipt of written notice from the Issuer or the Majority Bondholders of the occurrence of an Event of Default, give to all the Bondholders written notice of any such Event of Default, unless the same shall have been cured before the giving of such notice; provided, that in the case of a Payment Default (as described in paragraph (a) of the "*Description of the Offer Bonds – Events of Default*," the Trustee shall immediately notify the Bondholders upon the occurrence of such Payment Default.

Consequences of Default

(a) If any one or more of the Events of Default shall have occurred and be continuing after the lapse of the period given to the Issuer within which to cure such Event of Default, if any, or upon the occurrence of such Event of Default for which no cure period is provided, (i) the Trustee upon the written direction of the Majority Bondholders, by notice in writing delivered to the Issuer, or (ii) the Majority Bondholders, by notice in writing delivered to the Issuer and the Trustee, may declare the Issuer in default ("**Declaration of Default**") and declare the principal of the Offer Bonds then outstanding, together with all accrued and unpaid interest thereon and all amounts due thereunder, to be due and payable not later than five (5) Business Days from the receipt of the Declaration of Default ("**Default Payment Date**") with a copy to the Registrar and Paying Agent who shall then prepare a payment report in accordance with the Registry and Paying Agency Agreement. Thereupon, the Issuer shall make all payments due on the Offer Bonds in accordance with the Registry and Paying Agency Agreement.

(b) All the unpaid obligations under the Offer Bonds, including accrued interest, and all other amounts payable thereunder, shall be declared to be forthwith due and payable, whereupon all such amounts shall become and be forthwith due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Issuer.

Penalty Interest

In case any amount payable by the Issuer under the Offer Bonds, whether for principal, interest, or otherwise, is not paid on the relevant due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest and other amounts, pay a penalty fee on the defaulted amount(s) at the rate of twelve percent (12%) per annum (the "**Penalty Interest**") from the time the amount fell due until it is fully paid in accordance with the Terms and Conditions of the Offer Bonds and the Trust Agreement.

Payments in the Event of Default

Upon the occurrence of any Event of Default, and provided that there has been a Declaration of Default and acceleration of payment of the Offer Bonds by the Majority Bondholders, then in any such case:

(a) The Issuer will pay the Bondholders, through the Paying Agent, the whole amount which shall then have become due and payable on such outstanding Offer Bonds with interest at the rate borne by the Offer Bonds on the overdue principal and with Penalty Interest, where applicable, based on the payment report no later than the Default Payment Date. The Issuer also undertakes that it shall give the Trustee written notice of its intention to make any payments under this provision; and

(b) The Trustee shall have the right to require the Registrar and the Paying Agent, upon demand in writing through the Issuer, to do the following:

    (i) hold all sums, documents and records held by them in respect of the Offer Bonds on behalf of the Trustee; and/or

    (ii) deliver all evidences of the Offer Bonds and all sums, documents and records held by them in respect of the Offer Bonds to the Trustee or as the Trustee shall direct in such demand; provided, that such demand shall be deemed not to apply to any documents or records which the Paying Agent or the Registrar is not allowed to release by any law or regulation; and/or

    (iii) subject to the terms of the Registry and Paying Agency Agreement, apply any money received from the Issuer pursuant to this Section in the order of preference provided in Section 10.4 of the Trust Agreement.

Application of Payments

Any money collected by the Trustee as a consequence of a Declaration of Default and any other funds held by it, subject to any other provision of the Trust Agreement relating to the disposition of such money and funds or to the Registry and Paying Agency Agreement, shall be applied by the Trustee in the order of preference as follows:

(a) *First*: to the *pro rata* payment to the Trustee, the Registrar and the Paying Agent of the reasonable, actual and documented costs, expenses, fees, and other charges of collection, including reasonable compensation to them, their agents, attorneys, and all reasonable, actual and documented expenses and liabilities incurred or disbursements made by them, without gross negligence or bad faith in carrying out their respective obligations under their respective agreements with the Issuer in connection with the Offer Bonds.

(b) *Second*: to the payment of all outstanding interest, including any Penalty Interest, in the order of maturity of such interest.

(c) *Third*: to the payment of the principal amount of the Offer Bonds then due and payable.

(d) *Fourth*: the remainder, if any, shall be paid to the Issuer, its successors, or assigns, or to whoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

Prescription

Claims in respect of principal and interest or other sums payable hereunder shall prescribe unless the claim is made within ten (10) years (in the case of principal or other sums) or five (5) years (in the case of interest) from the date on which payment becomes due.

Remedies

All remedies conferred by the Trust Agreement to the Trustee and the Bondholders shall be cumulative and not exclusive and shall not be so construed as to deprive the Trustee or the Bondholders of any legal remedy by judicial or extra-judicial proceedings appropriate to enforce the conditions and covenants of the Trust Agreement, subject to "*Ability to File Suit*."

No delay or omission by the Trustee or the Bondholders to exercise any right or power arising from or on account of any default hereunder shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence thereto; and every power and remedy given by the Trust Agreement to the Trustee or the Bondholders may be exercised from time to time and as often as may be necessary or expedient.

Ability to File Suit

No Bondholder shall have any right by virtue of or by availing of any provision of the Trust Agreement to institute any suit, action or proceeding for the collection of any sum due from the Issuer hereunder on account of principal, interest and other charges, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(i) such Bondholder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof and the related request for the Trustee to convene a meeting of the Bondholders to take up matters related to their rights and interests under the Offer Bonds in accordance with the provisions on Events of Default (see *Description of the Offer Bonds – Events of Default*);

(ii) the Majority Bondholders shall have decided and made the written request upon the Trustee to institute such action, suit or proceeding in its own name;

(iii) the Trustee for sixty (60) days after the receipt of such notice and written request shall have neglected or refused to institute any such action, suit or proceeding; and

(iv) no directions inconsistent with such notice and written request shall have been given or no waiver of default by the Bondholders has been given,

it being understood and intended, and being expressly covenanted by every Bondholder with every other Bondholder and the Trustee, that no one or more Bondholders shall have any right in any manner whatever by virtue of or by availing of any provision of the Trust Agreement to affect, disturb or prejudice the rights of the holders of any other such Offer Bonds or to obtain or seek to obtain priority over or preference to any other such holder or to enforce any right under the Trust Agreement, except in the manner herein provided and for the equal, ratable and common benefit of all the Bondholders.

Waiver of Default by the Bondholders

The Majority Bondholders may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee, or may on behalf of the Bondholders waive any past default except the Events of Default defined as a Payment Default, insolvency default or closure default, and its consequences. In case of any such waiver, the Issuer, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Bondholders shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the Offer Bonds.

SUBSTITUTION

Substitution of the Offer Bonds is not contemplated.

TRUSTEE; NOTICES

The following discussion is qualified by the more detailed information as contained in the Trust Agreement.

Notice to the Trustee

All documents required to be submitted to the Trustee and all other notices, requests and other communications must be in writing and will be deemed to have been duly given only if delivered personally, or by facsimile transmission, or mailed (first class postage prepaid) or emailed to the Trustee at the following address, facsimile number or email address; and addressed to the individuals named below:

To the Trustee:

PHILIPPINE COMMERCIAL CAPITAL, INC. – TRUST AND INVESTMENT GROUP
6th Floor, PCCI Corporate Center, 118 L.P. Leviste Street, Salcedo Village, Makati City

Attention:	MA. ELIZABETH P. AQUINO/ KATRINA ANN A. TORRES/ MA. CARMEN V. PALANCA
Telephone No.:	(+632) 8284-9700
Facsimile:	(+632) 8814-0163
Email:	tebbie.aquino@pccigroup.com.ph katrina.torres@pccigroup.com.ph maricar.palanca@pccigroup.com.ph

All such notices, requests and other communications will: (i) if delivered personally to the address as provided above, be deemed given upon delivery; (ii) if delivered by facsimile transmission to the facsimile number as provided above, be deemed given upon receipt, in readable form and a full transmission report has been received by the sender; and (iii) if delivered by mail or email in the manner described above to the address as provided above, be deemed given upon receipt and in case of email if received in readable form (in each case regardless of whether such notice, request or other communication is received by any other Person on behalf of such individual to whom a copy of such notice, request or other communication is to be delivered). Each of the Trustee and the Issuer may from time to time change its address, facsimile number or other information for the purpose of notices hereunder by giving notice specifying such change to the other parties.

Any notice, report or communication received on a non-working day or after business hours in the place of receipt will only be deemed given on the next working day in that place.

Notice to the Bondholders

Where required or necessary under the Offer Bonds and the Bond Agreements, the Trustee shall send all notices to Bondholders to their mailing address as set forth in the Registry of Bondholders or the relevant records of the Registrar. Except where a specific mode of notification is provided for herein, notices to Bondholders shall be sufficient when made in writing and transmitted in any one of the following modes: (i) registered mail; (ii) ordinary mail;

(iii) by publication for at least once a week for two (2) consecutive weeks in at least two (2) newspapers of general circulation in the Philippines; (iv) personal delivery to the address of record in the Registry of Bondholders; or (v) disclosure through the Online Disclosure System of the PDEx. If notices to Bondholders shall be sent by mail or personal delivery, such notices shall be sent to the mailing address of the Bondholders as set forth in the Registry of Bondholders. All notices shall be deemed to have been received (i) ten (10) days from posting if transmitted by registered mail; (ii) fifteen (15) days from mailing, if transmitted by courier; (iii) on the date of last publication, if notice is made by publication; or (iv) on the date of delivery, for personal delivery; or (v) on the date of disclosure, if notice is made by disclosure through the Online Disclosure System of the PDEx.

A notice to the Trustee is notice to the Bondholders. The publication in a newspaper of general circulation in the Philippines of a press release or news item about a communication or disclosure made by the Issuer to the PDEx on a matter relating to the Offer Bonds shall be deemed a notice to the Bondholders of said matter on the date of the first publication or the date of the disclosure, as the case may be.

Binding and Conclusive Nature

Except as provided in the Trust Agreement, all notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by the Trustee for the purposes of the provisions of the Trust Agreement shall (in the absence of willful default, bad faith or manifest error) be binding on the Issuer and all Bondholders; and (in the absence as referred to above) no liability to the Issuer, the Paying Agent or the Bondholders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions under the Trust Agreement.

Duties and Responsibilities of the Trustee

(a) The Trustee is appointed as trustee for and on behalf of the Bondholders and accordingly shall perform such duties and shall have such responsibilities as provided in the Trust Agreement. The Trustee shall, in accordance with the terms and conditions of the Trust Agreement, monitor the compliance or non-compliance by the Issuer with all its representations and warranties, and the observance by the Issuer of all its covenants and performance of all its obligations, under and pursuant to the Trust Agreement. The Trustee shall observe due diligence in the performance of its duties and obligations under the Trust Agreement. For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party responsible to the Bondholders, and to whom the Bondholders shall communicate with in respect to any matters that must be taken up with the Issuer.

(b) The Trustee shall, prior to the occurrence of an Event of Default or after the curing of all such defaults which may have occurred, perform only such duties as are specifically set forth in the Trust Agreement. In case of default, the Trustee shall exercise such rights and powers vested in it by the Trust Agreement, and use such judgment and care under the circumstances then prevailing that individuals of prudence, discretion and intelligence, and familiar with such matters, will exercise in the management of their own affairs.

(c) None of the provisions contained in these terms, the Prospectus and this Offer Supplement shall require or be interpreted to require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

Resignation and Change of Trustee

(a) The Trustee may at any time resign by giving ninety (90) days' prior written notice to the Issuer of such resignation.

(b) Upon receipt of such notice of resignation of the Trustee, the Issuer shall immediately appoint a successor Trustee by written instrument in duplicate, executed by its authorized officers, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor Trustee. However, notwithstanding the immediately preceding sentence, in cases where an Event of Default shall have occurred and be continuing, it is the Majority Bondholders, not the Issuer, that shall appoint the successor Trustee. If no successor shall have been so appointed and have accepted appointment within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor, or any Bondholder who has been a bona fide holder for at least the immediately preceding six (6) months may, for and in behalf of the Bondholders, petition any court of competent jurisdiction for the appointment of a successor. Such court may thereupon after notice, if any, as it may deem proper, appoint a successor Trustee.

(c) Subject to section (f) below, a successor Trustee must possess all the qualifications required under pertinent laws.

(d) In case at any time the Trustee shall become incapable of acting, or has acquired conflict of interest, or shall be adjudged as bankrupt or insolvent, or a receiver for the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its properties or affairs for the purpose of rehabilitation, conservation or liquidation, or for other causes set out in the Trust Agreement, then the Issuer may within thirty (30) days therefrom remove the Trustee concerned, and appoint a successor Trustee, by written instrument in duplicate, executed by its authorized officers, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor Trustee. If the Issuer fails to remove the Trustee concerned and appoint a successor Trustee, any *bona fide* bondholder may petition any court of competent jurisdiction for the removal of the Trustee concerned and the appointment of a successor Trustee. Such court may thereupon after such notice, if any, as it may deem proper, remove the Trustee and appoint a successor Trustee.

(e) The Majority Bondholders may at any time remove the Trustee for cause, and appoint a successor trustee, by the delivery to the Trustee so removed, to the successor trustee and to the Issuer of the required evidence of the action in that regard taken by the Majority Bondholders.

(f) Any resignation or removal of the Trustee and the appointment of a successor trustee pursuant to any of the provisions in the Trust Agreement shall become effective upon the earlier of: (i) the acceptance of appointment by the successor trustee as provided in the Trust Agreement; or (ii) the effectivity of the resignation notice sent by the Trustee under the Trust Agreement; provided, however, that after the effectivity of the resignation notice and, as relevant, until such successor trustee is qualified and appointed, the resigning Trustee shall discharge duties and responsibilities solely as a custodian of records for turnover to the successor Trustee promptly upon the appointment thereof by the Issuer.

Successor Trustee

(a) Any successor Trustee appointed shall execute, acknowledge and deliver to the Issuer and to its predecessor Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor Trustee, without further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trusteeship with like effect as if originally named as Trustee in the Trust Agreement. The foregoing notwithstanding, on the written request of the Issuer or of the successor Trustee, the Trustee ceasing to act as such shall execute and deliver an instrument transferring to the successor Trustee, all the rights, powers and duties of the Trustee so ceasing to act as such. Upon request of any such successor

Trustee, the Issuer shall execute any and all instruments in writing as may be necessary to fully vest in and confer to such successor Trustee all such rights, powers and duties.

(b) Upon acceptance of the appointment by a successor Trustee, the Issuer shall notify the Bondholders in writing and/or by publication once in a newspaper of general circulation in Metro Manila, Philippines of the succession of such Trustee to the trusteeship. If the Issuer fails to notify the Bondholders within ten (10) days after the acceptance of appointment by the successor Trustee, the latter shall cause the Bondholders to be notified at the expense of the Issuer.

Reports to the Bondholders

Only upon the existence of either (a) or (b) below, the Trustee shall submit to the Bondholders on or before February 28 of each year from the Issue Date until full payment of the Offer Bonds a brief report dated as of December 31 of the immediately preceding year with respect to:

(a) the property and funds, if any, physically in the possession of the Paying Agent held in trust for the Bondholders on the date of such report which shall be based on the report to be given by the Paying Agent to the Trustee; and

(b) any action taken by the Trustee in the performance of its duties under the Trust Agreement which it has not previously reported and which in its opinion materially affects the Offer Bonds, except action in respect of a default, notice of which has been or is to be withheld by it.

The Trustee shall submit to the Bondholders a brief report within ninety (90) days from the making of any advance for the reimbursement of which it claims or may claim a lien or charge which is prior to that of the Bondholders on the property or funds held or collected by the Paying Agent with respect to the character, amount and the circumstances surrounding the making of such advance; provided, that the remaining unpaid amounts of such advance is at least ten percent (10%) of the aggregate outstanding principal amount of the Offer Bonds at such time.

Inspection of Documents

Upon due notice to the Trustee, the following pertinent documents may be inspected during regular business hours on any Business Day at the principal office of the Trustee:

(a) Trust Agreement
(b) Registry and Paying Agency Agreement
(c) Articles of Incorporation and By-Laws of the Company
(d) Registration Statement of the Company with respect to the Bonds (including the Offer Bonds) with the Prospectus and this Offer Supplement

MEETINGS OF THE BONDHOLDERS

A meeting of the Bondholders may be called at any time for the purpose of taking any actions authorized to be taken by or in behalf of the Bondholders of any specified aggregate principal amount of Offer Bonds under any other provisions of the Trust Agreement or under the law and such other matters related to the rights and interests of the Bondholders under the Offer Bonds.

The following discussion is qualified by the more detailed information as contained in the Trust Agreement.

Notice of Meetings

The Trustee may at any time call a meeting of the Bondholders, on its own accord or upon the written request by the Issuer, or the Majority Bondholders, for purposes of taking any actions authorized under the Trust Agreement. The meeting may be held at such time and at such place as the Trustee shall determine.

Unless otherwise provided in the Trust Agreement, the Trustee shall give notice of every meeting of the Bondholders (which notice must set forth the time, place, and purpose of such meeting in reasonable detail) to the Issuer and each of the registered Bondholders not earlier than forty-five (45) days nor later than fifteen (15) days prior to the date fixed for the meeting and shall publish such notice once in a newspaper of general circulation; provided, the Trustee shall fix the record date for determining the Bondholders entitled to notice and vote during the meeting, which record date shall not be earlier than forty-five (45) days before the date of the meeting; provided, further, that all reasonable, actual and documented costs and expenses incurred by the Trustee for the proper dissemination of the requested meeting shall be reimbursed by the Issuer within ten (10) days from receipt of the duly supported billing statement, subject to obtaining prior written consent of the Issuer for reasonable, actual and documented costs and expenses in excess of Fifty Thousand Pesos (₱50,000) per occurrence; provided, further, that any meetings of the Bondholders shall be held at such time and place within Metro Manila as the party requesting such meeting may determine.

Failure of the Trustee to Call a Meeting

Failure of the Trustee to call a meeting upon the written request of either the Issuer or the Majority Bondholders within five (5) Business Days from receipt of such request shall entitle the requesting party to send and publish the appropriate notice of Bondholders' meeting and fix the record date for determining the Bondholders entitled to attend and vote in accordance with the provision above. The costs for calling such a meeting shall be for the Trustee's account in case of unjustified failure of the Trustee to call the meeting due to its willful misconduct, fraud, evident bad faith or gross negligence.

Quorum

The presence of Majority Bondholders, personally or by proxy, shall be necessary to constitute a quorum to do business at any meeting of the Bondholders. The Trustee shall determine and record the presence of the Majority Bondholders based on the list of Bondholders prepared by the Registrar in accordance with the Registry and Paying Agency Agreement (which list shall include all information necessary to the performance of the duties and powers of the Trustee under the Trust Agreement, such as, but not limited to, specimen signatures of the Bondholders' authorized signatories). The Registrar shall provide the Trustee through the Issuer with the foregoing list and information at least three (3) Business Days upon receipt of a written request from the Trustee.

Procedure for Meetings

(a) The Trustee shall preside at all the meetings of the Bondholders, unless the meeting shall have been called by the Issuer or by the Majority Bondholders as provided above in which case the Issuer or the Majority Bondholders calling the meeting, as the case may be, shall move for the election of the chairman and secretary of the meeting. The elected secretary shall take down the minutes of the meeting, covering all matters presented for resolutions by and the results of the votes cast by the Bondholders entitled to vote at the meeting and/or the Person appointed in writing by a public instrument as proxy or agent by any such Bondholder in accordance with the provision below. The elected secretary shall immediately provide the Trustee with a copy of the minutes of the meeting which copy shall be made available at any time to the Issuer and all Bondholders upon receipt of written request.

(b) Any meeting of the Bondholders may be adjourned from time to time for a period or periods not to exceed in the aggregate one (1) year from the date for which the meeting shall originally have been called, and the meeting so adjourned may be held without further notice. Any such adjournment may be ordered by Persons representing a majority of the aggregate principal amount of the Offer Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

Voting Rights

To be entitled to vote at any meeting of the Bondholders, a Person should be a registered holder of the Offer Bonds as reflected in the Registry of Bondholders, or a Person appointed in writing by a public instrument as proxy or agent by any such Bondholder (and, in case of corporate or institutional Bondholders, duly supported by the resolutions of its board of directors or equivalent body authorizing the appointment of the proxy or agent duly certified by its corporate secretary or an authorized officer) for the meeting. Bondholders shall be entitled to one vote for every ₱10,000. The only Persons who shall be entitled to be present or to speak at any meeting of the Bondholders shall be the Persons entitled to vote at such meeting, the Trustee, and any representative of the Issuer and its legal counsel.

Voting Requirement

Except as provided in "*Description of the Offer Bonds – Amendments*", all matters presented for resolution by the Bondholders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the Majority Bondholders (present or represented in a meeting at which there is a quorum). Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders as herein provided shall be binding upon all the Bondholders and the Trustee as if the votes were unanimous.

Role of the Trustee in Meetings of the Bondholders

Notwithstanding any other provisions of the Trust Agreement, the Trustee may make such reasonable regulations (not inconsistent with the Trust Agreement) as it may deem advisable for any meeting of the Bondholders, with regard to proof of ownership of the Offer Bonds, the appointment of proxies by the Bondholders, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote and such other matters concerning the conduct of the meeting as it shall deem fit.

Evidence Supporting the Action of the Bondholders

Wherever in the Trust Agreement it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of the Offer Bonds may take any action (including the making of any demand or requests and the giving of any notice or consent or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced by: (i) any instrument executed by the Bondholders in person or by the agent or proxy appointed in writing, or (ii) the duly authenticated record of voting in favor thereof at the meeting of the Bondholders duly called and held in accordance herewith, or (iii) a combination of such instrument and any such record of meeting of the Bondholders.

Non-Reliance

Each Bondholder also represents and warrants to the Trustee that it has independently and, without reliance on the Trustee, made its own credit investigation and appraisal of the financial condition and affairs of the Issuer on the basis of such documents and information as it has deemed appropriate and that it has subscribed to the Issue on the basis of such independent appraisal, and each Bondholder represents and warrants that it shall continue to make its own credit appraisal without reliance on the Trustee. The Bondholders agree to indemnify and hold the Trustee harmless from and against any and all liabilities, damages, penalties, judgments, suits, expenses and other costs of any kind or nature against the Trustee in respect of its obligations under the Trust Agreement, except for any liability, damage or claim arising out of or connected to its gross negligence, fraud, evident bad faith or willful misconduct.

Amendments

The Issuer and the Trustee may, without prior notice to or the consent of the Bondholders or other parties, amend or waive any provisions of the Trust Agreement if such amendment or waiver is of a formal, minor, or technical nature or to correct a manifest error or inconsistency, provided, in all cases that such amendment or waiver does not adversely affect the interests of the Bondholders, *provided, further,* that all Bondholders are notified of such amendment or waiver.

With the consent of the Majority Bondholders, the Issuer, when authorized by a resolution of its board of directors or the executive committee of its board of directors, and the Trustee may, from time to time and at any time, enter into an agreement or agreements supplemental to the Trust Agreement for the purpose of adding any provision to or changing in any manner or eliminating any of the provisions of the Trust Agreement; provided, that no such supplemental agreement shall:

(a) without the consent of all Bondholders affected thereby: (x) extend the maturity date of the Offer Bonds; or (y) reduce the principal amount of the Offer Bonds; or (z) reduce the rate or extend the time of payment of interest and principal thereon; or
(b) impair the right of any Bondholder to (y) receive payment of principal of and interest on the Offer Bonds on or after the due dates therefore or (z) to institute suit for the enforcement of any payment on or with respect to such Bondholder;
(c) affect the rights of some of the Bondholders without similarly affecting the rights of all the Bondholders;
(d) make any Offer Bond payable in money other than that stated in the Offer Bond;
(e) subordinate the Offer Bonds to any other obligation of the Issuer;
(f) amend or modify the provisions of the Terms and Conditions on Taxation, the Events of Default or the waiver of default by the Bondholders;
(g) make any change or waiver of the conditions under (i) "*Description of the Offer Bonds – Payment of Additional Amounts – Taxation*", (ii) "*Description of the Offer Bonds – Events of Default*" or (iii) "*Description of the Offer Bonds – Waiver of Default by the Bondholders*"; or
(h) reduce the percentage of the Bondholders required to be obtained under the Trust Agreement for their consent to or approval of any supplemental agreement or any waiver provided for in the Trust Agreement, without the consent of all the Bondholders.

It shall not be necessary to obtain the consent of the Bondholders (i.e., all the Bondholders or Majority Bondholders, as the case may be) for the purpose of approving the particular form of any proposed supplemental agreement but such consent shall be necessary for the purpose of approving the substance thereof.

Any consent given pursuant to this section shall be conclusive and binding upon all Bondholders and upon all future holders and owners of the Offer Bonds or of any Offer Bonds issued in lieu thereof or in exchange therefor, irrespective of whether or not any notation of such consent is made upon the Offer Bonds.

GOVERNING LAW

The Bond Agreements are governed by and are construed in accordance with Philippine law.

VENUE

Any suit, action, or proceeding against the Issuer with respect to the Offer Bonds or the Bond Agreements or on any judgment entered by any court in respect thereof may be brought in any competent court in the Cities of Makati and Mandaluyong, at the option of the plaintiff, and the parties submit to the exclusive jurisdiction of such courts for the purpose of any such suit, action, proceeding or judgment, the Issuer and Bondholders expressly waiving other venue.

WAIVER OF PREFERENCE

The obligations created under the Bond Agreements and the Offer Bonds shall not enjoy any priority of preference or special privileges whatsoever over any indebtedness or obligations of the Issuer. Accordingly, whatever priorities or preferences that the Bond Agreements may have or confer on any person under Article 2244, paragraph 14 of the Civil Code of the Philippines are hereby absolutely and unconditionally waived and renounced. This waiver and renunciation of the priority or preference under Article 2244, paragraph 14 of the Civil Code of the Philippines shall be deemed automatically revoked if it be shown that an indebtedness of the Issuer for borrowed money or any obligation has a priority or preference under the said provision.

Use of Proceeds

The gross proceeds from the Offer shall be ₱18.00 billion. The Company estimates that the net proceeds from the Offer shall amount to approximately ₱17.783 billion, after fees, commissions and expenses.

EXPENSES

Estimated fees, commissions and expenses relating to the Offer are as follows:

	In ₱ millions
Estimated Gross proceeds from the Offer	**18,000.00**
Less:	
Underwriting fees for the Offer Bonds being sold by the Company	63.00
Taxes to be paid by the Company	135.00
Philippine SEC filing and legal research fee	5.11
Listing application fee	0.20
Listing maintenance fee	0.45
Rating fee	4.05
Trustee fees	0.13
Registry and paying agency fees	0.50
Estimated legal and other professional fees	7.80
Estimated other expenses	0.55
Total Estimated Upfront Expenses	216.79
Estimated Net Proceeds from the Offer	**17,783.21**

Aside from the foregoing one-time costs, Petron expects the following annual expenses related to the Offer Bonds:

1. The Issuer will be charged by the PDEx for the first annual maintenance fee in advance upon approval of the listing and thereafter, the Issuer will pay PDEx an annual maintenance listing fee amounting to ₱300,000 per annum;

2. The Issuer will pay an annual retainer fee to the Trustee amounting to ₱120,000 per annum;

3. After the Issue Date, a Paying Agency fee amounting to about ₱330,000.00 is payable every Interest Payment Date. The Registrar will charge a monthly maintenance fee based on the face value of the Offer Bonds and number of Bondholders; and

4. The Issuer will pay an annual monitoring fee of ₱280,000 (inclusive of value-added tax) to PhilRatings.

USE OF PROCEEDS

The net proceeds of the Offer shall be used for (i) the redemption of the Company's Series A Bonds, (ii) the partial financing of the Power Plant Project, and (iii) payment of existing indebtedness, detailed as follows:

Purpose	**Estimated Amount**	**Estimated Timing of Disbursement**
Redemption of the Series A Bonds	₱13.000 billion	4Q 2021
Power Plant Project (capital expenditures)	₱3.300 billion	4Q 2021 to 2Q 2022

Existing indebtedness, specifically amortizations of various peso bilateral long-term facilities[1]	₱1.483 billion	4Q 2021
Estimated Net Proceeds	**₱17.783 billion**	**4Q 2021 – 2Q 2022**

Redemption of Series A Bonds

The Series A Bonds are the Company's ₱13.0 billion retail bonds issued on October 27, 2016 with a fixed interest rate of 4.0032% p.a. for a term of five (5) years maturing on October 27, 2021.

The Series A Bonds will be redeemed at 100% face value.

Capital Expenditure: Power Plant Project

The Power Plant Project refers to the Company's construction of a new power plant in its Refinery in Limay, Bataan 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. Estimated total cost for the project is around ₱11-12 billion of which ₱3.3 billion will be funded from the proceeds of the Offer while the remaining ₱7.7-8.7 billion will be sourced from the Company's internally generated funds. Construction of the power plant commenced in 1H2019 and is about 90% complete. The project is expected to be completed and operational in the second half of 2022 after testing, synchronization and pre-commissioning activities.

Payment of Existing Indebtedness

Amortizations of the following peso bilateral long-term loans of the Company:

Lender	Amount
BDO Unibank, Inc. • Interest rate: 5.5276% p.a. • Payment date: October 25, 2021	₱535.71 million
Bank of the Philippine Islands • Interest rate: 4.5900% p.a. • Payment date: October 27, 2021	₱312.50 million
Bank of the Philippine Islands • Interest rate: 5.7584% p.a. • Payment date: December 29, 2021	₱625.00 million
UnionBank • Interest rate: 5.4583% p.a. • Payment date: October 13, 2021	₱250.00 million

[1] While the amortizations for the peso bilateral long-term loans of the Company (including the loans with BDO Unibank, Inc., Bank of the Philippine Islands and UnionBank) amount to a total of ₱1.723 billion, only ₱1.483 billion will be paid using the net proceeds of the Offer.

Since the amortizations of several existing debts are due in the fourth quarter of 2021 and the amount allocated from the proceeds of the Offer to repay said amortizations is not sufficient to cover all such amortizations, Petron may opt to use internally generated funds to repay the debt amortization with BDO (instead of using the proceeds of the Offer).

Any shortfall from the net proceeds of the Offer allotted for payment of any of the foregoing bilateral long-term loans will be financed from the Company's internally generated funds.

BDO Unibank, Inc. is one of the lenders in the long-term loans that may be repaid from the net proceeds of the Offer. BDO Capital, the Sole Issue Manager and one of the Joint Lead Bookrunners and Joint Lead Underwriters, is a subsidiary of BDO Unibank, Inc. Except for the foregoing, none of the proceeds of the Offer will be used to repay any loan with any of the Joint Lead Bookrunners and Joint Lead Underwriters.

The Company shall file the appropriate SEC Form 17-C with the SEC and the PSE upon making any disbursement of the proceeds of the Offer, for the aforementioned purposes.

Pending the above and the estimated timing of disbursement of the use of proceeds, the Company intends to invest the net proceeds from the Offer in short-term liquid investments including, but not limited to, short-term government securities, bank deposits and money market placements which are expected to earn prevailing market rates. In the event such investments should incur losses, any shortfall will be financed from the Company's internally generated funds.

UNDERTAKING ON THE 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.

Except for the underwriting fees and expenses related to the Offer Bonds, no amount of the proceeds will be utilized to pay any other outstanding financial obligations to any of the Sole Issue Manager and the Joint Lead Bookrunners and Joint Lead Underwriters. Please see section on "*Plan of Distribution*".

The foregoing discussion represents a best estimate of the use of proceeds of the Offer based on the Company's current plans and anticipated expenditures. In the event that there is any change in the Company's development plan, including *force majeure*, market conditions and other circumstances, the Company will carefully evaluate the situation and may reallocate the proceeds for future investments or other uses, and/or hold such funds in investments, whichever is better for the Company's and its shareholders' interest taken as a whole. 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 and the Bondholders, through disclosure in PDEx, at least thirty (30) days before such deviation, adjustment or reallocation is implemented.

Plan of Distribution

The Offer Bonds shall be the first tranche to be issued under the ₱50,000,000,000 fixed rate bonds shelf registration of Petron. The Company shall issue the Offer Bonds to institutional and retail investors in the Philippines through a public offering to be conducted through the Joint Lead Bookrunners and Joint Lead Underwriters. The Offer does not include an international offering.

A TOTAL OF ₱18,000,000,000 WORTH OF OFFER BONDS WILL BE TAKEN DOWN FROM THE SHELF. THE REMAINING OFFER BONDS IN THE SHELF IN THE AGGREGATE PRINCIPAL AMOUNT OF ₱32,000,000,000 WILL BE ISSUED IN TRANCHES WITHIN THE SHELF PERIOD.

UNDERWRITERS

BDO Capital, China Bank Capital, PCCI, PNB Capital and SB Capital, pursuant to an Issue Management and Underwriting Agreement with Petron dated September 24, 2021 (the "**Underwriting Agreement**"), have agreed to act as the Joint Lead Bookrunners and Joint Lead Underwriters to distribute and sell the Offer Bonds in the principal amount indicated below at the Issue Price. Subject to the fulfillment of the conditions provided in the Underwriting Agreement, each Joint Lead Bookrunner and Joint Lead Underwriter has committed to underwrite the following amounts on a firm basis (the "**JLUs Underwriting Commitment**"):

BDO Capital	5,500,000,000
China Bank Capital	5,500,000,000
PCCI	1,000,000,000
PNB Capital	3,000,000,000
SB Capital	3,000,000,000
TOTAL	**₱18,000,000,000**

The Underwriting Agreement may be terminated in certain circumstances prior to payment being made to Petron of the net proceeds of the Offer Bonds.

There is no arrangement for the Joint Lead Bookrunners and Joint Lead Underwriters to return to Petron any unsold Offer Bonds.

Petron will pay the Joint Lead Bookrunners and Joint Lead Underwriters an underwriting fee of 0.35% on the final aggregate principal amount of the Offer Bonds issued, which is inclusive of any commissions and fees to be paid to any Co-Lead Underwriters and Selling Agents and in accordance with the terms of the Underwriting Agreement.

The Sole Issue Manager and the Joint Lead Bookrunners and Joint Lead Underwriters have no direct relations with Petron in terms of ownership by either of their respective major shareholder/s and have no right to designate or nominate any member of the Board of Directors of Petron.

For the purpose of complying with their respective commitments under the Underwriting Agreement, the Joint Lead Bookrunners and Joint Lead Underwriters have, under such terms and conditions not inconsistent with the provisions of the Underwriting Agreement, particularly the underwriting commitment of the Joint Lead Bookrunners and Joint Lead Underwriters, entered into agreements with and have appointed the Co-Lead Underwriters and Selling Agents for the sale and distribution to the public of the Offer Bonds; provided, that the Joint Lead Bookrunners and Joint Lead Underwriters shall remain solely responsible to the Issuer in respect of their obligations under the Underwriting Agreement entered into by them with the Issuer, and except as otherwise provided in the Underwriting Agreement, the Issuer shall not be bound by any of the terms and conditions of any agreements entered into by the Joint Lead Bookrunners and Joint Lead Underwriters with the Co-Lead Underwriters and Selling Agents.

Each of FMIC, LBP and RCBC Capital have agreed to act as Co-Lead Underwriters pursuant to a sub-underwriting agreement entered by each of them with the Joint Lead Bookrunners and Joint Lead Underwriters (each a "**Sub-underwriting Agreement**"). Subject to the fulfillment of the conditions provided under the relevant Sub-underwriting Agreement, each Co-Lead Underwriter has committed to underwrite a portion of the JLUs Underwriting Commitment in the amount specified below on a firm basis:

FMIC	1,632,100,000.00
LBP	675,000,000.00
RCBC Capital	120,500,000.00
TOTAL	**₱2,427,600,000.00**

The Underwriters are duly licensed by the SEC to engage in underwriting or distribution of the Offer Bonds. The Sole Issue Manager, and the Joint Lead Bookrunners and Joint Lead Underwriters may, from time to time, engage in transactions with and perform services in the ordinary course of its business for Petron, its parent company, San Miguel Corporation ("**SMC**"), or other members of the SMC Group.

BDO Capital was incorporated in the Philippines in December 1998. BDO Capital is a full-service investment house primarily involved in securities underwriting and trading, loan syndication, financial advisory, private placement of debt and equity, project finance, and direct equity investment. It is duly licensed by the SEC to operate as an investment house and was licensed by the SEC to engage in underwriting or distribution of securities to the public. As of December 31, 2020, it had ₱3.894.36 billion and ₱3.604.12 billion in assets and capital, respectively. It has an authorized capital stock of ₱1.10 billion, of which approximately ₱1.00 billion represents its paid-up capital.

China Bank Capital is the wholly-owned investment banking subsidiary of China Banking Corporation. It was registered and licensed as an investment house in 2015 as a result of the spin-off of China Bank's Investment Banking Group. The firm offers a full suite of investment banking solutions, which include arranging, managing, and underwriting bond offerings, corporate notes issuances, initial public offerings and follow-on offerings of common and preferred shares, private placement of securities, structured loans, project finance, real estate investment trusts, and asset securitizations. China Bank Capital also provides financial advisory services, such as structuring, valuation, and execution of M&A deals, joint ventures, and other corporate transactions.

PCCI was incorporated on July 25, 1980 and is considered as one of the oldest investment banks in the country. PCCI has established a solid track record and expertise in the Philippine capital markets and consequently obtained a license to operate as a trust entity, investment house and securities dealer.

PNB Capital, a wholly-owned subsidiary of the Philippine National Bank, offers a spectrum of investment banking services including loan syndications and project finance, bond offerings, private placements, public offering of shares, securitization, financial advisory and mergers & acquisitions. PNB Capital obtained its license from the Philippine SEC to operate as an investment house in 1997 and is licensed to engage in underwriting and distribution of securities to the public.

SB Capital is a Philippine corporation organized in October 1995 as a wholly-owned subsidiary of Security Bank Corporation. It obtained its license to operate as an investment house in 1996 and is licensed by the SEC to engage in underwriting and distribution of securities to the public. SB Capital provides a wide range of investment banking services including financial advisory, underwriting of equity and debt securities, project finance, privatizations, mergers and acquisitions, loan syndications and corporate advisory services. SB Capital is also involved in equity trading through its wholly-owned stock brokerage subsidiary, SB Equities, Inc. Its senior executives have extensive experience in the capital markets and were involved in a lead role in a substantial number of major equity and debt issues, both locally and internationally.

FMIC is a leading investment bank in the Philippines with over fifty years of service in the development of the country's capital markets. It is the investment banking arm of the Metrobank Group, one of the largest financial conglomerates in the country. FMIC and its subsidiaries offer a wide range of services, from debt and equity underwriting to loan syndication, project finance, financial advisory, investment advisory, government securities and corporate debt trading, equity brokering, online trading, asset management, and research. FMIC has established itself as a leading bond house with key strengths in origination, structuring, and execution. As of December 31, 2020, it had total assets of ₱33.7 billion, total liabilities of ₱18.6 billion and total equity of ₱15.0 billion.

LBP is a government financial institution duly organized and existing under and by virtue of the provisions of Republic Act No. 3844, as amended, with principal offices at the Land Bank Plaza, 1598 M.H. del Pilar cor. Dr. J. Quintos Streets, Malate, Manila. LBP is a duly authorized and licensed universal bank with the appropriate underwriting license in the Philippines and has full power and authority to undertake its underwriting commitment and authorized to perform the duties and functions required of it.

RCBC Capital is a licensed investment house providing a complete range of capital raising and financial advisory services. Established in 1974, RCBC Capital has over 47 years of experience in the underwriting of equity, quasi-equity and debt securities, as well as in managing and arranging the syndication of loans, and in financial advisory. RCBC Capital is a wholly-owned subsidiary of the Rizal Commercial Banking Corporation and a part of the Yuchengco Group of Companies, one of the country's largest fully integrated financial services conglomerates.

SALE AND DISTRIBUTION

The distribution and sale of the Offer Bonds shall be undertaken by the Underwriters and the Selling Agents who shall sell and distribute the Offer Bonds to third party buyers/investors. Nothing herein shall limit the rights of the Underwriters and the Selling Agents from purchasing the Offer Bonds for their own respective accounts.

The Offer Bonds shall be offered to the public at large.

The obligations of each of the Joint Lead Bookrunners and Joint Lead Underwriters will be several, and not solidary, and nothing in the Underwriting Agreement shall be deemed to create a partnership or joint venture between and among any of the Joint Lead Bookrunners and Joint Lead Underwriters. Unless otherwise expressly provided in the Underwriting Agreement, the failure by a Joint Lead Bookrunner and Joint Lead Underwriter to carry out its obligations thereunder shall neither relieve the other Joint Lead Bookrunners and Joint Lead Underwriters of their obligations under the same Underwriting Agreement, nor shall any Joint Lead Bookrunner and Joint Lead Underwriter be responsible for the obligation of another Joint Lead Bookrunner and Joint Lead Underwriter.

OFFER PERIOD

The Offer Period shall commence on September 27, 2021 and end at 5:00 p.m. on October 5, 2021, or such other date as may be mutually agreed by the Company and the Joint Lead Bookrunners and Joint Lead Underwriters.

APPLICATION TO PURCHASE

The procedure set out in this section and the succeeding sections should be read together with the more detailed procedure and other conditions set out in the Application to Purchase.

Applicants may purchase the Offer Bonds during the relevant Offer Periods by submitting to the Underwriters or the Selling Agents properly completed Applications to Purchase either physically or through the e-Securities Issue Portal ("**e-SIP**")established and maintained by the PDS Group), together with two signature cards, and the full payment of the purchase price of the Offer Bonds in the manner provided in the said Application to Purchase.

Corporate and institutional applicants must also submit, in addition to the foregoing:

(a) an original notarized certificate of the corporate secretary or an equivalent officer of the Applicant setting forth resolutions of the board of directors, partners or equivalent body (i) authorizing the purchase of the Offer Bonds indicated in the Application to Purchase and (ii) designating the signatories, with their specimen signatures, for the said purposes;

(b) copies of its Articles of Incorporation and By-Laws and latest amendments thereof, together with the Certificate of Incorporation issued by the SEC or other organizational documents issued by an equivalent government institution, stamped and signed as certified true copies by the SEC or the equivalent government institution, or by the corporate secretary, or by an equivalent officer(s) of the Applicant who is/are authorized signatory(ies);

(c) two (2) duly accomplished PDTC signature cards containing the specimen signatures of the authorized signatories of the Applicant, validated by its corporate secretary or by an equivalent officer(s) who is/are authorized signatory(ies) (whose authority(ies) and specimen signatures will be submitted to the Registrar);

(d) BIR Certificate of Registration showing the Applicant's Tax Identification Number ("**TIN**");

(e) identification document(s) of the authorized signatories of the Applicant, as specified in item (a) of the immediately succeeding paragraph below; and

(f) such other documents as may be reasonably required by any of the Underwriters or the Registrar in the implementation of its internal policies regarding "know your customer" and anti-money laundering.

Individual applicants must also submit, in addition to accomplished Applications to Purchase and its required attachments:

(a) identification document ("**ID**") of the Applicant which shall consist of any one of the following valid IDs bearing a recent photo, and which is not expired: Passport, Driver's License, Professional Regulation Commission ID, National Bureau of Investigation Clearance, Police Clearance, Postal ID, Voter's ID, Barangay Certification, Government Service Insurance System e-Card, Social Security System Card, Senior Citizen Card, Overseas Workers Welfare Administration ID, OFW ID, Seaman's Book, Alien Certification of Registration/Immigrant Certificate of Registration, Government Office and government-owned and controlled corporation ID, *e.g*., Armed Forces of the Philippines, Home Development Mutual Fund, Certification from the National Council for the Welfare of Disabled Persons, Department of Social Welfare and Development Certification, Integrated Bar of the Philippines ID, company IDs issued by private entities or institutions registered with or supervised or regulated either by the BSP, SEC or the Insurance Commission, or school ID duly signed by the principal or head of the school (for students who are beneficiaries of remittances/fund transfers who are not yet of voting age);

(b) two (2) duly accomplished PDTC signature cards containing the specimen signature of the Applicant;

(c) validly issued TIN issued by the BIR; and

(d) such other documents as may be reasonably required by the Underwriters or the Registrar in implementation of its internal policies regarding "know your customer" and anti-money laundering.

An Applicant who is claiming exemption from any applicable tax, or entitlement to preferential tax rates shall, in addition to the requirements set forth above, be required to submit the following requirements to the relevant Joint Lead Bookrunner and Joint Lead Underwriter, Co-Lead Underwriter or Selling Agent (together with their respective Applications to Purchase), subject to acceptance by the Issuer as being sufficient in form and substance:

(a) a current and valid BIR-certified true copy of the tax exemption certificate, ruling or opinion issued by the BIR and addressed to the relevant applicant or Bondholder, confirming its exemption or preferential rate, as required under BIR Revenue Memorandum Circular No. 8-2014 including any clarification, supplement or amendment thereto;

(b) with respect to tax treaty relief, before the initial interest payment, three (3) originals of a duly accomplished valid, current and subsisting BIR Form No. 0901-I or Application Form for Treaty Purposes, TRC duly issued by the foreign tax authority, and the relevant provision of the applicable tax treaty as required under BIR Revenue Memorandum Order No. 14-2021 and (i) three (3) originals of the duly notarized and consularized, if executed outside of the Philippines, Special Power of Attorney executed by the Bondholder in favor of its authorized representative (if the Application Form for Treaty Purposes is accomplished by an authorized representative); (ii) three (3) authenticated copies of the nonresident Bondholder's Articles or Memorandum of Incorporation / Association, trust agreement, or equivalent document copy confirming its establishment or incorporation, with an English translation thereof if in foreign language; (iii) three (3) originals of the Certificate of Non-Registration of Company duly issued by the SEC; and (iv) confirmation acceptable to the Issuer that the Bondholder is not doing business in the Philippines to support the applicability of a tax treaty relief;

(c) a duly notarized undertaking executed by (1) the corporate secretary or any authorized representative of such applicant or Bondholder, who has personal knowledge of the exemption based on his official functions, if the Applicant purchases, or the Bondholder holds, the Offer Bonds for its account; or (2) the trust officer, if the applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Offer Bonds pursuant to its management of tax-exempt entities (*i.e.*, Employee Retirement Fund, etc.), declaring and warranting such entity's tax-exempt status or preferential rate entitlement, undertaking to immediately notify the Issuer and the Registrar and the Paying Agent of any suspension, revocation, amendment or invalidation (in whole or in part) or revocation of the tax exemption certificate, certificate, ruling or opinion issued by the BIR, executed using the prescribed form under the Registry and Paying Agency Agreement, with a declaration and warranty of its tax exempt status or entitlement to a preferential tax rate, and agreeing to indemnify and hold the Issuer, the Registrar and Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding or incorrect withholding of the required tax; and

(d) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities, which, for purposes of claiming tax treaty withholding rate benefits, shall include evidence of the applicability of a tax treaty and consularized proof of the Applicant's or Bondholder's legal domicile in the relevant treaty state, and confirmation acceptable to the Issuer that the Bondholder is not doing business in the Philippines;

provided that the Issuer shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the Bondholder on the interest payments to such Bondholder;

provided further that, all sums payable by the Issuer to tax exempt entities shall be paid in full without deductions for taxes, duties, assessments or government charges, subject to the submission by the Bondholder claiming the benefit of any exemption of the required documents and of additional reasonable evidence of such tax-exempt status to the Registrar.

Failure on the part of the Bondholder to submit the aforementioned document(s) within the time prescribed shall result in the application of the regular tax rates.

The Purchase Price for each Offer Bond is payable in full upon submission of the duly executed Application to Purchase. Payments of the Purchase Price shall be made in the form of either:

(a) A Metro Manila clearing cashier's/manager's or corporate check or personal check drawn against a bank account with a BSP-authorized agent bank located in Metro Manila and dated as of the date of submission of the Application to Purchase covering the entire number of the Offer Bonds covered by the same Application. Checks should be made payable to the relevant Joint Lead Bookrunner and Joint Lead Underwriter, Co-Lead Underwriter or Selling Agent to whom such Application was submitted;

(b) Through the RTGS facility of the BSP to the Joint Lead Bookrunner and Joint Lead Underwriter, Co-Lead Underwriter or Selling Agent to whom such Application was submitted; or

(c) Via the appropriate debit or payment instructions made out to the relevant Joint Lead Bookrunner and Joint Lead Underwriter, Co-Lead Underwriter or Selling Agent to whom such Application was submitted.

All payments must be made or delivered to the Joint Lead Bookrunner and Joint Lead Underwriter, Co-Lead Underwriter or the Selling Agent (if any) to whom the Application to Purchase is submitted.

Completed Applications to Purchase and corresponding payments must reach the Joint Lead Bookrunner and Joint Lead Underwriter, Co-Lead Underwriter or the Selling Agent (if any) prior to the end of the Offer Period, or such earlier date as may be specified by the Joint Lead Bookrunner and Joint Lead Underwriter. Acceptance by the Joint Lead Bookrunner and Joint Lead Underwriter, Co-Lead Underwriter or the Selling Agent (if any) of the completed Application to Purchase shall be subject to the availability of the Offer Bonds and the acceptance by Petron. In the event that any check payment is returned by the drawee bank for any reason whatsoever or the nominated bank account to be debited is invalid, the Application to Purchase shall be automatically canceled and any prior acceptance of the Application to Purchase shall be deemed revoked.

MINIMUM PURCHASE

A minimum purchase of ₱50,000 shall be considered for acceptance. Purchases in excess of the minimum shall be in multiples of ₱10,000.

ALLOTMENT OF THE OFFER BONDS

If the Offer Bonds are insufficient to satisfy all Applications to Purchase, the available Offer Bonds shall be allotted at the discretion of the Joint Lead Bookrunners and Joint Lead Underwriters, in consultation with the Issuer and subject to the Issuer’s right of rejection.

ACCEPTANCE OF APPLICATIONS

Petron and the Joint Lead Bookrunners and Joint Lead Underwriters, reserves the right to accept or reject applications to purchase the Offer Bonds, and in case of oversubscription, allocate the Offer Bonds available to the Applicants in a manner they deem appropriate.

REJECTION OF APPLICATIONS

The Joint Lead Bookrunners and Joint Lead Underwriters shall accept, reduce or reject Applications to Purchase on behalf of the Issuer in accordance with the following provisions and the allocation plan. Reasons for rejection may include the following:

(a) Applications may be rejected if (i) the Purchase Price is unpaid; (ii) payments are insufficient or where checks, as applicable, are dishonoured upon first presentation; (iii) the applications are not received by the Joint Lead Bookrunners and Joint Lead Underwriters on or before the end of the Offer Period; (iv) the number of Offer Bonds subscribed is less than the minimum amount of subscription; (v) the applications do not comply with the terms of the Offer; (vi) the applications do not have sufficient information or are not supported by the required documents; or (vii) after exercising due diligence, judgment and care and upon reasonable determination of the Joint Lead Bookrunners and Joint Lead Underwriters, the Joint Lead Bookrunners and Joint Lead Underwriters have reasons to believe that (1) there exists a legal restriction prohibiting the acceptance or consummation of the transactions in respect of an Application to Purchase, (2) the Application to Purchase and/or the documentary requirements therefor are not in order or are not in accordance with the form prescribed and the terms therein, or (3) the Applicant has misrepresented or supplied false information in the Application to Purchase.

(b) Applications may be reduced if the Offer is oversubscribed, in which case the number of Offer Bonds covered by the applications shall be reduced *pro rata*.

In the event an Application to Purchase is rejected or the amount of Offer Bonds applied for is scaled down for a particular Applicant, the relevant Joint Lead Bookrunner and Joint Lead Underwriter or the relevant Co-Lead Underwriter or Selling Agent shall notify or cause to be notified the Applicant concerned that his/her application has been rejected or that the amount of Offer Bonds applied for is scaled down.

REFUNDS

If any application is rejected or accepted in part only, the application money or the appropriate portion thereof shall be returned without interest to such Applicant through the relevant Joint Lead Bookrunner and Joint Lead Underwriter, Co-Lead Underwriter or the Selling Agent with whom such Application to Purchase the Offer Bonds was made.

Refunds shall be made, at the option of each Joint Lead Bookrunner and Joint Lead Underwriter, Co-Lead Underwriter or the Selling Agent, either (i) through the issuance of check(s) payable to the order of the relevant Applicant and crossed "Payees' Account Only" and mailed or delivered, at the risk of the Applicant, to the address specified in the Application to Purchase, or (ii) through the issuance of instructions for automatic credit payments to the accounts of the relevant Applicants, as indicated in their respective Applications to Purchase.

PAYMENTS

The Paying Agent shall open and maintain a Payment Account, which shall be operated solely and exclusively by the said Paying Agent in accordance with the Registry and Paying Agency Agreement, provided that beneficial ownership of the Payment Account shall always remain with the Bondholders. The Payment Account shall be used exclusively for the payment of the principal and interest on each Interest Payment Date.

The Paying Agent shall maintain the Payment Account for six (6) months from Maturity Date or date of early redemption. Upon closure of the Payment Account, any balance remaining in such Payment Account shall be returned to the Issuer and shall be held by the Issuer in trust and for the irrevocable benefit of the Bondholders with unclaimed interest and principal payments.

UNCLAIMED PAYMENTS

Any payment of interest on, or the principal of the Offer Bonds which remain unclaimed after the same shall have become due and payable, shall be held in trust by the Paying Agent for the Bondholders at the latter's risk and shall be dealt with in accordance with the relevant provisions of the Registry and Paying Agency Agreement.

PURCHASE AND CANCELLATION

The Issuer may purchase the Offer Bonds at any time in the open market or by tender or by contract without any obligation to make *pro rata* purchases from all Bondholders. Offer Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

Upon listing of the Offer Bonds on PDEx, the Issuer shall disclose any such transactions in accordance with the applicable PDEx disclosure rules.

SECONDARY MARKET

Petron intends to list the Offer Bonds in the PDEx. Petron may purchase the Offer Bonds at any time without any obligation to make *pro rata* purchases of Offer Bonds from all Bondholders.

REGISTRY OF BONDHOLDERS

The Offer Bonds shall be issued in scripless form. A Master Certificate of Indebtedness representing each of the Series E Bonds and Series F Bonds sold in the Offer shall be issued to and registered in the name of the Trustee for the benefit of the Bondholders.

Legal title to the Offer Bonds shall be shown in the Registry of Bondholders to be maintained by the Registrar. The names and addresses of the Bondholders and the particulars of the Offer Bonds held by them and of all transfers of Offer Bonds shall be entered into the Registry of Bondholders. Transfers of ownership shall be effected through book-entry transfers in the scripless Registry of Bondholders.

Initial placement of the Offer Bonds and subsequent transfers of interests in the Offer Bonds shall be subject to applicable prevailing Philippine selling restrictions.

PARTIES TO THE OFFER

THE ISSUER

PETRON CORPORATION
SMC Head Office Complex
40 San Miguel Avenue
Mandaluyong City, Philippines
Telephone Number: (632) 8884 9200
www.petron.com

SOLE ISSUE MANAGER

BDO Capital & Investment Corporation
33rd Floor BDO Towers Valero
8741 Paseo de Roxas
Makati City, 1226

JOINT LEAD BOOKRUNNERS AND JOINT LEAD UNDERWRITERS

BDO Capital & Investment Corporation
33rd Floor BDO Towers
Valero, 8741 Paseo de Roxas,
Makati City, 1226

China Bank Capital Corporation
28th Floor BDO Equitable Tower
8751 Paseo de Roxas
Makati City 1226

Philippine Commercial Capital, Inc.
6th Floor PCCI Corporate Centre
118 L.P. Leviste Street
Makati City, 1227

PNB Capital and Investment Corporation
9th Floor PNB Financial Center
Pres. Diosdado Macapagal Blvd.
Pasay City, 1300

SB Capital Investment Corporation
18th Floor Security Bank Centre
6776 Ayala Avenue
Makati City, 1226

LEGAL ADVISORS

To the Sole Issue Manager and Joint Lead Bookrunners and Joint Lead Underwriters

SyCip Salazar Hernandez & Gatmaitan
SyCipLaw Center
105 Paseo de Roxas
Makati City, 1226
Philippines

To the Issuer

Picazo Buyco Tan Fider & Santos
Penthouse, Liberty Center – Picazo Law
104 H.V. dela Costa Street
Salcedo Village, Makati City, 1227
Philippines

AUDITORS OF THE ISSUER

R.G. Manabat & Co.
KPMG Center
6787 Ayala Avenue
Makati City, 1200

REGISTRAR AND PAYING AGENT

Philippine Depository & Trust Corp.
29/F BDO Equitable Tower
8751 Paseo de Roxas
Makati City, 1226

TRUSTEE

Philippine Commercial Capital, Inc. – Trust and Investment Group
6th Floor PCCI Corporate Centre
118 L.P. Leviste Street
Makati City, 1227